Client Success

SPAIPA SA

Margin Minder® in South America A 3% Increase in Operational Margin, 4% in Market Share

Overview

SPAIPA SA

SPAIPA SA is one of the largest beverage bottlers in South America with about 2,000 employees. Approximately 3 years ago, the company embarked on a mission to morph into a company with a profitability culture using technology and management philosophy change.

Industry

Direct to Store Distribution Soft Drink

Geography

South America

Business Challenges

- Profitability Measurement
- Uniform Measurement
- Consistent Compensation
- Reconciliation of Achievement and Results

Solution

Deployed Margin Minder® for sales, production, distribution and support teams.

Results

System Exceeded Expectations

- SPAIPA Gained 3% in Operational Margin
- From 2000 to 2002, SPAIPA gained 4 percentage points in the value share of the soft drink market
- At the same time, it gained 3 percentage points in market share in new products and beer
- Demand forecasting is accurate in the order of 98 percent

The following abstract represents a summation of the work by SPAIPA SA, a Brazilian Beverage Bottler. The original academic white paper was published in 2003 and is also available. The case study was co-authored by the company CEO, an MIS professor and an IT consulting company. Salient had no part in the original development of this case study.

The Organization

SPAIPA SA is one of the largest beverage bottlers in South America with about 2,000 employees. Approximately 3 years ago, the company embarked on a mission to morph into a company with a profitability culture. Their story is inspiring because they looked beyond the mere implementation of technology as a solution. Instead, they re-invented their culture and then applied a technology solution that would enhance that culture to achieve explosive growth. As a result, the company gained 3 percent in operational margin.

The Problem

SPAIPA, although very successful, believed that they had devolved into a culture of turf protection and volume rather than profit. Specifically, the management team identified the following systemic organization issues:

- **Profitability Measurement**
  Sales teams focused on volume almost exclusively and they were very successful, while profit goals went unmet.

- **Uniform Measurement**
  Each manager used a different method for calculating results generating extensive discussion, but no consensus on the right calculations. Without consensus on the correct calculations, no effective corrective marketing action could be taken.

- **Consistent Compensation**
  Compensation plans were working at odds - the sales team was compensated on volume, the management team was compensated on profit.

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- **Reconciliation of Achievement and Results**
  Production teams and sales teams created loss-inducing safety nets in order to protect themselves. Production teams over-produced in order to protect themselves from un-planned sales drives, while the sales teams under-estimated sales in order to ensure goal achievement.

The company searched for a solution to help them achieve the following goals:

- Develop a balance between sales volumes and pricing
- Provide the sales team with a negotiation tool to help decide whether to give discounts to clients based on activity
- Select criteria to stimulate margins at the right time
- Facilitate margin management, while monitoring returns
- Map clients, product and preferential distribution routes effectively
- Align the company to a profit focus

The Plan

SPAIPA developed a discussion group to formulate a strategy for solving the profitability equation for stock holders and creating better service for clients. The discussion group included members from production, sales, distribution and support. The group was directed to focus on a solution that facilitated a change in approach for four key areas:

- Culture
- Technology
- Data
- Information

SPAIPA selected Margin Minder® from Salient Corporation as the solution that met all of the requirements as outlined by the management team and the discussion groups. Margin Minder®, however, was not a mere technology solution. The system was a perfect support for the underlying goal of changing the company culture to one of profit.

The Results

Three years after implementation of Margin Minder®, SPAIPA detailed the following results:

- The system exceeded expectations and as a result, the company gained 3 percent in operational margin.
- In the period of 2000 to 2002, the company gained 4 percentage points in the value share of the soft drink market. At the same time, it gained 3 percentage points in market share in new products and beer.
- Demand forecasting is accurate in the order of 98 percent, allowing for a substantial reduction in product stock and also for the broadening of the assertiveness level in the flow of case revenue to the order of 99 percent.

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About Salient

Salient Corporation makes very large scale in-memory intelligence technology for ad hoc data interrogation, visualization and root cause analysis. The company provides continuous audit, performance monitoring and forensic applications for business, health care, education and government.