# Zero-Based Shopper Marketing: Virtual Roundtable

**Shopper Marketing Magazine asks a panel of experts ten burning zero-based budgeting questions.**

# Zero-Based Shopper Marketing

As CPG companies face the disruption of big data, private label and digital, many are turning to zero-based budgeting (ZBB) to maintain their margins and drive ROI.

The practice was first introduced in the 1970s by Texas Instruments accounting manager, Pete Pyhrr. It recently gained traction when 3G Capital bought Kraft Foods in 2015, merged it with Heinz, and implemented a ZBB system. With ZBB, a business builds its budget from zero, rather than the previous year's spend, and defends each expense based on anticipated growth.

A January 2017 study by Deloitte reported that 22% of CPG companies had adopted the method. In addition to Kraft Heinz, other CPG companies that have reported to use ZBB include Campbell Soup Co., Coca-Cola Co., Kellogg Co., Mondelez International and Unilever.

While some see the practice as simply cutting costs, supporters point to its many benefits. "I view it as much more than budgeting from zero," says Kyle Hawke, associate principal at McKinsey & Co. "It's aligning resources with the business strategy and putting in place the structure and resource allocation process to get the money to where it matters most – while also setting forth the governance and culture shift to sustain it over time."

In an effort to aid shopper marketers contemplating ZBB, Shopper Marketing Magazine conducted a virtual roundtable of top ZBB consultants and software solution providers.

Read on to uncover their unique insights.

# What are some possible drawbacks of ZBB?

QUESTION 01

**KYLE HAWKE:**
*It is more time-consuming than a normal financial planning and monitoring process. It requires managers to think about not just growth, but profitable growth.*

**JAMES CIOBAN:**
*It can be difficult to get team members on board when they are resistant to change or fear ZBB will be counterproductive.*

**MIKE ANTHONY:**
*It's seen as short-termist. ZBB focuses on the short-term financial goals rather than longer-term "investments," such as equity-building, which is hard to measure. A promotion today might benefit from brand-building activity over the last decade, so some fear ZBB might kill off the brand-building activity that doesn't deliver immediate ROI.*

**ANNE CHAMBERS:**
*In knowing that budgets will be scrutinized or reduced, management often proposes a budget with inflated numbers.*

**PATRICK FITZMAURICE**
formerly managing director, professional development, Path to Purchase Institute

**KYLE HAWKE**
associate principal, McKinsey & Co.

**ED JOHNSON**
principal, pricing & profitability management, Deloitte Consulting

QUESTION 02

# What would you say to those who see it as simply an attempt to cut costs?

**KYLE HAWKE:**

*There are a lot of myths out there on ZBB, and a lot of that is perpetuated by a limited number of horror stories exacerbated by the media. This is myth No. 1.*

**MIKE ANTHONY:**

*The reality is, if a company wants to cut costs, they can just do it. At least with ZBB, they are likely to cut the right costs.*

**JAMES CIOBAN:**

*ZBB isn't really about cost cutting—it's about rethinking how your budget is allocated and managed in order to put your funds to more efficient, growth-orientated use. It is about investing more in what works and less in what isn't. Cutting for pure savings sakes is not going to create a sustainable future or grow sales.*

# So why ZBB – what are the positives?

QUESTION 03

**PATRICK FITZMAURICE:**

*ZBB forces new thinking into the marketing planning processes, such as - what are the shifts in the media/tools/tactics that consumers and shoppers are using? What elements are proving to be increasingly effective? Which are no longer performing as before? And with that info, how do I think about allocating dollars to drive better results going forward?*

**ED JOHNSON:**

*ZBB puts a rigorous focus on shareholder value and return on investment. There's a reduction in complacency and reversion to historical plans. It drives a culture of ownership over results and shareholder value at all levels.*

> "ZBB empowers shopper marketers to extract maximum profitability from their programs. It creates transparency into the programs and tactics that are delivering the greatest return at the customer and channel level. It catalyzes broader collaboration between internal and external teams."
>
> **– James Cioban, Cierant Corp.**

QUESTION 04

# Does it help or hinder creativity?

**CHAMBERS:**

*It fosters creativity by driving the development of the best programs that drive the most volume, or name your priority – and provide the organization with the right short and long-term plan.*

**ANTHONY:**

*It challenges creativity for the sake of creativity. Let's be creative, but with purpose. Let's kill off activity that wins awards, but keep the stuff that drives the business forward.*

> "Zero-based budgeting doesn't stifle creativity—it directs it."
>
> **– James Cioban, Cierant Corp.**

# Typically, how are shopper marketing-related functions impacted?

QUESTION 05

**CIOBAN:**

*There is better alignment of brand funding with top-performing channels, tactics and customers. Shopper marketers are able to replace ineffective year-over-year funding models with an active budgeting approach that adapts to real-time changes in performance and opportunity.*

**ANTHONY:**

*It isn't clear in all of these companies exactly how much shopper marketing is impacted. That will depend on the structure. A lot of shopper activity is buried in trade spend, which in many companies, still isn't under a ZBB protocol, though it should be.*

"It should be a positive for shopper overall. As CMOs and Marketing VPs look to maximize spend and capture growth, the increasing importance of converting shoppers along the path to purchase should attract greater dollars, drawing from other marketing buckets that may no longer be effective growth drivers."

**– Patrick Fitzmaurice,**
**Path to Purchase Institute**

QUESTION 06

# Why isn't shopper marketing currently included in ZBB practices?

**ANTHONY:**

*Shopper marketing is often viewed as a separate pot because it is defended by sales people who claim – "we have to spend it because the customers demand it" – which is a weak excuse. ZBB doesn't say cut spend, but rather, think more carefully and plan better to get a better return.*

# In the retail space – who's getting ZBB right?

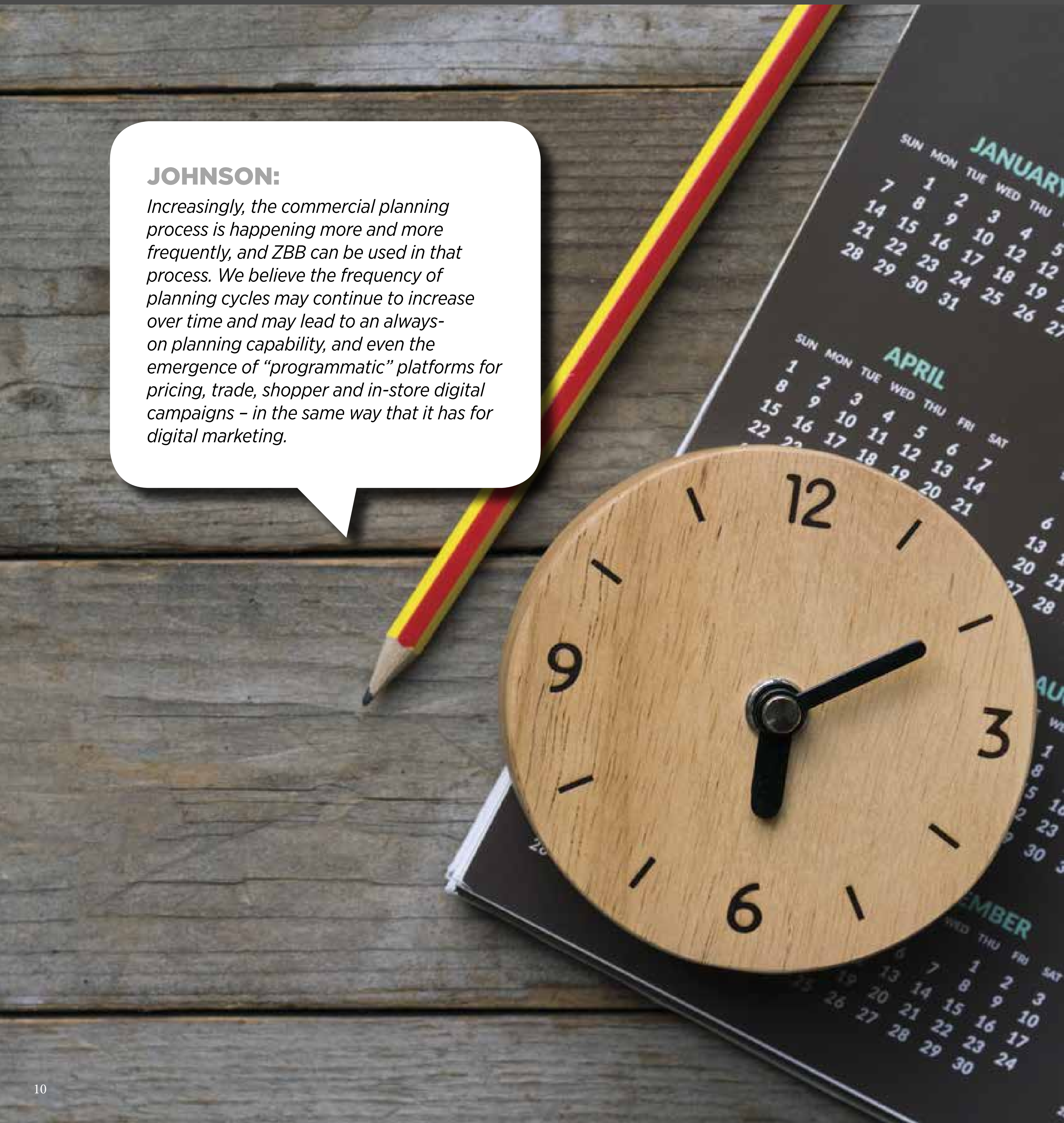
QUESTION 07

**FITZMAURICE:**

*One example is what P&G has been talking about for the past few years. Marc Pritchard, P&G's chief brand officer, is pushing the industry for cost transparency, and P&G is trying to determine what level of precision spend drives the greatest return. Walmart is also making very different spend decisions as it balances store reinvention with dot-com spending and the like.*

QUESTION 08

# How frequently does ZBB occur – is it an annual process?




**JOHNSON:**

*Increasingly, the commercial planning process is happening more and more frequently, and ZBB can be used in that process. We believe the frequency of planning cycles may continue to increase over time and may lead to an always-on planning capability, and even the emergence of "programmatic" platforms for pricing, trade, shopper and in-store digital campaigns – in the same way that it has for digital marketing.*

# What are some ways you help clients adopt a ZBB planning mindset?

QUESTION 09

**HAWKE:**

*When we work with clients on display, advertising, merchandising – we ask them to look at everything in the value chain. Start at the creative design process and evaluate at whether the display is designed for maximum value. Then, assess how it is printed, distributed and handled. What are customers really going to value and what will get their attention? Are you sourcing the display strategically or does every brand manager have a preference?*

QUESTION 10

# What does it take for ZBB of shopper marketing to succeed?

**ANTHONY:**

*ZBB has to be handled by people who understand the strategy – the commercial leaders – and set up in conjunction with finance. If managed as a finance process, it is likely to reduce costs, but not build brands and business as it will become very short term. Create an integrated strategy, agree to clear KPIs to achieve that (financial and non-financial), and then run ZBB against this. The important thing is to create the balanced scorecard of KPIs first.*

**CHAMBERS:**

*Solid capability training and core understanding of performance metrics will set the team up for success and foster a collaboration that drives focus on strategic priorities.*

**JOHNSON:**

*Be as transparent as possible with commercial teams, channel partners and retailers, and involve them in the decision-making process to help gain buy-in.*

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