



The Truth About Zero-Based Budgeting

Debunking the Myths

A budgeting process that allocates funding based on program efficiency rather than budget history, zero-based budgeting (ZBB) is fast becoming a driver of profit and performance growth in the consumer goods industry.

While a growing collection of CPGs are experiencing outstanding results, others are reluctant to adopt ZBB due to beliefs that:

1. It means building your budget from a zero-base each cycle.
2. It must be implemented across all departments.
3. It takes years of planning to get off the ground.
4. It overwhelms resource and lowers productivity.
5. It requires intense manual data collection and analysis.

We, however, know that with the right technology and processes in place, these five beliefs are falsehoods.



Truth-Revealing Facts:

Witnessing the success of zero-based budgeting firsthand across our consumer goods clients, below are three ZBB facts that disprove the myths of naysayers:

1. Expanding in Implementation

Implementation of zero-based budgeting has increased dramatically worldwide in recent years. This growth trend is evidenced by the following:

- As of 2017, 22% of CPGs have implemented zero-based budgeting, the highest rate of industry adoption.
- 47% of 1,067 consumer goods companies surveyed by Bain & Company plan to implement a ZBB program, four times as many since 2014.
- By August of 2017, 90 companies had mentioned zero-based budgeting in quarterly earnings calls with McKinsey, compared with 14 in 2013.

2. Producing Measurable Results

ZBB is delivering the following results to three of the CPG industry's largest companies:

Mondelez:

- Achieved savings of \$350 million in the first year. Now aims to save \$1 billion over three years.
- Successfully embedded cost consciousness into the company's day-to-day operations and culture.
- Delivering ongoing efficiency savings that can be continuously reinvested in growth initiatives.

A CPG Survival Strategy

While some perceive zero-based budgeting as a passing trend, for the CPGs who have implemented it, it is a long-term strategy for operational innovation and cost reduction that their marketplace survival depends on.

CPGs experiencing the success of ZBB are leveraging advances in digital technologies to accelerate the zero-based process, automate the analysis, and give them the granular cost transparency they need to cut the fat and reinvest in meaningful growth.

Kellogg's:

- Announced \$150-\$180 million in savings from zero-based budgeting in 2016. Expects these savings will build to a rate of \$450-\$500 million by 2018.
- Leveraging the efficiency savings of ZBB to invest in existing brands, acquire new ones and fund geographic expansion.
- Making significant progress towards goal of increasing its margin by 350 basis points.

Unilever:

- Plans to double efficiency savings from brand and marketing investments from 1 billion by 2019 to 2 billion following a move to ZBB.
- Identified 15% savings in warehousing, 10% in transport and 10% in repacking through ZBB implementation across the supply chain.
- Able to respond more quickly to consumer and channel needs and roll out local innovations faster.

3. Delighting Chief Financial Officers

CFO of Unilever, Graeme Pitkethly

“We have seen many savings from the ZBB programme, from synergies in procurement to ROI of our marketing spend.”

SVP & CFO of Mondelez, Brian Gladden

“Eighteen months into our ZBB efforts, we're delivering benefits faster than expected in all indirect cost packages.”

The results these organizations are experiencing not only attest to the fact that ZBB is achievable, but that it is one of the most successful methods for improving margins and operational effectiveness.

Make the Shift to Smarter Budgeting

To explore how Cierant's zBudget™ software helps CPGs seamlessly shift to smarter budgeting, please call **203-731-3555** or email **inquiries@cierant.com**.

