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# ***Jointly Agreed Growth (JAG)***



**Luis Cantarell – Nestlé Europe**  
**Richard Brasher – Tesco**

# *Jointly Agreed Growth (JAG)*



**Case for change**

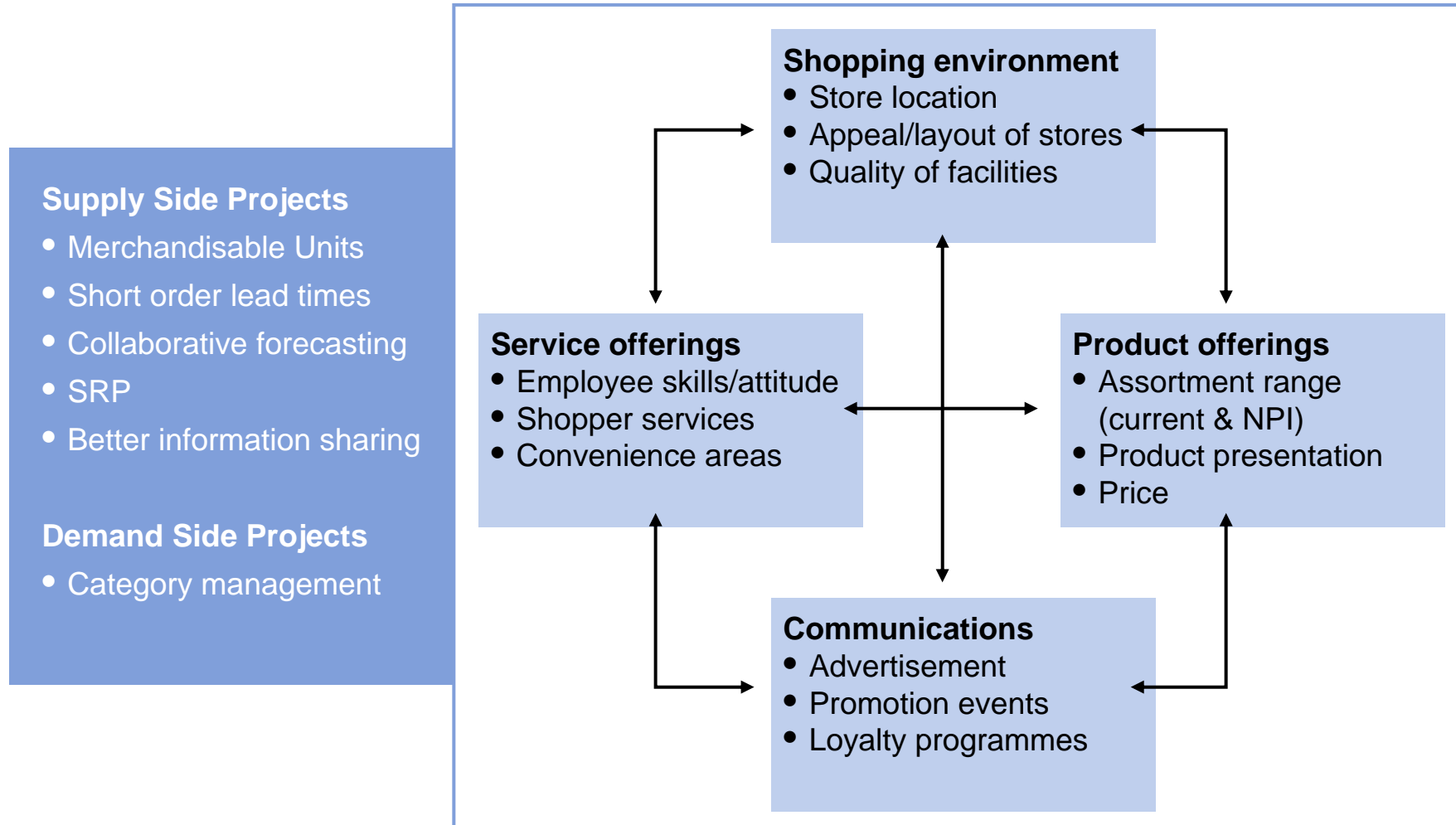
Case Study

The “JAG” Process

Conditions for success

# ECR has been a platform for collaboration

## The levers of growth

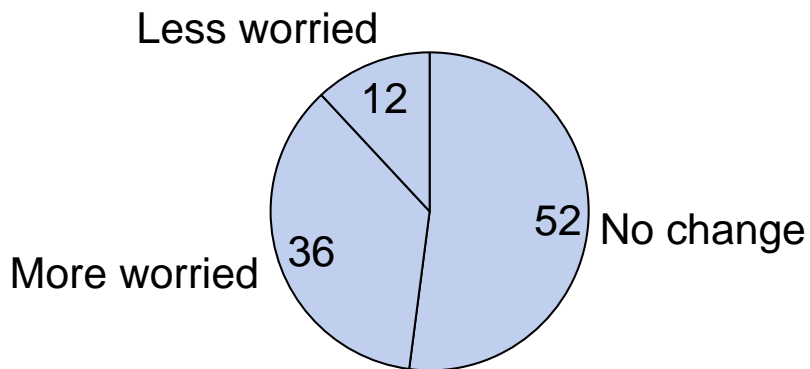


*We have been focused on driving profitability through efficiency*

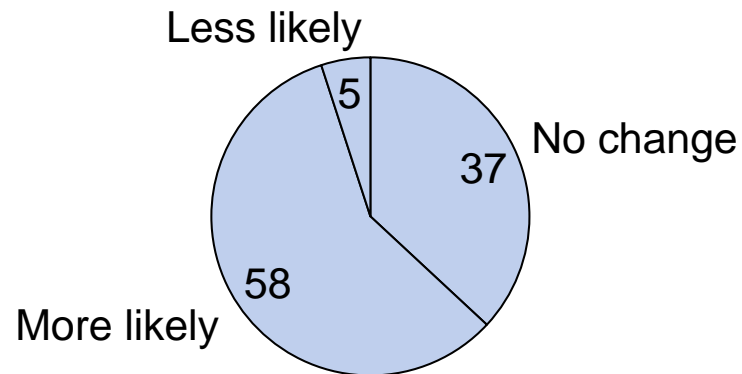
# Shopper dynamics are changing

Compared to last year, are you...

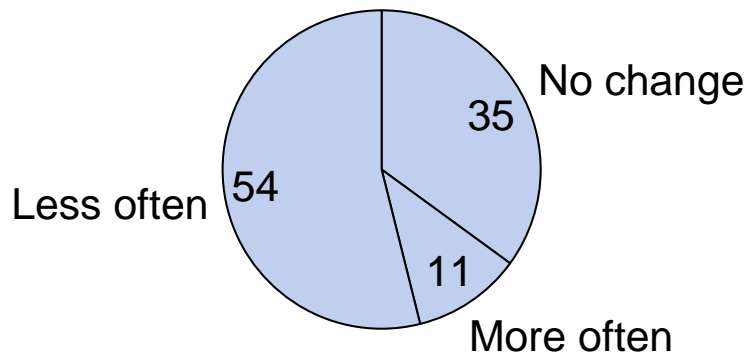
... more worried about losing your job?



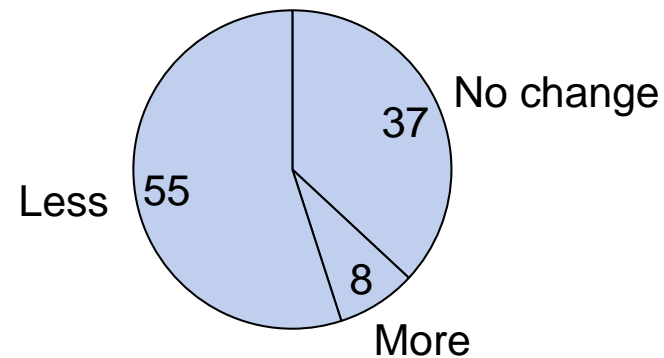
... checking prices in supermarket?



... eating out in restaurants?

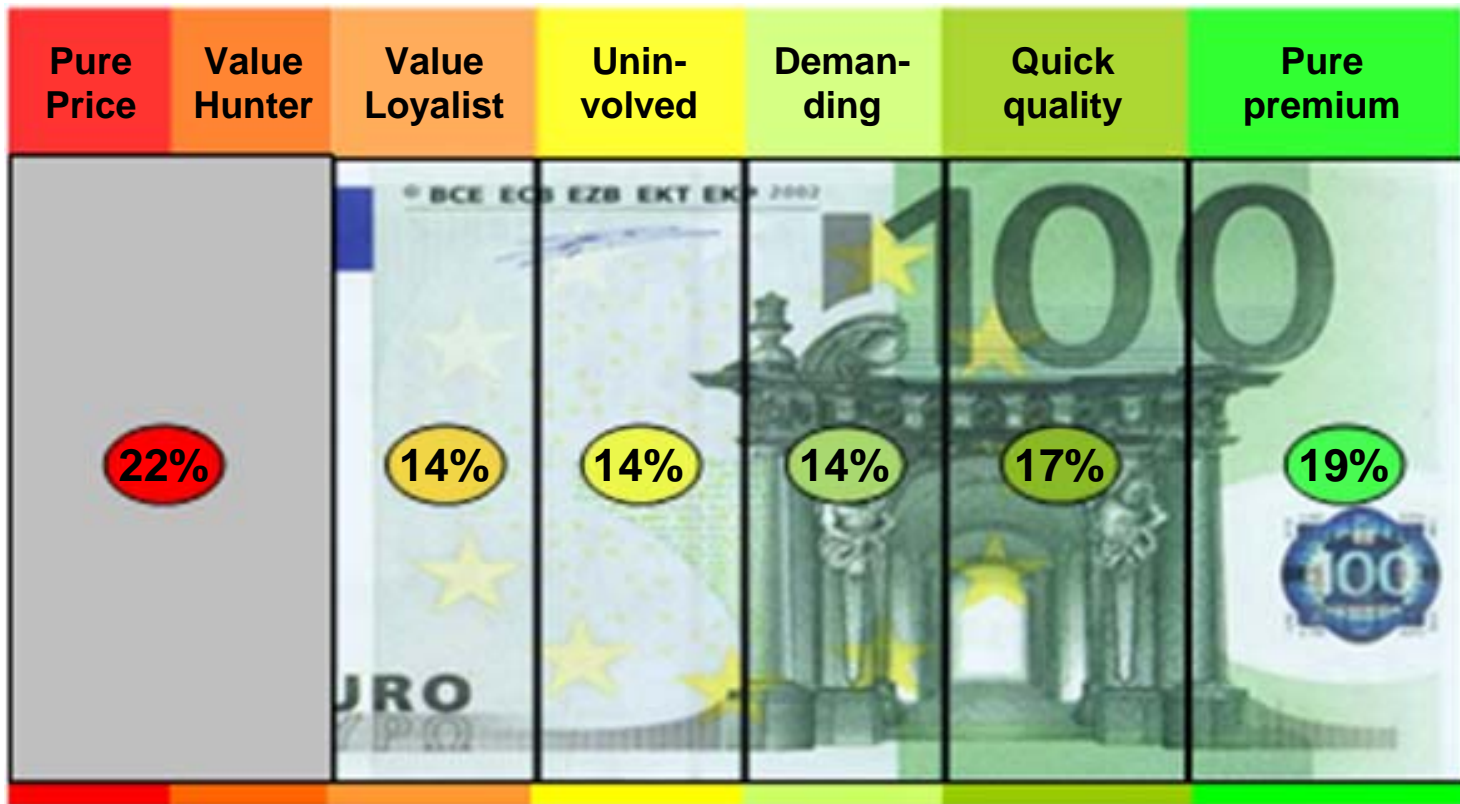


... buying new clothes?



# "We talk about delighting the shopper but we focus predominantly on price ..."

80% of the market is ready for consumption opportunities



# There is a lack of entrepreneurship, and hence of innovation

“We need to create and develop economic activity by blending risk taking, creativity and/or innovation with sound management”

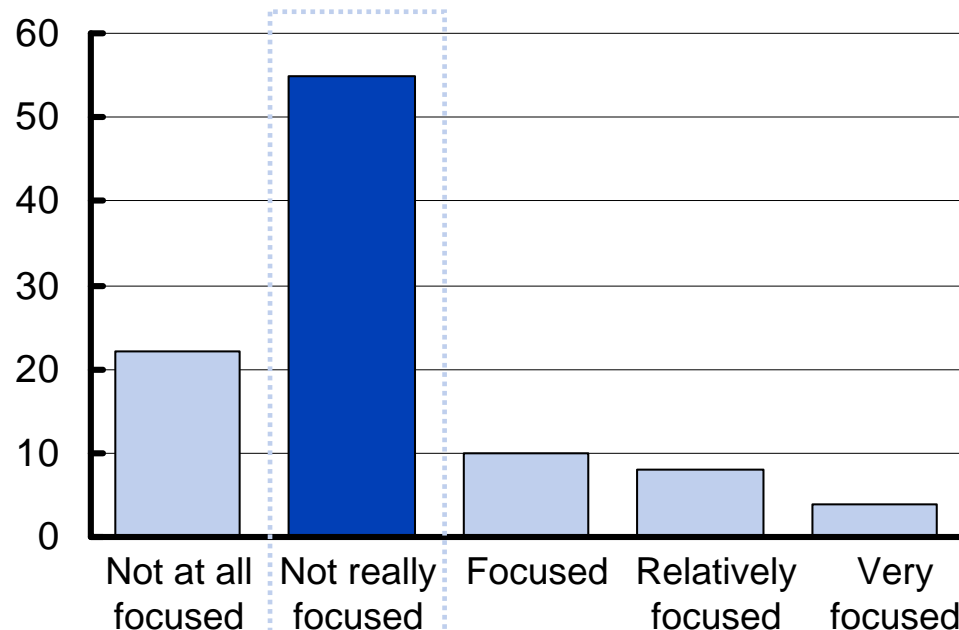
– *EU Commission*  
“Action Plan for Entrepreneurship”, 2004

“We have become risk averse: rather than Play to Win, we would rather Play Not To Lose”

– *ECR Europe Co-chair Demand*

Entrepreneurship is one of the 7 indicators of innovation tracked by the European Commission in its European Innovation Scoreboard

How focused on the consumer and shopper, on driving demand and generating growth, is the current negotiation model in Europe?



# We have become risk averse to innovation

## Brand proliferation vs. true innovation

- Manufacturer – Cost of launching new brands is increasing – hence safer to launch variant of existing brand
- Retailer – increasing pressure to drive sales/mod – hence safer to rely on tried and tested brands

“We need to focus on fewer, better and faster innovations”  
– *CEO Forum 2006*

“Innovation is also about the service and the environment we provide for the shoppers in the store. Sometimes just a re-organization of categories or display generates more growth than additional products”  
– *ECR Conference, Demand Side Plenary*

So rather than **Play To Win** on innovation,  
we would rather **Play Not To Lose**

# Systemic barriers lead to failure of growth-driving initiatives

Lack of strategic alignment

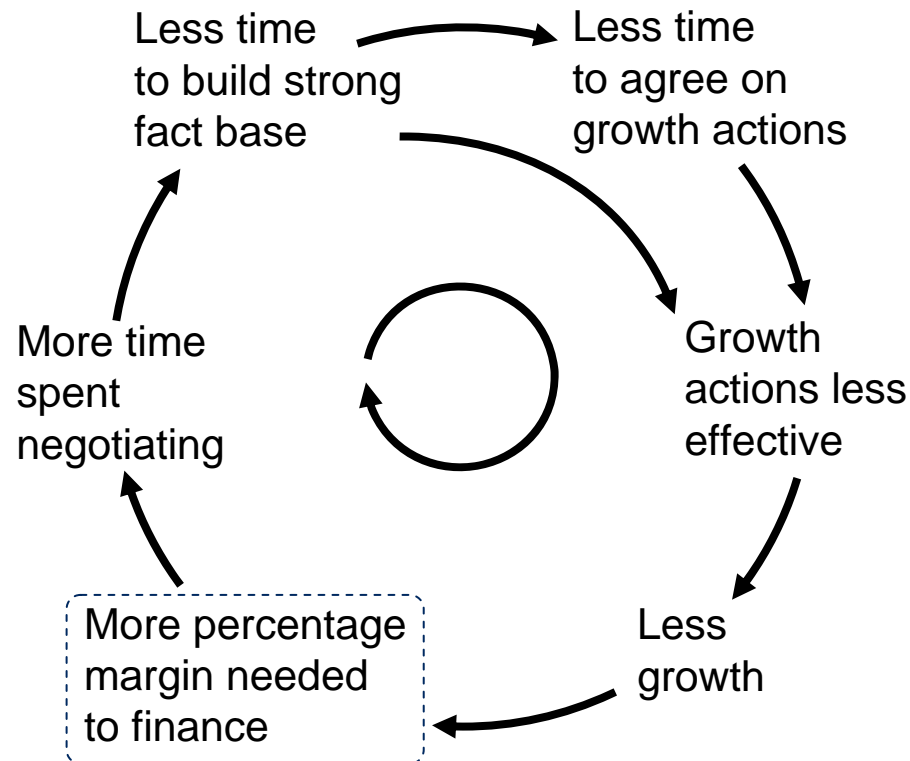
Lack of long-term visibility / focus

Fear of private label match impeding product introduction

Slow distribution of new products / general availability issues

Lack of KPIs to measure effective return

**“Current relationship is based on a wrong starting point”**



**Poor collaboration to stimulate demand due to lack of trust**

# *Jointly Agreed Growth (JAG)*



Case for change

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# Collaboration in automotive industry

## Context of collaboration

- Structure decline of profitability in automotive industry:
  - Over-fragmentation within the industry
  - Strong increases in cost base e.g., environmental costs

## The case *Toyota*

- Toyota intensifies link with suppliers to ensure total quality of final product

## Key success factors

- Senior Management involvement
- Openness to change and continuous improvement mindset
- Dedicated team with suppliers with decision making responsibility
- Good mutual understanding with full trust - relaxed working environment

## Main learnings

- Understand what you need through cooperation – based on expected trends
- Clarify and specify the sources of value – e.g., limited revenue synergies
- Build deal structure that will create incentives to succeed on involved parties

# *Jointly Agreed Growth (JAG)*



Case for change

Case Study

**The “JAG” Process**

Conditions for success

# JAG working group



## Objective

- How to achieve **true** collaboration to generate demand?

# Process steps for successful JAG collaboration

## JAG process

- Five-step process building a three-year rolling JAG plan
- Annual milestones to be set
- Part of JBP process and not a replacement
- Buyer-Seller accountable for functional liaison, planning coordination, agreement and execution follow-up
- Cross functional teams drive analysis and planning to support Buyer-Seller



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Case for change

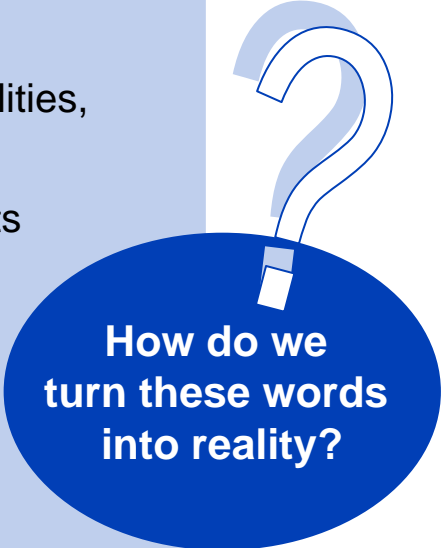
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# What are the jointly agreed growth principles?

- **Grow the grocery market** in a sustainable, profitable and competitive way to ensure the **highest shopper and consumer satisfaction**
- Deliver **commercial benefits for each party**
- Be **open to every company** bringing in knowledge and capabilities, regardless of its category
- Establish a **fact-based joint process** in which data and insights are shared
- Be **committed to a clear execution plan**
- **Allocate the required resources** for the execution of the plan within the agreed time frame
- **Review the JAG process on a regular basis**
- Respect the **Confidentiality Agreement**
- **Comply with all laws:** competition, health, environment, and intellectual property
- **Involve senior commitment to ensure the 3-year time frame** engagement required by the JAG



How do we  
turn these words  
into reality?

# What's "new" about JAG?

## JAG is ...

1. ... a **shopper- centric approach** aimed at improving category offer
2. ... a **fact-based** approach
3. ... a **co-generated plan** to drive consumer demand
4. ... a process **dependent upon trust**



**Success is dependent upon shopper focus and our relationship**

# Short-term reality vs. long-term aspiration



**VS.**



- Short term relationship that is focused on cost price
- No room in the relationship to focus on the shopper
- Neither party sees any real value in the relationship
- Rewarding promiscuity

- Cost price negotiations are inevitable bumps along the road
- Long term strategic alignment where the shopper is at the heart of the plans
- Elements of uniqueness / exclusivity which forge enhanced relationships
- Rewarding loyalty

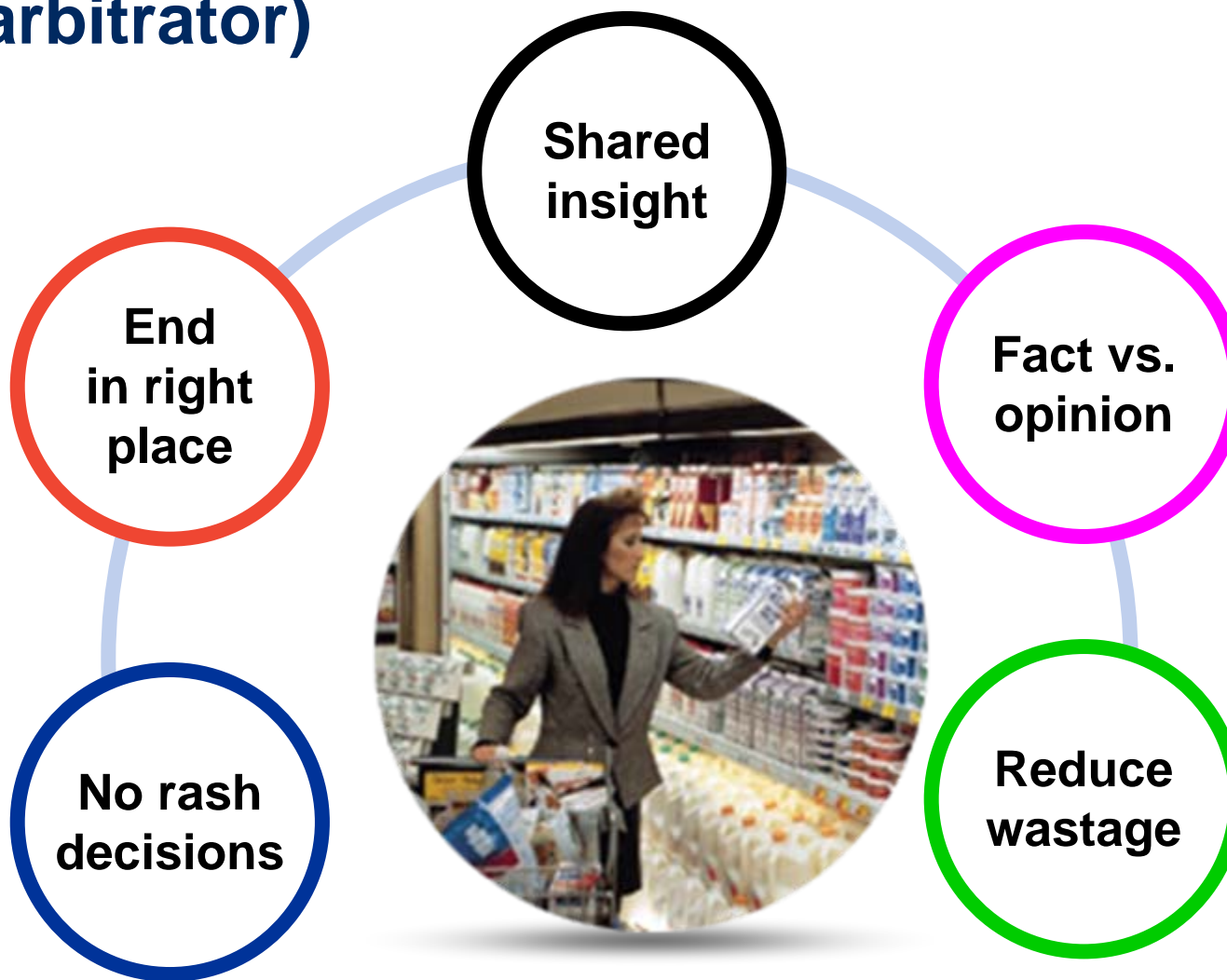
# The importance of continuity



1. **Joint plan** based on shopper needs and senior management alignment
2. **Lack of continuity** – e.g. personnel moves ; macro/ micro economic changes
3. Relationship becomes focused on **day to day trading** only
4. **Confrontational relationship** not focused on the shopper

**Without continuity, the JAG plan will eventually dwindle into ineffectiveness**

# Common ground = The shopper (the arbitrator)



## 3 key messages

Need to stimulate demand as shoppers' needs are changing and growth is becoming more difficult to attain

JAG process is not rocket science and addresses the shortfalls of previous models

Success is less dependent on the process and more dependent on the will and trust of the two parties



**THANK YOU**