



Use cases

- Financial planning and analysis (FP&A)
- Zero-based budgeting (ZBB)
- Annual budgeting

Challenge

- Protect margins as consumers look for value and retailers put pressure on prices
- Provide more detailed visibility in overhead accounts to identify cost savings
- Be able to manipulate large amounts of data in real time

Solution

- Replace legacy solutions unable to cope with more granular budget models
- Use flexible, real-time drivers for operational planning and financial budgeting
- Run rapid scenario analyses in a self-managed solution to achieve continual improvements

Results at a glance

- Cost savings of up to 25% on overhead and support functions
- Improved efficiency and competitiveness
- Rapid time to value with implementation completed in a matter of weeks



Zero-based budgeting delivers the goods in CPG

Introduction

As consumers seek out everyday value and retailers look to their suppliers for lower prices, the margins of companies in the consumer packaged goods (CPG) sector are under increasing pressure. With the entire market going through disruptive change, many CPG companies have realized the need to take a more comprehensive approach to planning and budgeting, and the leadership of some of the world's largest CPG companies have spoken publicly about their adoption of zero-based budgeting (ZBB).

What is ZBB? It is a practical way for companies to radically redesign their cost structure, helping them improve their

competitiveness and profitability. In short, ZBB forces managers to critically assess all the activities their departments perform and justify every dollar in their budget submissions. When done correctly, ZBB frees up cash, which companies can then use to reinvest in current brands and future growth.

Challenge

Because ZBB is an enterprise-wide initiative, there is less risk of compromising an individual business function's ability to execute. It is also less likely to sap employee morale when compared to having to endure successive rounds of selectively targeted cost cutting. However, note that while well-planned internal communication will bring about the mindset shift needed for managers embrace this new approach to planning, ZBB does present considerable challenges for financial systems.

The success of ZBB depends on managers having both a deeper understanding of the operational drivers of costs so they can make better and quicker decisions on how to control them, as well as visibility of costs at a much more granular level. Both are critical to the success of ZBB because without this understanding and visibility, it is too easy for cost center managers to explain that things are the way they are and why they cannot change.

Traditional planning and budgeting systems—and even many of the newer cloud-based solutions—focus solely on the financial function and fail to provide the detailed insight into operational drivers that managers need when deciding whether to remove an expense. These systems' ability to support ZBB is further compromised by the need to have specialist skills to build and amend models, which makes it impossible for cost center managers to create their own "what-if" scenario



The platform allows us to quickly do recalculations, see gross margin statements instantly, and drill down deeper into the data. The virtualization of forecasting is also greatly improved, and we can use filters and sorting tools to see on-the-spot outcomes and quickly analyze whether reality is meeting forecasts.

Planning Manager at a Leading Global CPG Enterprise



What's needed?

Companies with finance and IT functions in the CPG sector trying to implement ZBB quickly discover that they need a very flexible, very fast, and easy-to-manage system. They also realize that they need both financial and operational data in one central repository for easy sharing with users responsible for other markets, production plants, and business functions. Another downside of big legacy systems are their traditional data architectures, which struggle to provide the flexibility needed to quickly and easily amend planning models—a must-have functionality in the fast-moving CPG market.

To be successful, ZBB needs to become embedded in working life with analogous cost comparisons across operating units, regular reviews, and managers constantly alert to any adverse variances that need to be addressed. At heart, ZBB is about making incremental improvements, and because these are typically unearthed by scenario analysis, it is vitally important that users themselves can write and amend the business rules that underpin their planning models.

Implementation and deployment

Because the pursuit of continual improvements is so central to ZBB, the way companies do things and organize themselves will always be evolving, which means there will be an ongoing need to amend planning models. Finance cannot afford to spend months scoping and implementing a system in the traditional way and instead should look for solutions that can be rapidly deployed and easily managed. Because Anaplan is built on a flexible data architecture that has built-in intelligence, implementations can be rapid and iterative, with changes and enhancements being made whenever the need arises.

Integration with legacy systems, general ledger (GL) accounts, and enterprise databases can be achieved in just a couple of days, giving companies real-time access to their data. From there, companies can enhance their initial model, with users themselves writing new business rules to produce a complete working model covering hundreds of cost centers in just a few weeks.

Benefits

Leaders of CPG companies that have implemented ZBB initiatives said they have saved between 10 and 25 percent on their selling, general, and administrative (SG&A) expenses within six months. With a record of eliminating unproductive costs on such a scale, it is no wonder ZBB is also a favored tool of private-equity firms, which are always looking for ways to maximize the return on capital of their acquisitions.

Forty-five years after its creation, ZBB is making a comeback—CPG firms and others are finding it a valuable framework for delivering and sustaining a step change in their cost base. Over the years, many organizations in both the private and public sectors have tried (unsuccessfully) to make it work. But with a solution like Anaplan to support their initiatives, this new incarnation of ZBB is set to become the norm.

About Us

Anaplan is driving a new age of connected planning. Large and fast-growing organizations use Anaplan’s cloud platform in every business function to make informed decisions and drive faster, more effective planning processes. Anaplan also provides support, training, and planning transformation advisory services. To learn more, visit anaplan.com. Follow us on: [Twitter](#), [LinkedIn](#), [YouTube](#), and [Facebook](#).

