

PPM Mastère

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Topic

How project management is applied to marketing through control and monitoring of the evolution of new products in the food retail distribution sector.



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ABSTRACT

Creating and effectively marketing a product is a complex process. It needs to be carefully planned and monitored to ensure that it is timely, cost effective, and quality controlled.

The goals of this paper are:

- to determine if the Marketing Department of one of the largest worldwide food retailers uses tools to control the evolution of products.
- to discuss the results of this research.

I focus my paper on the food retail distribution sector that develops a lot of product.

The background for this paper was obtained during an interview with a Product Manager of one of the largest retailers in Europe and worldwide. For professional confidence reasons, mentioning the name of this Company is not permitted. The interview was oriented towards the activity of a Product Manager and the control of the development of products.

This paper will help me to gain a better understanding of the creation of a new product and the tools used by this company to control the progress of the project from start to finish. As I am very interested in beginning my professional career in the food industry, I hope it will also help open a door for me in the company.

INTRODUCTION

Retail distribution is a vital and large sector. It is impacted by the changing needs of customers, government regulations, inflation and by many other factors that make this sector very active and dependant. Its market structure has been traditionally characterized by monopolistic competition. The main competitors on the world market are Wall Mart, Carrefour, Kroger, Royal Ahold and Home Depot.¹

The creation of products in retail distribution is one of the major activities. The offer changes and develops rapidly and the Product Managers of food retail companies are constantly creating new products and improving existing products to meet consumers' needs and to face the high competition within this market.

Product Managers are Project Managers, responsible for the delivery of the products. In today's difficult and challenging business environment, it is vital that the management of a project results in identifying risks, maximizing cost savings, minimizing time delays and improving economic return.

I am going to answer the following questions in this paper:

- Do one of the major retailers in the world use control tools?
- What is, or are the tools used by Product Managers to control, monitor and evaluate the progression of the project?
- How are time, budget and quality controlled during the life cycle of a product in one of the main retail distribution companies in the world?

¹ From the website : http://campus.hec.fr/careers/Articles/2/distri_secteur.html

In the first part, I describe the main terms used in the paper and I explain why I chose this particular topic; in the second part, I present the interview with the Product Manager and in the third part, I give my interpretation of the meaning of the information collected during the interview.

FIRST PART: DEFINITION OF THE MAIN TERMS

- **What is a project?**

"A project can be defined loosely as an item of work that requires planning, organizing, dedication of resources and expenditure of funds in order to produce a concept, a product or a plant."²

- **What is project management?**

"Project management is the application of knowledge, skills, tools and techniques to project activities to meet project requirements. Project management is accomplished through the application and integration of the project management processes of initiating, planning, executing, monitoring and controlling and closing."³

[Why I associate project management to the creation of product?](#)

The creation of a product is a project itself because it is accomplished through the processes of initiating, planning, execution, monitoring and controlling.

- **What is the food retail distribution sector?**

«The retail distribution includes multiple sizes of shops, the particularity of which is to have nothing in common with the small independent business. Products are generally self-service, the staff is plentiful and the grouping of shops in chains allows them to lead very important operations of communication and to have lower renowned prices thanks to a grouped purchase politic. "⁴

² Definition extracted from "Skills and Knowledge of Cost Engineering", Fifth Edition, AACE International.

³ Definition extracted from "The Project Management Body Of Knowledge" Third Edition, PMI.

⁴ Definition extracted from « Les métiers de la grande distribution » collection Guides J, Studyrama Editions.

Why did I choose this sector?

This sector attracts me because it is very active, actual and changing. I wrote my second cycle thesis on private brand products and I want to pursue my investigations on this sector to integrate it.

Overview of French Retail Distribution⁵

French retailing has been characterized over the past 20 years by the wide-scale expansion of mass-market distribution, driven by fierce price competition. Unable to compete on price and advertising, the number of small independent stores has fallen dramatically. French food retailing, for example, is now a mature market concentrated in the hands of a small number of large groups. Mergers and takeovers have reinforced the strongest players, such as Carrefour, Leclerc, Auchan, Casino and Intermarché, which rank amongst the world's top retailers. Carrefour is the leading European retail group and is second only to Wall Mart worldwide.

One of the most important changes in French retailing during 1990s was the dramatic growth in discounters, whose market share rose by 70% over the period. The discount market is very concentrated with the top five retailers grossing 85% of total sales.

Private label products have also taken an increasing place in mass distribution. They generate higher profits and enable retailers to offer larger ranges of products and to develop their own corporate identities. According to a survey run by Secodip in the first half of 2004, private label products account for 26% of hypermarket sales.

⁵ Extracted from the document "Retail distribution in France" realized by the British Embassy Paris and by the British Consulate General Lille in October 2004.

- **What are the private label products?**

"Private label products encompass all merchandise sold under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands that are available to only the members of the group."⁶

Why do I focus on private label products?

The Product Manager I met is responsible for a range of private label products. In retail distribution, Product Managers only develop the companies' own products.

- **What is the controlling and monitoring activity?**

"The Monitoring and Controlling Process Group consists of those processes performed to observe project execution so that potential problems can be identified in a timely manner and corrective action can be taken, when necessary to control the execution of the project."..."The key benefit of this Process Group is that project performance is observed and measured regularly to identify variances from the project management plan."⁷

Why did I choose to focus my topic on this particular activity?

I decided to develop this point for my paper because I think that the monitoring and controlling activity is a key activity in the management of project. It obliges a product manager to make estimations, to control these estimations and it allows for corrective actions so that the project can be delivered on time, within budget and at the quality expected. As the creation of products is a project, time, budget and quality need to be evaluated throughout the whole life cycle of the project.

⁶ Definition extracted from the Private Label Manufacturers Association website:
<http://www.plmainternational.com/plt/pltEn.html>

⁷ Definition extracted from the "The Project Management Body Of Knowledge" Third Edition.

SECOND PART: THE INTERVIEW

I had a chance to interview a Product Manager of a range of private label products in one of the most important retail companies in the world.

I will present the interview given to the questions I asked.

1. What is the role of a Product Manager in your company?

The missions of a Product Manager are first to develop private label products in terms of product (recipe, packaging and price) and marketing, and second to manage one or several ranges of products in terms of sales, promotion and quality, logistic and positioning.

2. What are the steps in the launching of a product?

1. Definition of the product in accordance with the values of the company	2. Bid file sent to the industrials
4. Optimization of the recipe with the industrials	3. Intern panel of 12 persons to select 3 or 4 products
5. Intern optimization panel	6. Validation of two industrials
8. Extern panel of 60 to 80 persons	7. Redaction of the simplified terms of reference
9. Validation of the product and negotiation of the price	10. Redaction of the finals terms of reference and auditing and agreement of the site
12. Validation of the first production on the market	11. Creation and development of the packaging
13. Product placed at the disposal of the stores	14. Products placed at the disposal of the customers

This process takes approximately 11 months before a product comes on the market.

3. Do Project Managers use tools of control in your company?

The company actually does not use common tools of control. This situation is due to the several fusions and acquisitions that the company has made during its life.

An annual costs plan is used to determine the budget allocated for each Product Manager.

In terms of quality, once per year, the Product Manager tests the quality of its products on a panel of 60 to 80 percent, if the quality is equal or superior to the quality of the national product, (product of the industrial), they maintain the sale of this product. If the quality is inferior to the quality of the national product, the company and the supplier must improve the quality of the product

4. What is controlled?

The two main costs that Project Managers face are packaging costs and "time/worker" costs.

These are the only two costs that are carefully controlled through the life cycle of the product.

Packaging costs are a major expense that must be carefully controlled. The process of creation of packaging is divided into several steps and for each one of these steps a certain amount of money is allocated and controlled.

The "time/worker" cost is the allocation of time according to each person involved in the creation of the product. Different departments and functions are needed by the Product Manager to develop a product.

In this company, the Product Manager needs a Quality Department, a Marketing Department and a Packaging Department. In each of these departments several employees work on the creation of the product. The Product Manager is responsible for the allocation of these hours according to the work needed (number of products, creation or just improvement of a product...) and he is also responsible for control of these hours.

5. What are the tools of control used by your company?

Currently, the Product Managers use Excel and recently Access as tools of control. The use of these tools is quite basic.

6. How is organized the management of the Product Manager?

Product Managers are under the responsibility of the Marketing Manager. Brand Managers do not exist in the company while the company expresses a need to construct a real brand status that makes a difference to competitors.

7. Does the company work on the development of a control tool for Product Managers?

The company is presently working and modifying the charter for 300 products. This project makes them realize that they have a really important need in terms of reporting.

At present, the company is thinking about a common control tool. In the past they tried to develop a common tool but the project didn't take concrete shape.

THIRD PART: INTERPRETATION OF THE INTERVIEW

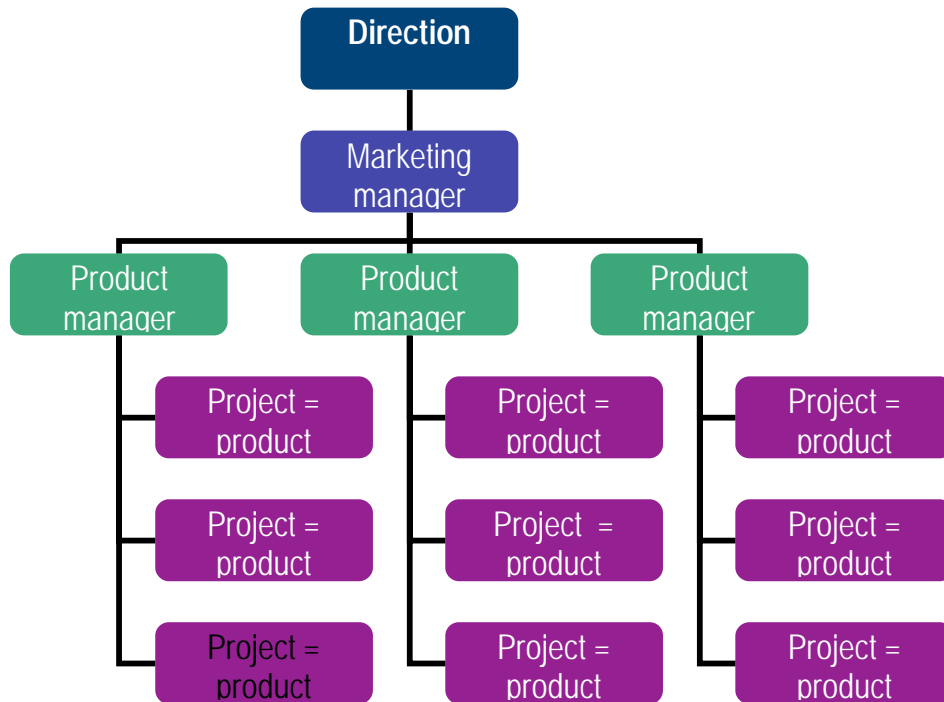
Through this interview I realized that there is not a real organization in the company in terms of controlling and monitoring the development of products. They use basic tools and they don't use the same tables within teams. There is a really important need for a quality program of project planning and project organization.

Another fact that I noticed is that to plan and control a project there is a need for a strong organizational structure to report the evolution of the project. At present, the Project Managers are responsible for 50 to 100 products and they report to the Marketing Manager. They consider that a product is a project.

The Project Management Institute (PMI) and the Association for the Advancement of Cost Engineering (AACE) are two important organizations that deliver professional certifications in their particular domain. Each one of these certifications has edited a manual which defines their particular domain. These organizations have different points of view.

The topic of my paper asks the question: what is a project? Can we state that a project is a product or that a product is a project? Or should we state that a project is a group of assets or a group of products? AACE and PMI have their own idea concerning this question.

From the Project Management Institute perspective, each product could be considered as project and the marketing department in the company could be managed as a department with different projects that all aspire to the same objective.

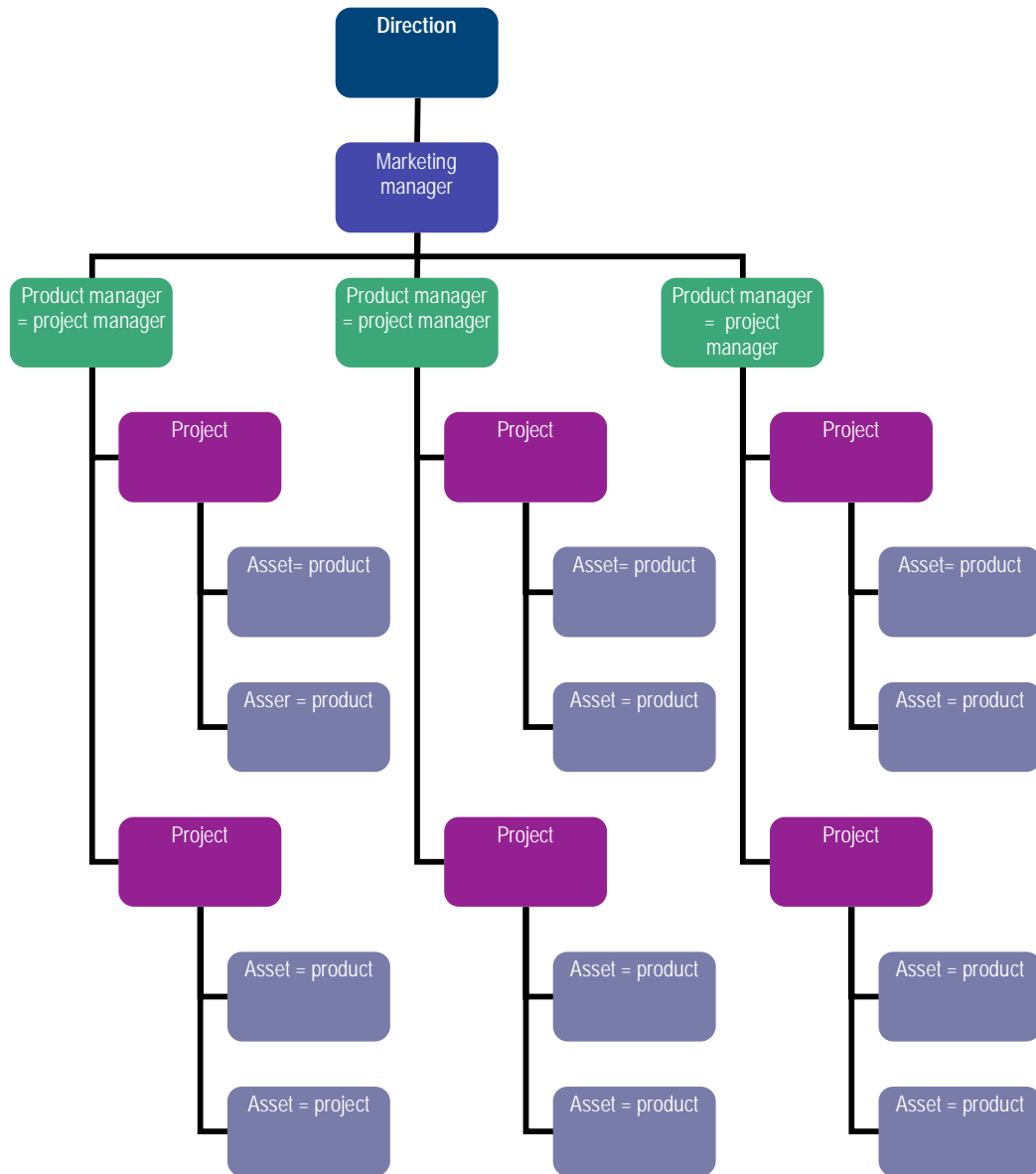


In this case, the Marketing Manager supervises the Product Managers and the Product Managers have the responsibility of many products (from 50 to 100).

From the AACE⁸'s perspective, a product is an asset, a range of product is a project and all the assets aspire to the same objective.

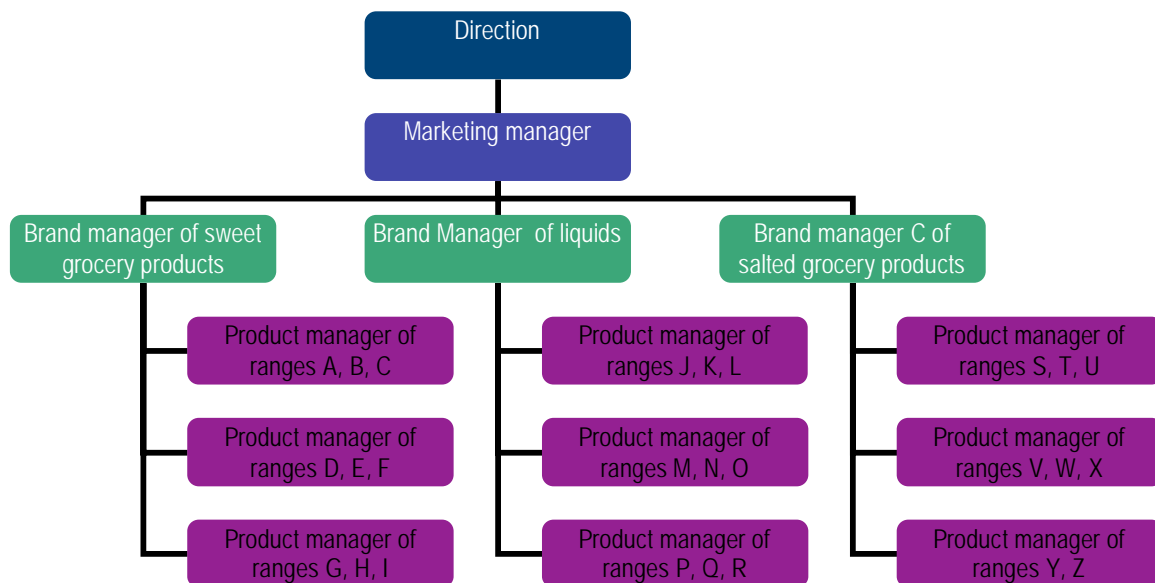
Here is the breakdown structure that explains how AACE consider a project.

⁸ Association for the Advancement of Cost Engineering



In this case, the Marketing Manager is the supervisor of the different Product Managers. The Product Managers are in charge of different projects. A project can be materialized by a range/category of products. Products are subsets of a project.

I would recommend organizing the marketing department of this company with the AACE perspective because a Product Manager can not plan and control 50 to 100 projects at one time. Products should be grouped and a project should be to manage a range of products with particular needs and objectives. I would add a link to this breakdown structure: the Brand Managers. They should be responsible for a category of Product Managers. One of the aims of retailer is to give a real status of brand to their products. A Brand Manager would have the responsibility to create and develop this brand status.



CONCLUSION

As a student of project management, I was surprised to realize through this interview with a Product Manager of one of the largest retailers worldwide that the company was not really organized in terms of reporting, controlling and monitoring.

The Marketing Department uses basic tools that do not allow them to have a clear view of the progress of the lifecycle of products.

The creation and the installation of a software tool of reporting and controlling would be very helpful for the company. But we have to take in consideration that at the origin, the retailers were not creators of products. The industrials used to create products and it is relatively new for the retailers to develop products. They do not have a Research Department. The company copies and develops products as needed. As this is a new activity, the company is not organized to face it.

Plus, the investment in a common tool is really important and needs a big organization worldwide to coordinate the installation of the software.

My recommendation about the reorganization of the Marketing Department should help the company to install easily a reporting system and so a control system. It should also help to develop the brand status that they want to reach.

LIST OF REFERENCES

- "The Project Management Body Of Knowledge", Third Edition
- "Skills and Knowledge of Cost Engineering", 5th Edition, AACE International
- "Les métiers de la grande distribution", collection Guides J, Studyrama Editions
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For professional confidence reasons, I can not mention the name of the product manager that helped me responding to my interview.