

CASE STUDY

Simulation Experience



PEPSICO



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Introduction



Congratulations! You have been selected to join the leadership team at a Fizzy building. Together, as a team, you will manage the building and compete against competitors in the market. You will be representing your position as a UGM, SDL, merch lead, or delivery lead as your team takes over in Period 9, Week 1.

Ultimately, your performance will be ranked against the other teams in the room who are managing the same location. To determine the winner, teams will be compared on their NOPBT, Revenue, Employee Experience, and Customer Service. Success will depend on the strategy you set and the quality of your decision making. It is critical that your team members collaborate with one another so that you execute on team priorities and not just individual goals.

In order to lead Fizzy effectively and to maximize your chances of finishing ahead of the competition, please read this overview of your location. While reviewing the material, please keep the following questions in mind:

1. How will I collaborate as a team as I execute on individual tasks as a UGM, SDL, merch lead, or delivery lead?
2. How can I balance executing on today's plan while remaining flexible and pivoting when unexpected events occur?
3. How do I coach effectively to develop my people and to improve the employee experience and performance?
4. In my role, how can I think like an owner of the business in order to grow topline, share, and profitability?

Executive Summary

Location:

- *Region:* Location is known as Maturia, with temperate weather and ordinary customer habits
- *Overview:* Medium-sized satellite building where Fizzy has operated for decades
- *Team:* Over 90 employees; 20 percent of the employees have worked at Fizzy for 10+ years; half of the employees have worked at Fizzy for less than two years
- *Historical Focus:* Consistently hits volume with less focus on other metrics
- *Culture:* Turnover is above the national average due to changing leadership and lack of coaching
- *Competitors:* Two main competitors, O.K. Beverage and Red Snail

Priorities:

You and your market director have defined key priorities as you take over the building. Since top-line revenue is crucial, you should prioritize high-margin products while continuing to deliver on volume. Volume will also satisfy

Fizzy's Corporate leaders, who are focused on increasing market share. Also, as Maturia grows, be sure not to sacrifice profitability. NOPBT is a key metric, so your team must prioritize marginal contribution while improving Maturia's operational efficiency. A more efficient location, with cohesion across functions, will lead to healthier margins.

As your team executes, be sure to monitor AMAS, ADAS, and ASAS. These metrics are correlated with customer service, which is Fizzy's key differentiator. If you improve the employee experience through strong leadership, your team will provide better service to the customer in the field.

Leadership:

The team reports to leadership consisting of UGMs, SDLs, merch leads, and delivery leads. Regardless of the role, each manager must:

A. Think like an owner; B. Contribute to forecasts; C. Coach consistently; and D. Prioritize safety.

However, on an individual level, the roles also carry these responsibilities:

Role	Focus	Key Metrics
UGM	Ensure collaboration to hit top-line and bottom-line goals while maintaining labor costs.	Revenue, Cost, NOPBT, Share
SDL	Maintain and grow customer relationships while increasing display and shelf space through quality orders.	ASAS, Revenue, Waste, Labor Cost, MC\$
Merch Lead	Maintain and grow customer relationships through providing quality merchandising service and managing labor costs within a safe environment.	AMAS, Labor Cost, MC\$
Delivery Lead	Maintain and grow customer relationships through providing quality delivery service and managing labor costs within a safe environment.	ADAS, Labor Cost, MC\$

Regardless of focus, every manager must consider the needs of others during execution. All decisions are interdependent and have trade-offs.

Strategic Assessment

Challenges:

Employee Trust: Trust is currently low at your location. Coaching was never consistent, which may be the cause of turnover. It will be critical to address these issues to build a bench and to improve the employee experience and performance. Improving the employee experience will ultimately translate into improved performance.

Unpredictability: Despite careful planning, your plans are always subject to change. One day it may be a sick call; another day a network collapse; the next day a hotshot. As a result, you must have multiple backup plans. Historically, when issues arise, leaders tend to focus on their own needs without considering the needs of others.

Product Mix: In recent periods, you have missed revenue and NOPBT targets. This is because the team is having trouble prioritizing product mix that drives higher price and margins. To fix this, Fizzy can teach differences between Product Categories A, B, and C. Focusing on Product A, such as 12-oz. cans, provides nationwide breadth, these are high volume, low margin products. Alternatively, focusing on Category C, such as the niche-flavored drinks, contributes to higher price and margin but drive less volume. Category B products lie in-between, driving medium volume with moderate margins.

Opportunities:

Labor Cost: There is a clear opportunity to decrease labor costs by improving forecasts. This can happen by collaborating to determine the true volume and labor requirements. Your team should have a labor backup plan. You should consider how much labor is required for today's execution, while also planning for future weeks. The team must also leverage its fixed and variable costs and consider 2:1 leverage in its decisions.

Efficiency: The team can improve efficiency. This includes maximizing headcount utilization and productivity. Further, tool adoption can be improved. With increased tool usage, more data will be processed, and this will lead to smarter decisions in the field. In addition, with improved efficiency and a focus on tools, there will be less waste in the long term. It is also important to increase your operations efficiency with improved inventory and warehouse management. Finally, waste is above the national average, in part due to backroom breakage. Improving these factors will increase NOPBT in Maturia.

Agility: Your team can increase its agility by pivoting more quickly when problems emerge. Your leadership team should expect problems on a weekly basis. By working together in the process, covering routes, and executing on backup plans, unpredictability will have less impact on the business. This can be achieved through team communication and planning ahead. A more agile team can also operate more effectively in white-space opportunities, exploring ways to grow the business with an open mind.

Market Position

Within Maturia, Fizzy has 25-percent market share, making it the second-largest player. Compared to the competition, Fizzy's differentiators are strong customer service and relationships. Customers enjoy working with Fizzy because of the daily service they receive from all team members, regardless of the function. Fizzy has to compete with many small competitors as well as with two prominent competitors.

O.K. Beverage

O.K. Beverage – O.K. has 40-percent market share in Maturia. It is the number-one player in the market from a volume standpoint, in part due to the fact that it entered the market five years before Fizzy did. O.K.'s customer service is comparable to that of Fizzy. However, O.K. is more focused on securing its existing customers versus generating new customer growth. O.K. has a very strong brand, but its customer relationships are not as strong as

they once were. Many customers work with O.K. because they're used to their process and they know their product.



Red Snail – Red Snail has 10-percent market share in Maturia, with a fast-growing footprint. Red Snail is more focused on growth than profitability, and it has innovative products that end consumers seem to enjoy. Its customer relationships are not as strong as those of Fizzy, but service is improving. Maturia customers are looking forward to Red Snail's upcoming new product release.

Strategy made personal

We create powerful experiences that help
leaders build the future of their business

