

Skills needed for more profitable trading in SA's FMCG sector

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The South African FMCG trading environment is tough for everyone: cash-strapped shoppers curbing their spend on household groceries, retailers forking out billions on alternative energy solutions to keep their stores open, and suppliers confronted with escalating input and production prices, impacted by global geopolitics and supply chain challenges.



Andrea du Plessis, senior retail analyst at Trade Intelligence. Image supplied

Amid fierce price competition, promotional pressures, and increasing trade discounts, FMCG suppliers are struggling to grow both sales and revenue due to a lack of specific skills.

Net revenue management skills

One promising route to more profitable trading is net revenue management (NRM), a set of methods to maximise revenues and profits by managing various factors that affect net revenue – for example, by optimising pricing, promotional, and revenue-generation strategies.

It requires a whole-of-business approach that involves data analysis and the use of insights to improve profitability, while also taking into account drivers like shopper behaviour, market dynamics, and the competitive environment.

It is a holistic approach that requires businesses to understand and balance the sometimes conflicting demands of pricing, mix management, promotions, and trading terms.

It is a particularly effective and increasingly popular tool for consumer goods manufacturers but requires discipline and a team with commercial capabilities and the skills to implement it.

However, in South Africa, these skills are often lacking among suppliers' customer teams.

This is not purely as a result of poor educational opportunities or inadequate training programmes.

Often, we see a legacy mindset, where business used to be done with a nod and a handshake. But in today's more competitive environment, customer teams need a commercial understanding to get the most out of a trade negotiation.

Profitable trading in a tough competitive environment is a sticky problem to which there is no single silver-bullet solution. But whatever the preferred strategy, an underpinning of insights and skills has a critical role to play and is an investment every business needs to make.

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