

Analytics Drives the Future at Consumer Products Companies

A holistic and predictive approach to analytics will differentiate CP winners from losers.

BY JOE MULLICH

In a world grown accustomed to moving at Internet speed, consumer products (CP) companies must be particularly swift and nimble. Consumer tastes shift with the wind, and the pressure to be first with innovative products or services is relentless.

For a growing number of CP companies, flourishing in this environment depends on making high-impact decisions during tight opportunity windows, based on a sophisticated understanding of shoppers. Accomplishing that hinges on extracting shopper insights, increasingly in real time, from their growing mounds of data and applying those insights to product development, marketing, sales, production, customer experience, sustainability and the supply chain.

“We are at an inflection point that hinges on the smart use of data,” says Marcus Shingles, an analyst with Deloitte Consulting. What has changed is not simply the total amount of data generated today but the increasing sources of data, he says, such as mobile coupons and social media. Harvesting these new data sources for insights is creating an “environment of innovation that is unlike anything the industry has seen before,” Shingles says. “Your analytics IQ will divide the winners from the losers.”

Early in the Journey

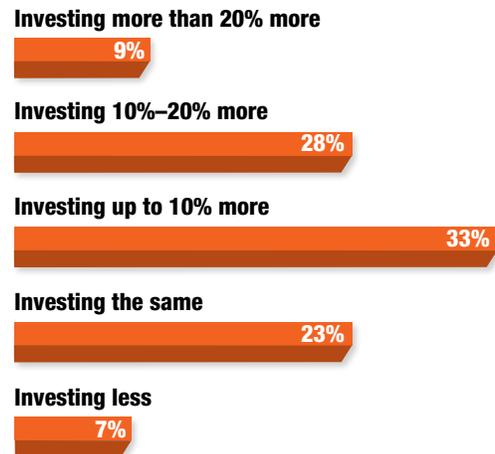
In a 2012 study by Accenture, 96 percent of consumer products companies rated analytics as “critical” or “very important” to achieving their business objectives. Seventy percent said their companies will increase their investment in analytics in the next year (see Figure 1, “Analytics Investments on the Rise,” above right).

At the same time, respondents were not yet deploying analytics in a way that would improve their competitive position and deepen their connection with consumers. Reaching those goals would involve extracting insights that enable them to take action “at the shelf,” according to the report. “Without efficient and effective processes

FIGURE 1

Analytics Investment on the Rise

Q: To what degree is your organization shifting investments toward analytics over the next year? (percent of respondents)



Base: 75 global CPG companies with \$2 billion-plus in annual sales
Source: Accenture

that spur action on analytic insights, the best analytics in the world cannot improve returns on investment or market performance,” the report says.

Meanwhile, in an earlier study, Ventana Research concluded that only 12 percent of all manufacturers are functioning at the highest level of innovation maturity in their use of analytics. “They need to expand the scope of the analysis they perform to add value,” says Robert Kugel, an analyst at Ventana. “Executives and managers need to think outside the box when it comes to analytics, because analytics are the key to how they will succeed in an increasingly difficult market.”

AN EXCLUSIVE
RESEARCH REPORT
FROM BLOOMBERG
BUSINESSWEEK
RESEARCH SERVICES

Empowering sales with analytics is extremely important for enabling a better understanding of customers, production and the market, according to a majority of manufacturing respondents in a Bloomberg Businessweek Research Services study.

Closing the Analytics Divide

CP companies have long been a case of the haves and the have-nots of analytics, Deloitte Consulting's Shingles says. Although a few standouts are generally praised as the standard-bearers, most of the industry lags in its analytics prowess. General Mills, for instance, analyzes the social media conversations of its target demographics, including tweets and Facebook postings. Analyzing social media sentiment alerted the company that mothers were growing increasingly concerned about protecting their gluten-sensitive kids. In response, General Mills began to prominently label its appropriate foods "gluten free," which helped drive more sales, Shingles notes.

Meanwhile, Procter & Gamble used analytics to measure the impact of its tearjerker "Thank you, mom" ads, made for the 2012 summer Olympics. The company monitored YouTube views of the ads in different countries and correlated those numbers with how often the ads were shared on Facebook. By understanding how much people "liked," tweeted and shared the ads, P&G could optimize its marketing campaigns in different geographies.

Lora Cecere, president of the consultancy Supply Chain Insights, calls such efforts "pockets of experimentation" that need to be expanded, given that "the pockets"

are translating into enticing profits. An example is spice manufacturer McCormick, which Cecere says used predictive analytics to determine which spices sold better when placed next to the poultry section in supermarkets of different ZIP codes, enabling the company to maximize sales.

Empowering sales with analytics is extremely important for enabling a better understanding of customers, production and the market, according to a majority (54 percent) of manufacturing respondents in a Bloomberg Businessweek Research Services (BBRS) study. "The whole idea is to be proactive rather than reactive," Cecere says.

In its study, Accenture agrees that the primary value of analytics is in applying it to critical sales and marketing activities to optimize assortment, pricing and promotions. However, Accenture says, most CP companies are more retrospective than predictive in their analytics use.

Analytics for Everyone

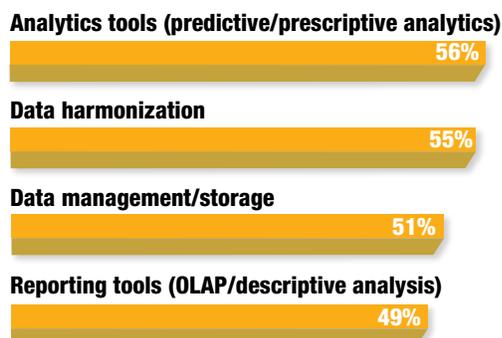
Filippo Passerini, group president of Global Business Services and CIO for Procter & Gamble, says moving in the right direction with analytics requires CP companies to take an all-encompassing view of their operations. "Given all the pressure in the consumer goods space, the only way to succeed is to move from a functional view of the world—which regards marketing, finance, supply chains or R&D as isolated functions—and operate the business in a holistic, integrated fashion," he says. The speed of product innovation required today, he adds, requires the entire company to have a uniform view of data and then apply analytics "to understand what's going to happen tomorrow, next month and into the future."

Passerini's view corresponds with BBRS's finding that nearly three-quarters (73 percent) of companies want to broaden supply chain analytics to a wider group of decision-makers. At P&G, 60,000 employees are given a desktop "cockpit" that enables them to monitor key metrics in real time, in addition to receiving alerts. "Line managers can see what's going on with the business in real time, so they can focus on specific issues and manage the business by exception," he says.

FIGURE 2

Expanding the Analytics Toolkit

Q: Do you feel you have the right tools to meet your data management and analytic needs? (percent of respondents answering "Yes")



Base: 75 global CPG companies with \$2 billion-plus in annual sales
Source: Accenture

FIGURE 3

Big Data Gold

Respondents were asked to rate functional activities in terms of their expected benefits from big data. The top five represent a range of business functions.

Rank	Functional Activity	Function	Potential Benefit (scale of 1-5, with 5 being highest)
1	Identifying customers with the most value/potential value	Sales	4.05
2	Monitoring product quality	R&D/new product development	4.02
3	Monitoring product shipments	Logistics	4.00
4	Identifying customer needs for new products and enhancements to existing products	R&D/new product development	3.95
5	Identifying customers at risk of dropping our products/services	Customer service	3.94

Base: 643 companies from 12 industries in nine countries

Source: *The Emerging Big Returns From Big Data*, Tata Consultancy Services, 2013

P&G also uses a meeting room that combines analytics with visualization tools and videoconferencing, so managers can look at the same data at the same time, drilling down as needed. “Many organizations spent a lot of time debating the ‘what,’ because different people had different data. Once everyone has the same version of truth, you can shift to the ‘how’—and you are able to do more and more, better and better,” Passerini says.

In its report, Accenture advises that a good first step toward effective use of analytics is investing in the right tools, including an integrated technology platform that not only automates data collection and makes management easier but also connects organizational silos of information and provides one version of the truth. However, only half of its survey respondents said they felt they had the right tools to meet their analytics needs (see Figure 2, “Expanding the Analytics Toolkit,” on page 2).

A Holistic Approach

Another reason for sharing big data analytics across the enterprise is the potential for ROI across a wide range of business functions and activities. For instance, while sales

and marketing garner the lion’s share of big data budgets, according to Tata Consultancy Services, other business functions can also reap rewards (see Figure 3, “Big Data Gold,” at left).

Consider Unilever, whose use of analytics across previously isolated business activities is helping the company meet its goal of doubling revenues while halving the environmental impact of its vast supply chain over the next decade. Unilever makes about 10,000 home and personal care products in Europe that use about 2,000 different chemicals in various combinations. New European regulations require companies to assess the risk of chemicals during their entire lifecycle, which has implications for other business areas, such as packaging.

“We have to tell the suppliers where their materials are going and what we are using them for,” says Peter Freunsch, regulatory affairs manager at Unilever. “The same raw material might go into a shampoo and a surface cleaner. It requires complex number-crunching to trace all these raw materials and understand the environmental impact of them.”

Unilever’s analytics platform enables line-of-business managers to track all the complex elements related to supply chain efficiency and environmental impact and to take corrective action. By aggregating the data and making it easier to analyze, Unilever has reduced the time devoted to tracking raw materials by 80 percent.

Conclusion

Analytics is increasingly a differentiator for CP companies. In fact, many businesses now see analytics investments as critical to meeting business goals, including understanding customers, responding to market changes and finding internal efficiencies. Organizations that succeed with analytics will take a holistic approach, looking across business functions to gain insights into not just today but the near- and long-term future. •

Joe Mullich is a freelance writer in Sherman Oaks, Calif., who has written for many business and technology publications.

This research project was funded by a grant from SAP.

SAP Recipe for Success

- ▶ Applied Analytics
- ▶ Predictive Analytics
- ▶ Business Intelligence
- ▶ Enterprise Performance Management
- ▶ Governance, Risk and Compliance
- ▶ Mobility
- ▶ Database and Technology
- ▶ Information Management

How SAP Delivers Real-Time Insights and Execution

Globalization. Escalating costs. Evolving consumer preferences. Ever changing retailer and regulatory requirements. To thrive in this environment, consumer products manufacturers must develop new ways to become ever more consumer-driven and to stay ahead of the competition, while further establishing a foundation for profitable and sustainable growth.

SAP is helping consumer products companies around the world accurately assess the impact and effectiveness of their enterprise operations, from production to collaborating with retail customers to sales and marketing. With analytics solutions from SAP for the CP industry, businesses gain real-time insights into demand, fulfillment, trade promotions, sales volume and profitability. Our analytics solutions help CP companies efficiently manage and optimize their decision-making process with a closed-loop approach to predict and visualize events and activities for higher revenue and a sharper competitive edge.

Analytics solutions from SAP provide the highest standard of excellence for enterprise planning, predictive analytics and business intelligence solutions. Our products and services are designed to enable all lines of business to make fact-based decisions on operations to deliver the improved performance required for a competitive advantage.

Analytics solutions from SAP can help your company:

- ▶ Improve sales and operations planning.
- ▶ Enhance brand loyalty.
- ▶ Optimize supply chains and inventory requirements against demand.
- ▶ Increase business visibility for effective cross-functional collaboration.

For more information about analytics solutions from SAP, please visit this Web site:

www.sap.com/CPanalytics

Sponsored by

