A SUPPLEMENT TO
CONSUMER GOODS TECHNOLOGY MAGAZINE

2015 TECH TRENDS

Consumer Goods Companies' IT Investments Build a Foundation for Emerging Priorities

TOPICS:

- Data and Analytics
- Consumer Engagement
- Digital Marketing
- Retail Execution
- Manufacturer/Retailer Collaboration
- Internet of Things

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2015 TECH TRENDS

EDIT NOTE Preparing for the Digital Future

For years, CG companies have been challenged to make the most of stagnant IT budgets, balancing growth with keeping the lights on. This year, we observed an improved confidence in the economy, which has led to tech investments that are more focused on growing sales. While sales and marketing spend is focused on engaging with consumers, digitalization is forcing the supply chain to innovate on demand management capabilities. Companies are building the foundation for the future where the IoT will keep consumers and businesses perpetually connected, through current investments in social, mobile, analytics and cloud.

KARA ROMANOW
Executive Editor

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IT Spending Priorities in Consumer Goods

Consumer Goods IT Investment Priorities Seek to Balance Internal, External Demands

BY DON SCHEIBENREIF AND MARK ATWOOD

In 2015, Gartner is seeing an improved confidence in the economy among consumer goods (CG) companies and investment decisions that are designed to grow sales or to steal share in a zero-sum environment. This means a balance of operational technologies, as well as those delivering more analytics and optimization through powerful predictive models. The following is Gartner's survey information and insights from a variety of sources that are relevant to the consumer goods industry:

IT Spending Trends

The Gartner IT Key Metrics Data series of reports was established in 1995 to support strategic IT investment decisions for clients (*see Figure 1*). Today the annual publication delivers more than 2,000 metrics, across 96 documents and covers 21 different industries, including the consumer goods industry vertical. This allows clients to rapidly identify high-level IT spending, staffing, technology and performance trends. In the most recent report, Gartner found:

- The 2014 consumer goods vertical industry average IT spending as a percent of revenue is 1.8 percent, down from 1.9 percent in 2013 (*see Figure 2*).
- The 2014 consumer goods vertical industry average IT spending as a percent of operating expense is 2.0 percent, down from 2.2 percent in 2013.
- The 2014 consumer goods vertical industry average IT spending per employee is $6,463, down from $6,771 in 2013.

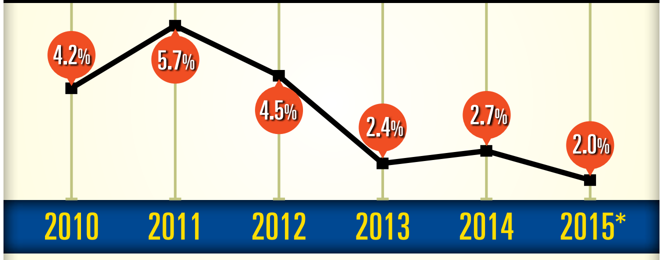
While many factors contribute to these trends, what is clear is the industry has responded to the urgencies of the global recession and the realities of a slow growth economy. What matters more is how that money is spent and if those investments are focused on the top priorities.

Sales and Marketing Technology Investment Trends

In this year's survey of CG IT leaders, we asked respondents to tell us their top three sales and marketing technology investment priorities for 2016. The list (*see Figure 3*) shows the top-mentioned technologies are largely focused on engaging with consumers, led by consumer mobile applications, digital marketing analytics, master data management, social media marketing platforms and trade promotion optimization. We have called this out in frequent research because manufacturers need to engage with consumers. This trend continues and is augmented by studies, such as the 2014 Nielsen report that analyzed more than 100 million trade promotions and determined that only a third of trade promotions actually make money. As a result, the focus is on investing in more consumer-centric technologies (with four of the top 10 focused on retailer execution — trade promotion management, trade promotion optimization, and retail execution and monitoring).

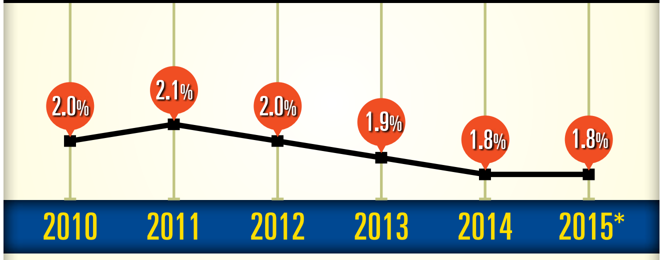
What is key is balancing your need to improve sales and marketing capabilities with shoppers/consumers as well as retailers. Keep in mind that some fundamental capabilities, like master data management, are still highly relevant.

FIGURE 1: Consumer Goods: IT Spending Percent Change



Source: Gartner IT Key Metrics Data 2015: Key Industry Measures: Consumer Products Analysis: Multiyear

FIGURE 2: Consumer Goods: IT Spending as a Percent of Revenue



Source: Gartner IT Key Metrics Data 2015: Key Industry Measures: Consumer Products Analysis: Multiyear

IT Spending

Consumer Goods Supply Chain Technology Investment Trends

In Gartner's 2014 survey of nearly 200 Chief Supply Chain Officers (CSCOs), CG supply chain leaders identified three top primary areas for technology investment: demand management, supply chain analytics and supply chain visibility (*see Figure 4*).

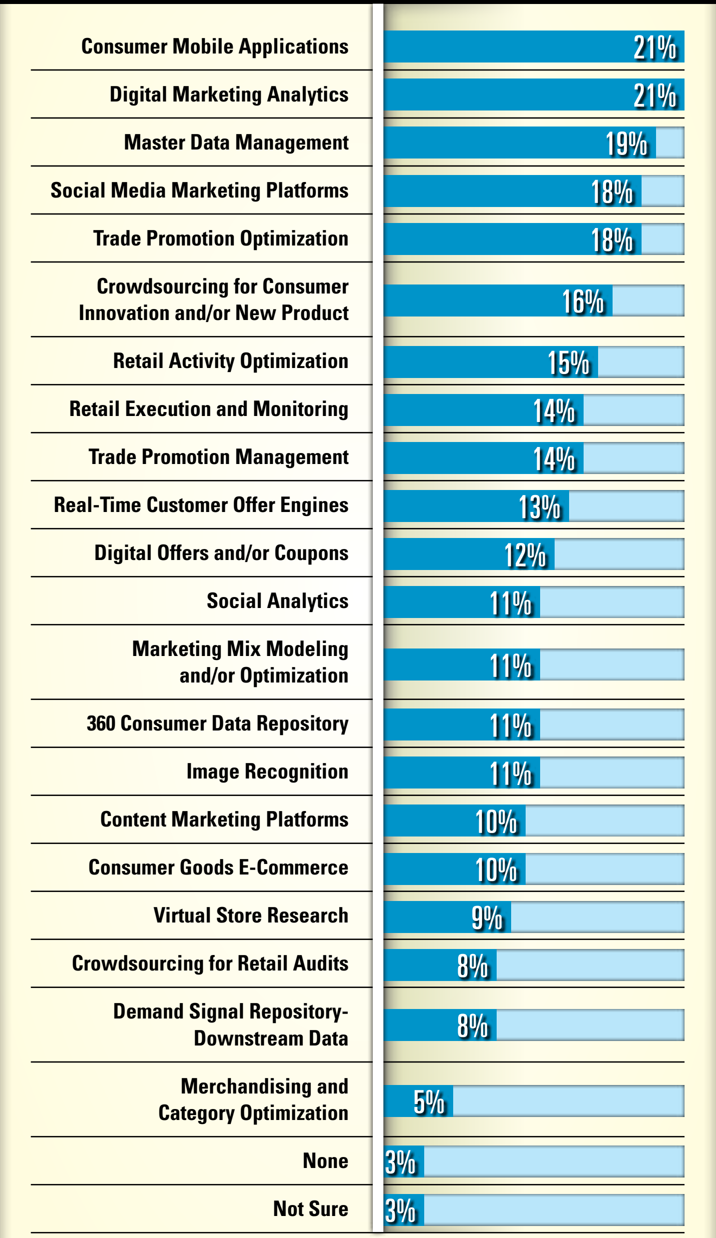
Gartner believes digitalization is requiring CG companies to continue to innovate on their demand management capabilities. On the horizon, CG companies see that digital business models will require better capabilities in demand sensing — as sales influenced by mobile applications and e-commerce sites increases, CG manufacturers must be able to forecast the impact of these new types of demand signals or risk increasing forecast error.

While supply chain analytics play a key role in demand management, our research also tells us that CG companies are using supply chain analytics for improvements in customer service. In our interactions with clients, we see CG companies using more advanced analytics capabilities (in predictive and prescriptive analytics) — for demand management. However, there is still room for improvement in demand management, as we have observed that forecast accuracy has actually decreased over time for our CG clients.

CG companies are also still struggling to reap the benefits of using analytics to drive better customer service and improved speed to market. Poor data quality and competition with other CG supply chain projects are cited as the two major roadblocks to realizing these benefits, especially the measure of real time shelf availability. As a result, CG companies continue to focus on fill rate and on-time delivery until they get the analytics puzzle solved.

The third top three-year investment opportunity is supply chain visibility. Gartner research shows that in addition to developing new models for sensing and shaping demand, CG companies need to develop new capabilities in distributed order management to fulfill multi-channel or-

FIGURE 3: Top 2016 Sales and Marketing-Related Technology Investments for CG Companies
*Three responses allowed



Source: Gartner 2015 Consumer Goods Front Office Technology Investment Survey

IT Spending

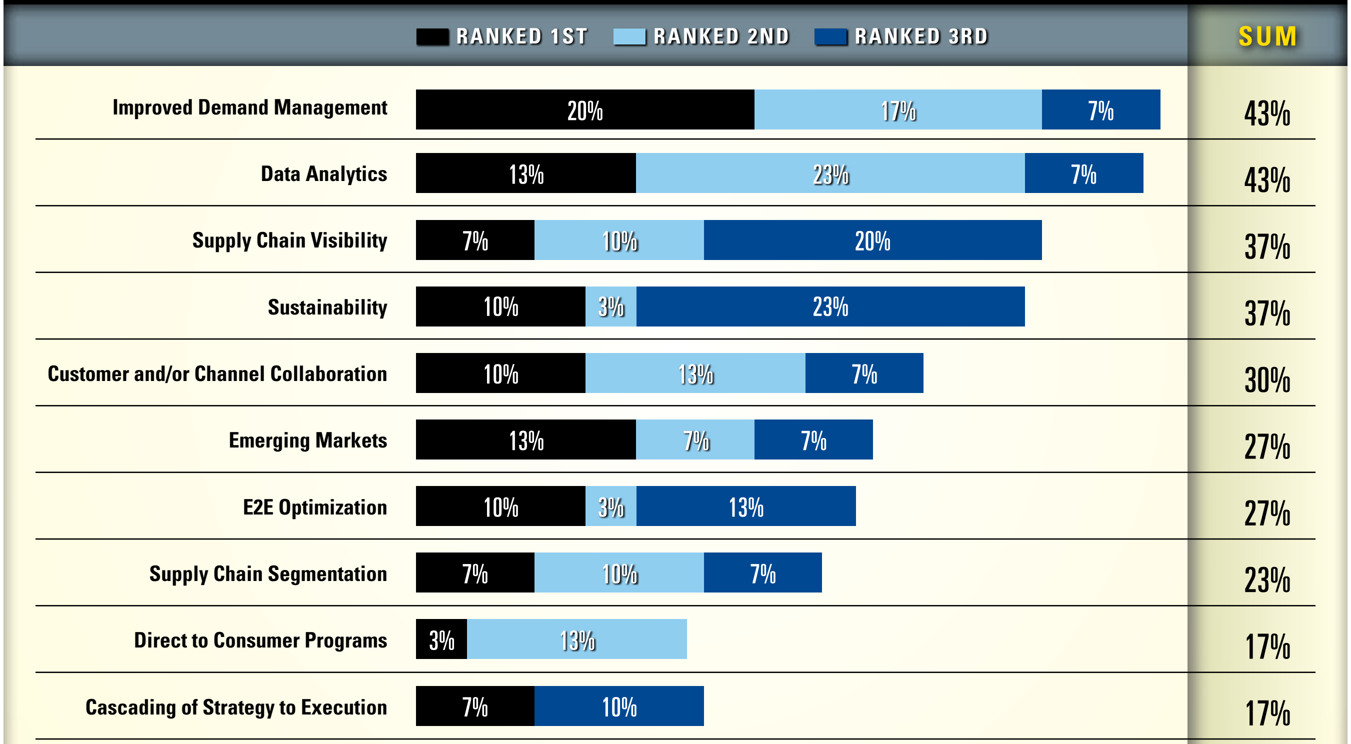
ders. These new order management capabilities are enhancing supply chain visibility — by providing manufacturers with the ability to understand the location of their inventory, whether it is in a manufacturing facility, warehouse, regional distribution center (DC), local DC, third-party DC, retail store, or even in many of the new "click and collect", "dark store" environments and models that are emerging.

Summary

We continue to recommend that CG companies evaluate the technologies that will garner them increased share of sales in the short term, or those that will position them as more agile and stronger players as the market improves. Over the next five to 10 years, we will likely see technologies and applications that leverage digital business — the creation of new business designs from the interaction of people, business and the Internet of Things (IoT) — to drive industry growth. However, today is about building the foundation for that future with continued investments in social, mobile, information, analytics, and cloud technologies (what Gartner calls the Nexus of Forces). ❖

"Over the next five to 10 years, we will likely see technologies and applications that leverage digital business — the creation of new business designs from the interaction of people, business and the Internet of Things (IoT) — to drive industry growth."

FIGURE 4: **Top Supply Chain Technology Investment Opportunities for CG Companies**
Q. Rank three top opportunities, which you expect to impact your organization's supply chain over the next three years.



Source: Gartner 2014 Chief Supply Chain Officers Survey

Data & Analytics

Information and Analytics Continues to Gain Importance as Differentiator in CG Industry

BY DON SCHEIBENREIF

In Gartner's annual survey of CIOs, CG CIOs identified BI and analytics as their top technology priorities. This comes after years of focus on cost savings and efficiencies. In our discussions with clients and CG specific survey research, this stated priority is manifesting itself in other ways.

In this year's Hype Cycle for Consumer Goods, 2015, we are seeing a strong theme of information and analytics, and optimization across the value chain with such technologies as supply chain big data, retail activity optimization (RAO), image and recognition, and intelligent/virtual store design. What's interesting is that most of these examples are not just analytical, but require significant computational horsepower for predictive analytics, recognizing from among thousands of images, or crunching large amounts of product data down to item/SKU level.

In our CG specific survey of IT leaders who have personal responsibility in the selection and buying of new sales and/or marketing applications for their organizations, we found that information and optimization technologies ranked among the highest in terms of priorities. These include digital marketing analytics, master data management, trade promotion optimization and RAO. In that same survey (which we also conducted in 2014) we wanted to get a sense of the level of strategy and leadership activity on the topic of information and analytics:

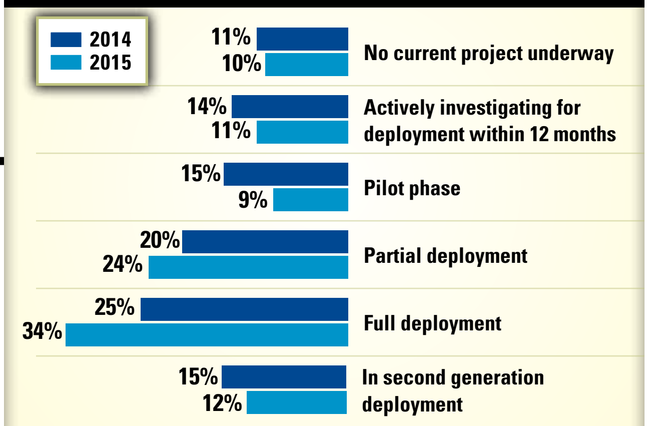
- On the topic of Big Data (*see Figure 5*), 58% of respondents say they are in partial or full deployment of an initiative for sales and marketing, compared to 45% in 2014.
- 47% of respondents said they had a chief analytics officer or equivalent, compared to 36% in 2014 (*see Figure 6*).
- 53% of respondents said they have a chief data officer, compared to 36% in 2014.

Collectively, these data points tell us that information and analytics are becoming an increasing part of the way CG companies operate. However, intent and availability of information are not the issue. This industry sits in one of the richest information ecosystems in any industry after financial services. What prevents companies from realizing the full potential of their information is what we see in many industries — the absence of a cohesive strategy supported by the right people, processes and technology. CG IT leaders can play a key role in helping to leverage information and analytics. There is no question that information and analytics will become the currency of differentiation. Having a comprehensive approach is the only way to realizing advantage. ❖

Recommendations:

- Start by using the information you already have internally and can readily access, but seek new data sources to gain deeper insights into your business or customers. Ensure you have the right roles involved from both IT and business disciplines: Success will require joint effort.
- Don't let your big data project languish as a pilot. If it isn't delivering business value, terminate it. If it can benefit the business in a measurable, reproducible way, get it into production.
- Recognize that technology isn't the key to big data, but that skills and effective communication are. Treat technology investments as tactical, but personnel investments as strategic.

FIGURE 5: Phase of Technology Deployment: Big Data in CG Companies



Source: Gartner 2015 Consumer Goods Front Office Technology Investment Survey

FIGURE 6: Presence of a Chief Analytics Officer and Chief Data Officer in CG Companies

CHIEF ANALYTICS OFFICER 2014	CHIEF ANALYTICS OFFICER 2015	STATUS	CHIEF DATA OFFICER 2014	CHIEF DATA OFFICER 2015
36%	47%	Yes, already established	36%	53%
21%	28%	No, but have plans to establish in the next 18 months	27%	23%
17%	8%	No definite plans, but likely to have within 3 years	10%	6%
26%	18%	No known plans to establish	26%	18%

Downstream Data and Demand Signal Repositories

Use Downstream Data to Provide Near Real-Time Insight in Consumer Goods • BY AMBER SALLEY

Leveraging downstream data signals to provide near-real time insight on customer and consumer activity is a growing area of interest among consumer goods companies. Leading CG companies are making investments in demand signal management (DSM) technologies to cleanse, normalize and analyze downstream data to support promotion effectiveness, demand plan development and supply management. These technologies are also used to provide input for future planning activities, identify and pre-empt service disruptions, and generate measurable sales and profit growth.

A survey of supply chain planning business process and IT leaders revealed that 30 percent of respondents use DSM technologies or plan to use them in the next 12 months. (*see Figure 7*).

DSM technologies help companies with their initiatives to reduce inventory costs, support dynamic replenishment models and introduce new ways to manage shape demand.

"Survey data shows a positive relationship between a CG company's use of DSM and its appetite to be able to access and utilize more advanced planning software applications or modules when ready to do so from the business side."

DSM technology vendors are assessing ways to extend demand signals across the end-to-end value chain where activity at the retail or distributor level can be used to provide insight into future demand for multiple tiers of suppliers.

The DSM technology environment is made up of two distinct market sub segments:

1. Demand signal repositories — The DSR sub segment is composed of solutions that offer a centralized database that collects, stores, harmonizes and normalizes data attributes, and organizes large volumes of demand data for use by decision support technologies. DSRs alone do not have the capability to translate demand signals into data insights. They are a building block used to help companies better leverage downstream data and improve demand visibility through the organization.

FIGURE 7: CG Company Use of Demand Signal Management Technologies

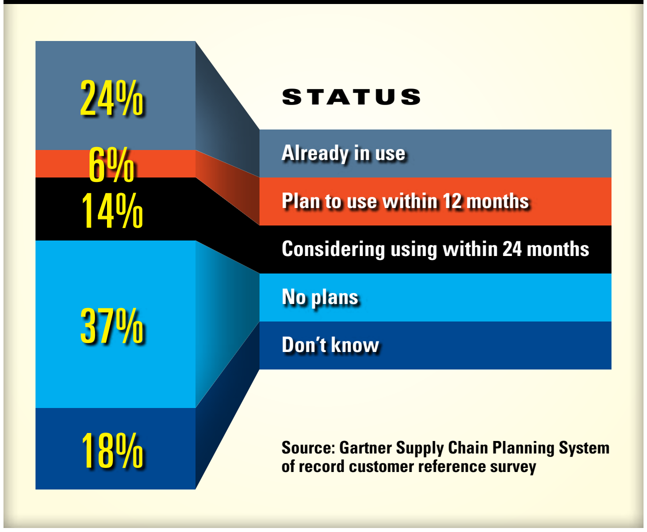
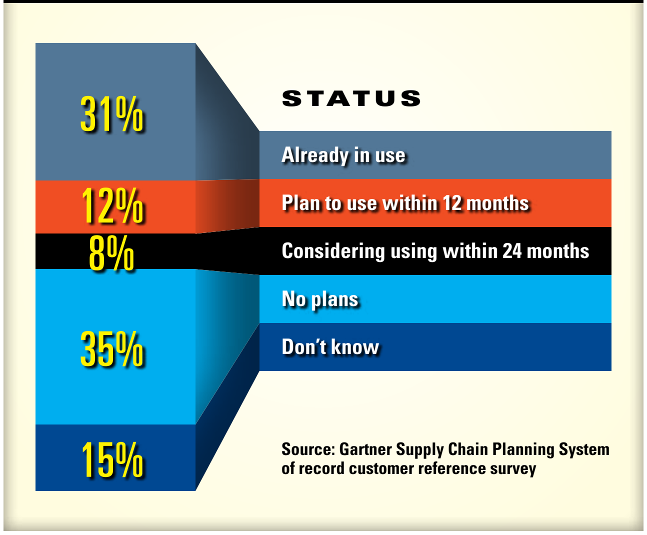


FIGURE 8: CG Company Use of Short-Term Fast Response Supply Chain Technologies



Downstream Data and Demand Signal Repositories

2. Demand Sensing — The DS sub segment is composed of solutions that support the translation and interpretation of downstream data with minimal latency to understand what is being sold, where the product is being sold, and who is buying the product. These solutions include alerting systems to notify uses of service problems and the effectiveness of methods for correction. DS solutions also leverage predictive and prescriptive analytics that can be used to provide perspective to users on 'what may happen' if a specific course of action is taken as well as provide guidance to users on what actions to take and decisions to make, in order to drive performance improvement in their value chain.

DSM is an advanced demand planning activity where companies can create a more accurate, granular demand plan, but the plan will only add value if an adequate supply-side response can be built. This supply response can be achieved through the use of short-term fast response (STFR) supply chain planning software applications. These applications help create an intelligent response to supply chain execution events that keeps the short-term plan as close as possible to company goals. To date, 31 percent of CG companies have invested in STFR applications while 12 percent plan to do so within the next 12 months (*see Figure 8*).

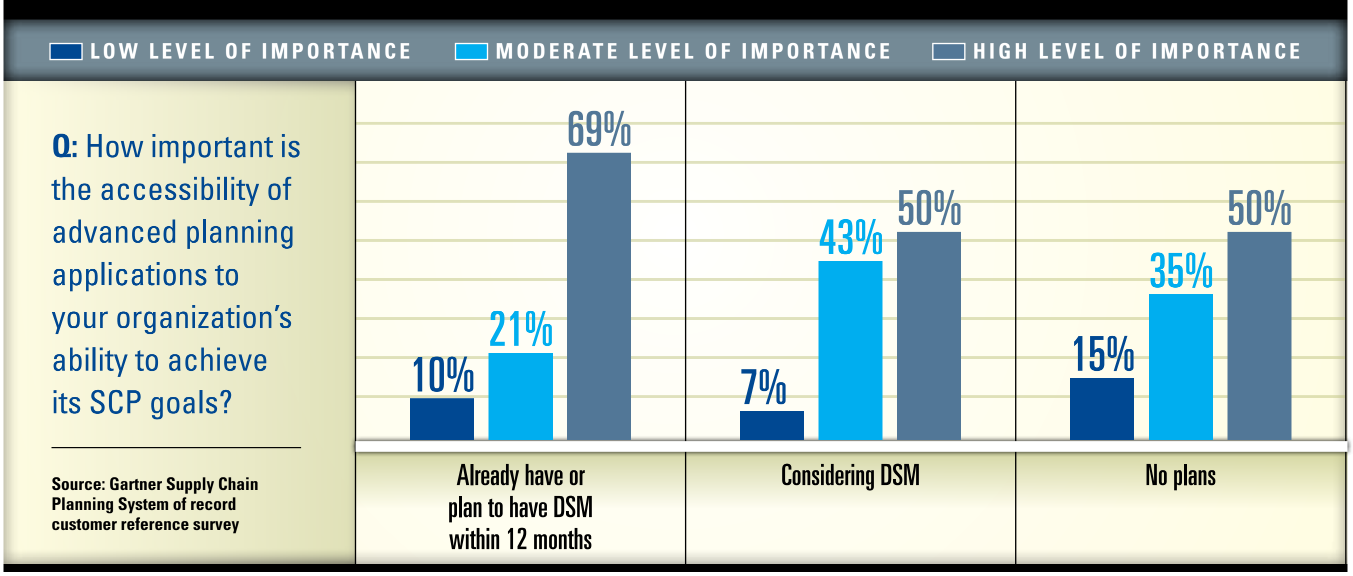
Survey data shows a positive relationship between a CG company's use of DSM and its appetite to be able to access and utilize more advanced planning software applications or modules when ready to do so from the business side (*see Figure 9*).

Strategies to use near-team data insights to improve operational effectiveness must include a technology component. IT and business functions must work hand in hand to anticipate new technology trends that will optimize DSM investments. These include developing a technology platform that can scale downstream data across the enterprise and linking DSM applications to other business operations technologies such as trade promotion management, inventory optimization, and product lifecycle management. ❖

Recommendations for supply chain planning and IT leaders:

- Users looking to invest in downstream data DSM should have a specific purpose in mind for using the data insights. You may only need to start this journey with a few partners that are important to your business and extend use to other partners over time.
- Look for ways to leverage downstream data DSM across commercial and supply chain teams. Some vendors offer enterprise-wide solutions that can be employed by multiple business units and business functions.

FIGURE 9: Importance of Advanced Planning Applications in CG Companies



Consumer Engagement/Digital Marketing

Consumer Goods E-Commerce is about Engagement, Not Just Sales • BY DON SCHEIBENREIF

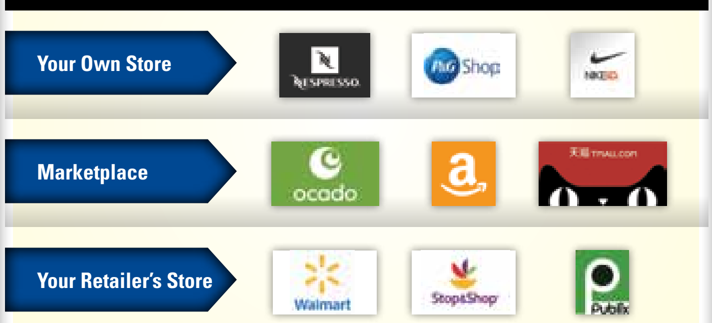
Consumers throughout the world are using mobile and e-commerce technologies to get the items they want — when they want them — and their day-to-day groceries are no exception. Consumers today can: Order online from their retailer and pick up in the store. Examples include Woolworths in Australia, Delhaize Group in Belgium and Stop & Shop in the United States. Order via mobile or PC and ship to home. Examples include Peapod in the United States and Amazon, as well as many specialty retailers of consumable products. Order online pickup at third party. Examples include Amazon Locker, and solutions offered by UPS and startup Swapbox.

Today, CG e-commerce represents about 2 percent of total grocery sales, but it is the fastest-growing channel at 25 percent per year, according to Nielsen. An August 2014 study, also from Nielsen, notes that since 2011, global online purchase intentions for the cosmetic category increased 6 percentage points to 31 percent, groceries rose 5 percentage points to 27 percent, and baby supplies jumped 12 percentage points to 20 percent. The pet category doubled in two years, from 9 percent in 2012 to 21 percent in 2014. Market research firm IRI calculates that 33 percent of all U.S. households bought grocery products on the Internet in the past year, an increase from 18 percent the previous year. As a result of this shift in consumer attitudes, interest among our CG clients in e-commerce is high. We are observing that CG companies have begun to change their expectations for e-commerce, viewing it as a viable means of responding to market shifts, generating revenue and developing a direct relationship with their consumers. In fact, for 2013 through 2015, Gartner survey research ranked direct-to-consumer e-commerce as the top channel investment initiative among CG respondents. While it makes sense for CG companies to support their retailer's e-commerce initiatives, we are also seeing more and more CG manufacturers exploring or implementing their own direct-to-consumer efforts by selling products directly to consumers without involving a retailer. And, as consumers get more comfortable ordering their groceries online, they will come to expect CG companies to have some type of offer — either on a retailer's site or their own site. In fact, Gartner estimates that by 2018, some CG companies could get up to 10 percent of their revenue by selling directly to the consumer. In addition to supporting retailer e-commerce efforts, there are two other legitimate paths to help a CG company get smart on e-commerce, a key milestone on the path to becoming a digital business:

- Direct-to-consumer web sites: The CG company sells directly to a consumer without a retailer. Leading examples include P&G Shop, Nestlé's Nespresso and adidas' mi adidas (design your own shoes).
- Online marketplaces: Manufacturer sells to consumers directly with its own storefront on an online marketplace, such as Amazon, eBay, Ocado in Europe, or Alibaba Group's Taobao and Tmall. In these marketplaces, consumers can find storefronts for companies such as Nike, P&G, L'Oréal and Estée Lauder (*see Figure 10*).

The benefits of engaging consumers directly via e-commerce include an additional channel for revenue, convenience for consumers in categories where it makes sense (for example, highly consumable items, such as diapers and razor blades), direct feedback from consumers, and a venue for establishing a more personal relationship with an end consumer. ❖

FIGURE 10: CG Companies Should Invest in Three Areas of Digital Commerce Source: Gartner



Recommendations:

- Explore technologies required to pilot revenue-building activities by selling products on your own branded e-commerce site. Start with niche items that have a loyal consumer following but that have low distribution.
- Secure capabilities to monitor activity in online marketplaces and retailer e-commerce initiatives to build organizational experience and understand/measure business benefits.
- Evaluate technologies that facilitate and automate the sharing of insights with retail customers to foster cooperation and support their efforts to adapt to the e-commerce needs of your shared consumers. Have a plan for how you will use the data and insights internally

Retail Perspective

Retailers Need to Rethink Multichannel as Digital Channels Increasingly Drive Store Revenue

BY MIRIAM BURT

FIGURE 11: Multichannel Revenue Forecasts, U.S. and U.K., 2013-2017

*Includes revenue from retailers' mobile optimized web sites and mobile applications. Note: Percentages may not add up to 100% because of rounding.

CHANNEL	2013 ACTUAL			2015 FORECAST			2017 FORECAST		
	Total	U.S	U.K.	Total	U.S	U.K.	Total	U.S	U.K.
Brick-and-mortar stores	79.2%	79.4%	76.3%	76.5%	77.6%	72.7%	72.2%	73.2%	68.9%
E-commerce	14.3%	14.5%	16.0%	16.2%	16.3%	17.8%	18.2%	18.1%	20.3%
Mobile commerce*	3.2%	3.2%	3.8%	4.6%	3.6%	6.3%	6.5%	5.8%	7.8%
Call center	2.3%	1.6%	3.5%	1.8%	0.5%	2.5%	1.7%	1.3%	2.2%
Mail order	0.6%	0.7%	0.4%	0.6%	0.6%	0.5%	0.5%	0.6%	0.5%
Social commerce	0.3%	0.5%	0.2%	0.4%	0.5%	0.2%	0.8%	0.9%	0.4%
Other channels	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.1%	0.2%	0.1%

Source: Gartner (March 2015)

Over the past eight years, Gartner's research on the topic of multichannel retail has identified the impact of the shift in channel revenue mix resulting from changes in how customers shop across various operational channels, such as stores, retailer web sites, mobile commerce and social commerce.

Key findings from the latest retailer research conducted in the United States and the U.K. in 1Q15 is summarized in Figures 11 and 12, and indicates the following:

- Through 2017, the store will continue to generate the largest proportion of retail revenue and will remain the hub of retailing.
- By 2017, the digital channels of e-commerce and mobile commerce will together account, on average, for up to 25% of overall retail revenue.
- Retailers estimated that up to 50% of their brick-and-mortar retail sales were influenced by customer activity in the e-commerce and mobile commerce channels combined. This represents a major shift since March 2013 when this figure was 28%.

It's clear that retailers who focus on revenue coming from e-commerce and mobile commerce at the cost of the brick-and-mortar stores will fail to optimize cross-channel revenue opportunities.

FIGURE 12: Estimated Impact of E-Commerce and Mobile Commerce on Brick-and-Mortar Store Sales, 1Q13 Versus 1Q15

	1Q13		1Q15
E-commerce	22.1	Vs.	30.0
Mobile commerce	5.9		19.8

Source: Gartner (March 2015)

Mapping the major cross-channel processes, such as 'buy online, pick up in store', at a category level will help to get a more granular understanding of how customers are shopping categories across the channels. Identifying shifts in channel spend through the use of multichannel customer analytics will help to identify the impact on store footfall, store shopping behavior and customer fulfillment processes. It will also help to prioritize the investment needed to deliver store operational excellence.

Retailers will therefore need to execute a coherent multichannel strategy that can capitalize on revenue growth from cross-channel shopping processes and can also deliver cost efficiencies across the channels. ❖

Manufacturer/Retailer Collaboration

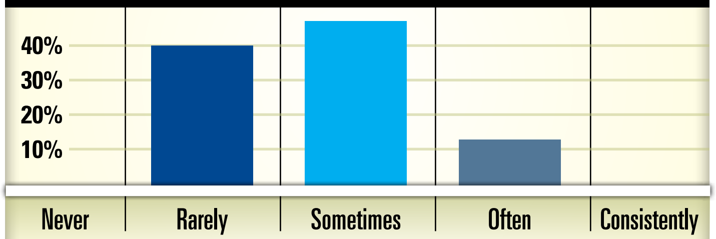
Effective Retailer Collaboration Must Become More Than Just a Slogan • BY STEPHEN SMITH

"Bring me actionable insights or else bring me a sack full of money."

This is a favorite quote from a large grocery retailer in response to a question about what CG companies need to do to improve manufacturer-retailer collaboration. Today, the industry estimates that promotion and merchandising allowances, also referred to as "trade spending," total almost $500 billion globally according to Nielsen and, on average represent, 20 to 25 percent of a typical CG manufacturer's revenue. In some categories, such as frozen foods, trade spending represents more than 40 percent.

As trade spending has increased, retailers have become accustomed to extracting more and more trade funds from their suppliers. Much of this is driven by the manufacturers' inability to bring insights to the table that will drive revenue and profit improvements. Gartner research confirms that less than 20 percent of CG manufacturers use optimization and predictive analytics capabilities to drive better outcomes (*see Figure 13*). As a result, retailers "tax" their manufacturers with increased trade spending to improve their operating results. This practice has gone on for years, as many retailers supplement historically low margins on the selling of goods (typically low single digits) with a variety of fees, including trade promotion spending. In fact, we are observing growing disquiet in the industry on this topic. For example, Tesco faced questions on its use of forward trade spend money in its financial disclosures in late 2014. Tesco had been paying suppliers later and taking monies from them earlier than it should, running counter to U.K. accounting principles and putting this issue in the public spotlight. A CG company has only a few marketing tactics, such as new products, new advertising and new promotions, to stay relevant in the current environment. A slate of strong new product introductions may be able to secure space on the shelf, and strong consumer appeal may make a difference. But even if these two factors are in play, the retailer will want more trade spend as a guaranteed road to profitability in lieu of insights about merchandising or promotional strategies. Ergo, only an ability to drive superior promotions with each retailer — that means customized for the retail environment — will actually have a material impact on the total amount of trade spend.

FIGURE 13: Optimization Focus is not Often on the End Game % of CG Companies that use Optimization and Predictive Capabilities to Focus on Big Outcomes



Source: POI / Gartner Survey November 2013

It is the ability to credibly demonstrate to a retailer that a promotion will yield a certain outcome that forms the basis for collaboration. Either the manufacturer is able to simulate promotional outcomes with a degree of certainty — and achieve it — or else continue with the same old promotions over and over because switching a promotion without being able to simulate an outcome is perceived as risky. So being predictive drives not only the need for the retailer to collaborate, but also the ability to try new promotions with less risk. Ultimately, it is what will bring the retailer to the table. It may not cause trade spend to decrease — this is not realistic in the short run — but it has the potential to help CG manufacturers keep their trade spending flat. Otherwise, a 30 percent trade-to-revenue number is not only realistic, but also inevitable. The objective of the mature manufacturer is to increase trade spend efficiency — that is, to grow revenue faster than trade spend. That's another reason why insights are so important.

A viable technology solution exists in the areas of trade promotion management (TPM) and trade promotion optimization (TPO). However, these technology solutions are but one piece of a broader manufacturer-retailer collaboration puzzle that includes such building blocks as willingness to learn, data accuracy and latency, tool de-emphasis, user experience, data integration, collaborative retailers, and capable and willing personnel. The IT organization can play a role in three of these blocks: data integration, user experience and data accuracy. The IT organization's direct involvement can improve the execution of the collaboration by advising on how to implement the technology (and hopefully streamline the process).

Manufacturer / Retailer Collaboration

Despite the complexity of the issues and the entrenched operating models of CG manufacturers and retailers, we are seeing bright spots in the use of technology and process change that are leading to greater manufacturer-retailer collaboration. Examples include:

- Bahlsen, a leading baked goods maker in Europe: In a case study, we wrote about the effects of TPO just as it was appearing on the scene. In the case of Bahlsen, the collaboration around point of sale (POS) data sharing led to better demand forecasting, improved revenue, less waste of seasonal products and packaging, and greater trust in the relationship between the manufacturer and the retailer.
- Regional retailers in the U.S. markets such as Publix, H-E-B and Food Lion are responding positively to the ability to be more collaborative and work with manufacturers to optimize promotions — first at the banner, then the store cluster and ultimately the store level.
- Manufacturers are rising to the challenge by investing in people and technologies that can look at promotional outcomes, as well as look at what the corresponding financial results will be for both the manufacturer and retailer. This, in turn, forms the basis for a collaborative dialogue and scenario creation to optimize results. The level of interest is high around this topic, as industry organizations such as the Promotion Optimization Institute regularly convene several hundred manufacturers and retailers in the United States — and soon to be in Europe — to discuss the topic, share best practices and review ongoing successes.

The benefits of this approach include slowing the growth trend of trade spending, achieving win-win solutions, achieving improved results from more effective promotion design and execution, and focusing on the right retailers. Given the sheer amount of money spent on trade promotions, even minor improvements in spending efficiency have the potential to yield significant benefits. ❖

Recommendations:

- Take a serious and objective look at which trading partners actually have the people, culture and technology to partner with you.
- Recognize your own needs in people and culture and prioritize accordingly.
- Data is key. Focus on how to integrate and then share with partners, while realizing that selling data to a partner is counter-intuitive.
- Begin looking at TPO technologies for optimization as a logical extension to your existing transactional TPM capabilities.

CG Customer Service and Digital Business/ E-Commerce

Make Customer Service a Competitive Advantage in Consumer Goods Companies

BY CHRIS POOLE

Supply chain and customer service/logistics leaders in consumer goods companies are under increasing pressure to grow revenue and increase margin. So how can they transform customer service to become a competitive advantage to underpin these objectives?

The customer service landscape is complicated, and consumers and customers are demanding better service at lower cost. Customers have consolidated — they operate on a global basis and are asking for differentiated service offerings and faster delivery lead times. Investment in customer service lags behind other areas in supply chain, and most companies are neglecting to upgrade inefficient order management systems and processes. Some consumer goods companies are struggling to translate the idea of collaboration with retailers into practical steps to create meaningful outcomes.

Within this environment, supply chain leaders in consumer goods companies need to find new ways of exceeding their service, cost and inventory objectives and by so doing making customer service a competitive advantage.

Here's some practical advice based on what leading edge CG companies are already doing (*see Figure 14*):

1 Focus on Effective Customer Service Performance Metrics

Start by agreeing on the metrics that will drive the behavior you want around service, cost, order-to-cash cycle time and inventory. Then, agree the trade-offs between these metrics and align them through the supply chain, and between supply chain and the commercial side of the business. Aligning metrics avoids conflicts between different groups by focusing on different targets. Once service, cost

CG Customer Service and Digital Business/E-Commerce

and inventory metrics are agreed, ensure accountability with rigorous tracking and review.

2 Improve Your Master Data Quality Through Robust Governance

Master data management (MDM) continues to be a challenge for consumer goods companies. Recent research of 16 consumer goods companies revealed that not one of them could say that its MDM was entirely robust on every SKU in every country.

Assign clear ownership for MDM in your organization — typically, this is a small regional group that can coordinate data entry from multiple sources, Ensure that there is clean master data to facilitate effective sharing of order/product data with customers. Leading companies have created a single date entry point with no duplicate sets and clear guidelines for maintaining and updating records.

3 Tailor Your Customer Service Proposition and Simplify and Standardize Non-Customer-Facing Activities

Create segmented customer service propositions that protect value with smaller customers and create value with key strategic ones. You can be prescriptive with the low-end, low-volume customers, setting out your expectations of them in your trading relationship. In contrast, at the top end, with key strategic customers, you are likely to customize your service.

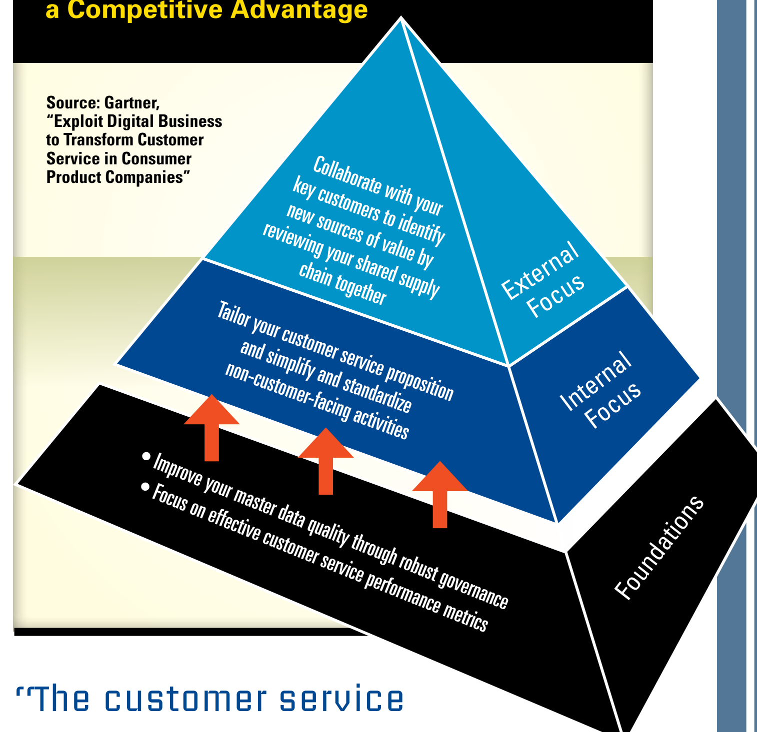
Simplify and standardize your non-customer facing order-to-cash activities — invest in systems that automate the flow of order processing from acquisition through to cash collection. Standardize your order-to-cash processes across sites and consider the process-excellence benefits of regionalizing your customer service operations.

Savings that are realized by simplifying and standardizing non-customer-facing activities provides the funding and human resources to be able to offer differentiated service responses segmented by customer and customer sector.

4 Collaborate With Your Key Customers to Identify New Sources of Value by Reviewing Your Shared Supply Chain Together

Engage with customers to create value together. Prioritize your initiatives by assessing the benefits from better product availability, reduced cost and inventory, and ease of execution. Gain top management sponsorship to invest in collaboration with key retailers.

FIGURE 14: Make Customer Service a Competitive Advantage



> "The customer service landscape is complicated, and consumers and customers are demanding better service at lower cost."

The focus areas for collaborative work can cover:

- Establishing joint forecasting processes
- Managing big commercial initiatives jointly
- Agreeing on the right "route to market
- Making SKUs "fit for use" to flow through the retailer's supply chain
- Aligning base transactional data/establishing electronic trading

Make sure that these initiatives are sustainable by putting in place robust governance. Upfront, establish a joint scorecard and a joint action plan. Then review progress regularly with top management involvement at least twice per year. ❖

FIGURE 15: Internet of Things: Smart Homes As Next CG Battleground?

Source: Gartner, "How Digital Business Will Impact Consumer Relationships in Consumer Goods"

Digital Business, Internet of Things and CG

Will the Smart Home Become the Next Battleground for CG Brands? • BY DON SCHEIBENREIF

Gartner estimates that 30 billion devices will be connected to the Internet by 2020. In the consumer sector, as many as 500 smart devices might be connected to a smart home by 2022 (*see Figure 15*). A majority of these things, such as connected coffee machines, lawn irrigation sensors or wearable technology, will create demand for a wide range of consumer goods and change the dynamics of consumer decision making when intelligent things become part of the mix. This means more opportunities for CG companies and other industries to leverage intelligent things in the consumer's decision-making process through direct communication and engagement. With 500 potential smart objects in your smart home, it will become an important battleground for brands and retailers who want to sell you consumer goods.

What's more, we are even seeing the beginning of Internet-connected things ordering items on behalf of their owners. For example, inkjet printers, washing machines and smart pill bottles can initiate simple transactions that are set by the human user. The rollout of Amazon.com's Dash Button — which allows consumers to reorder items by pressing a button on a small device mounted on an appliance, for example — presents many interesting implications for how consumers will interact with devices in the home when making purchasing decisions. While many smart home, consumer appliance, and other consumer energy technologies are in the early phases of adoption, this does not mean that CG manufacturers should wait. ❖

Recommendations:

- Allocate time for thinking and brainstorming with colleagues about how intelligent things can factor in to your consumer's decision-making journey and possibly change your business.
- Build intelligent devices into your technology innovation pipeline, and actively learn about the IoT and the smart home ecosystem that will surround your business.
- Partner with a software and hardware technology company that is building intelligence into everyday consumer devices to understand how consumers adopt and interact with these devices.

Retail Execution

Retail Activity Optimization: The Next Frontier in Retail Execution • BY STEPHEN SMITH

Gartner defined "retail activity optimization" (RAO) back in 2011 as using big data analytics and advanced modeling (regression analysis and linear programming) to drive the activities that manufacturers want executed by field sales personnel. RAO can substantially improve the financial return on efforts of field sales forces by using sell-out/POS data to drive which stores need a visit and what needs to be done (*see Figure 16*).

The value lies in getting the POS data as closely as possible to the field sales person going into the marketplace (early morning, same day is best), prioritizing the respective value of each situation and creating an optimized route including turn-by-turn driving directions to get it done. Efforts typically focus on product out-of-stocks and promotional non-compliance because they can be detected through POS data.

"The value lies in getting the POS data as closely as possible to the field sales person going into the marketplace."

The technologies include those for data accumulation and analysis, pushing the activities out to the field sales force through mobile devices (such as tablet PCs or handhelds), and collecting the inputs or outcomes from the mobile devices.

And because of the inclusion of predictive modeling the solution can allow user organizations to ask questions like:

- If the price of fuel goes up which stores are no longer profitable for a visit given current sales there?
- If the sales person has a doctor appointment at 4 PM at the end of a shift, what is the logical routing for that day that will allow for the best coverage of store needs while enabling him to make appointment?
- Which stores should be visited in a sector today to avoid a problem there before the next visit?
- What would my commission likely be if I chose to work a few extra hours? ❖

FIGURE 16: Retail Activity Optimization in CG

FUNCTION	BENEFITS
Reflect store conditions from night before through POS	Low latency
Identify opportunities at store level	Reduce redundancy and guesswork
Prioritize opportunities	Maximize ROI
Task corresponding salesperson	Accountability and ability to execute
Optimize the route to be taken	Minimize drive time and fuel use
Factor in constraints like fuel costs, seasonality, doctor appointment	Individualize by territory instead of 'averages'
Predictive modeling	Determine what has to be done today to improve outcome/avoid problem tomorrow

Source: Hype Cycle for Consumer Goods, 2015

Recommendations:

- Aggressive CG technology adopters should be watching this marketplace through 2015 and be ready to commit as these products evolve, and as the vendors with optimization capabilities combine their expertise with vendors that have more-traditional retail execution and monitoring offerings.
- Mainstream CG technology adopters should continue to automate their retail execution capabilities by pushing activities out to the field via mobile devices, so that they will be ready when these capabilities mature.

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