

LEVERAGING CONSUMER INSIGHTS

WHY IT'S MORE IMPORTANT THAN EVER BEFORE

Gaining consumer insights has been the holy grail of the consumer goods (CG) industry for decades. Historically, retailers shared little information, and what was available was used for account management purposes only. Therefore, getting to a true understanding of what consumers really want and need was a costly and difficult process exacerbated by the latency of much of the available data. Fortunately, much more data is now available — between syndicated data providers and direct feeds from the retailers themselves — yet the goal is still the same; decoding the consumer.

This month, CGT partners with Wipro Technologies to take a closer look at how CG manufacturers are getting consumer insights as well as how they are using the information. Departments well beyond sales can leverage the data, including marketing, supply chain and R&D. What we found is that to truly leverage all the available downstream data, a multi-disciplinary approach is most common, involving various data sources, processes, departments and governance structures. Consumers are changing, and the way the industry interacts with them is changing to keep up the pace.

SOURCES OF INSIGHT

First, let's remember that communication is a two-way street and messages are flowing in both directions.



Download the complete research at:
www.consumergoods.com

Figure 1 shows the various vehicles that CG companies are using to reach out to consumers. The overwhelming majority (73 percent) indicate that traditional media is still the most common method of outreach, which is not surprising. About one-third of those surveyed use social networking, and almost another third work with channel partners for e-commerce. Very few are leveraging retailer kiosks, which is interesting considering the emphasis retailers seem to be putting on that particular method. What we did find, however, is that the largest companies, particularly those with more than \$10 billion in annual revenue that use all of the methods we asked about, use more communication vehicles than their smaller counterparts.

On the flip side, we also found commonalities by company size when we looked at the processes CG companies put in place to capture inbound consumer related data. A full 58 percent capture such data with Web site registrations, surveys and panel research, and another half (multiple responses were permitted) work with their retail partners to get the information, presumably point-of-sale (POS) or even loyalty card data sharing. A smaller percentage of respondents use test marketing and their own retail footprint, but again, the largest companies use multiple processes, including all of the methods we inquired about. Most retailers are open about sharing

EXPERT PERSPECTIVE

Reaching Out to Your Changing and Demanding Consumer

The majority of modern-world consumers are demanding, intelligent, seeking personalized treatment, loosing brand loyalty due to onslaught from newer and better products everyday and asking value for their money from every vendor.

The Internet has been the greatest technological achievement of the human race. Social networking and blogging are giving yet another amazing dimension to the information-sharing world through the Internet. This makes consumers more aware, and they are neither afraid of experimenting nor opening their wallets when they find a product or service offering value for money.

In today's competitive market, retailers and manufacturers are trying newer ways to answer more and more new questions on where their consumers are, how they shop, what media they consume, their mental makeup and how they will behave in the future. Consumer packaged goods (CPG) companies are trying to collaborate with their channel partners as well as trying their own channels to decipher consumer behavior.

There is an emerging need for the enterprise to be equipped with the most innovative tools and techniques to understand in which direction their most profitable customers are moving. And with that comes the additional task of linking each of those initiatives with the cost of implementing solutions and extracting maximum value.

More and more companies are partnering with analytics companies to identify their most probable buyers with the intelligence gathered from past history of customer buying patterns as well as their demographic and psychographic makeup. Analytics companies are developing the ability to create highly-customized buyer segmentations that integrate buyer information with actual buying behavior data. They are defining new ways to calculate profitability and the appropriate price bands for each product and consumer segment, accurately identifying the sales lift and marketing ROI for each sales promotion with new consumer insights, thus enabling new and improved consumer campaigns, product development and testing.

At the core of business intelligence and analytic applications lay a variety of technologies, including predictive analytics and comparative analytics. These techniques, along with others such as pattern detection, segmentation and clustering, enable the organization to improve the quality of operations decisions. It requires a high level of investments in terms of technology and skilled professionals, but yields a higher level of returns in the long run.

CASE STUDY

Most CPG companies know how much they spend on promotions, but few calculate accurately and prioritize

the lift that can be achieved by a given marketing mix. By doing so, these companies can significantly improve their return on marketing investments.

A global CPG leader wanted to investigate and reaffirm whether it was making the most appropriate and efficient use of its marketing efforts to sell products. The market does not have a history of tracking media efforts in the way that the consumer consumes them. The norms of statistical acceptance for traditionally-applied statistical techniques are not well known. There is no well-defined mechanism, which would integrate and standardize the data measures required to get a statistical procedure started.

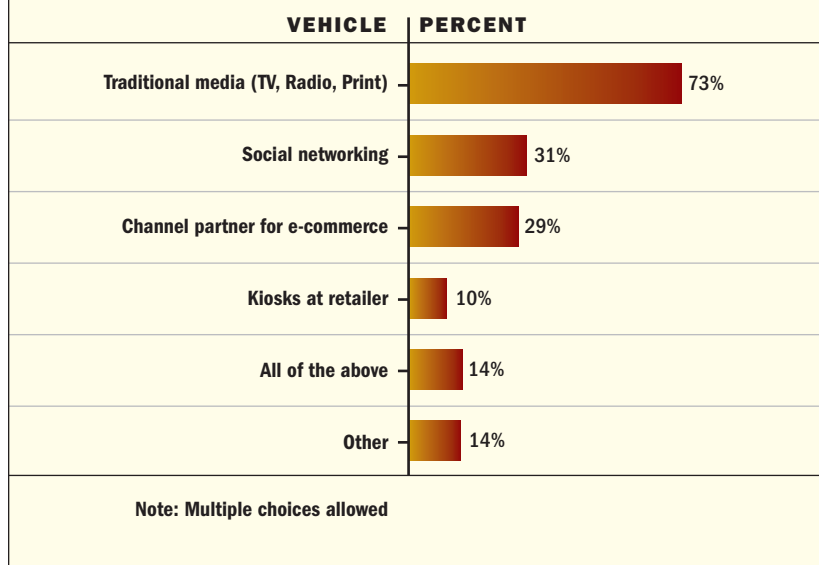
Wipro devised innovative ways to handle each data and technical issue and came up with a working solution. CPG companies now know which marketing activities work best and which don't for brands. The individual elasticity of each marketing variable is now established, and scopes for further studies have been outlined. Reallocation of the existing marketing budget shows that they can save substantial investment dollars.

Wipro wants to implement a web-enabled tool that helps marketing managers calculate different marketing mix options and the ROI associated with each option.

The answer to today's marketing problem may be to ask "what's next?" — Contributed by Wipro Technologies

FIGURE 1

Vehicles Used to Reach Out to Consumers



POS data with their CG business partners, but a few smaller suppliers are not able to take advantage of this trend as they are still not getting data directly from their retail customers.

HOW TO LEVERAGE THE DATA

Most CG organizations do not have a governance structure in place that is well equipped to handle the influx of this data, as seen in Figure 2. This initiative is growing in importance as more organizations understand the inherent benefits

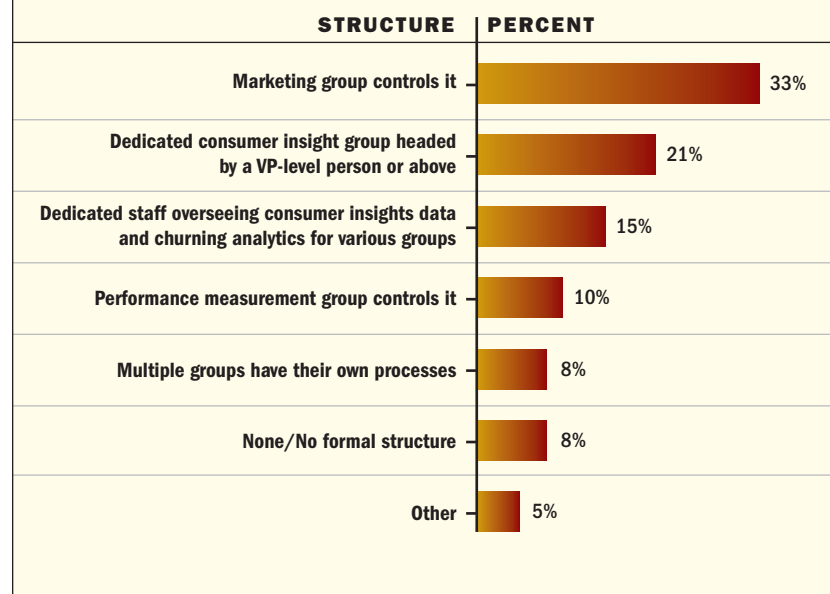
MOST CG ORGANIZATIONS DO NOT HAVE A GOVERNANCE STRUCTURE IN PLACE THAT IS WELL EQUIPPED TO HANDLE THE INFLUX OF CONSUMER INSIGHT DATA.

of leveraging consumer data throughout the enterprise, but many are still not as effective as they could be, and many are also confining consumer insights to sales and marketing, with 33 percent reporting that their marketing group controls consumer insights. Overall, only 21 percent of our respondents have a dedicated consumer insights group headed by a high-level leader in place, with another 15 percent having dedicated staff overseeing the data and providing analytics for other groups. Again, the largest Tier-1 companies are ahead of the competition, many of them having a dedicated insights group in place led by a vice president or above.

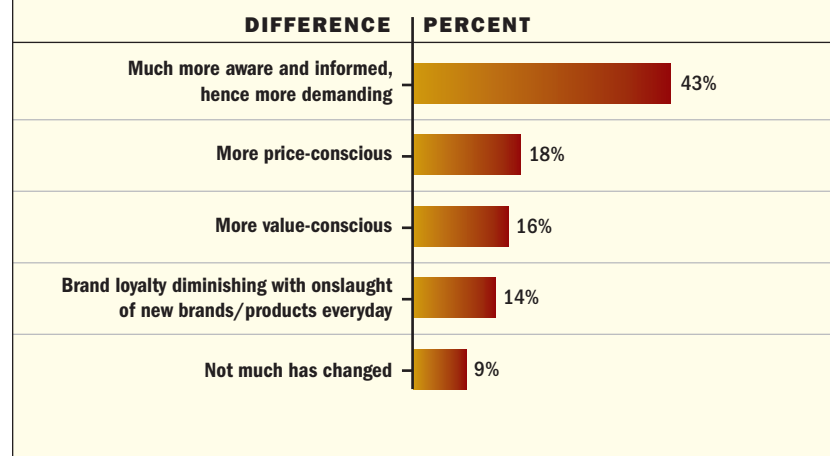
Measurement of consumer outreach efforts is another challenge that plays into the complexity of this issue. Unfortunately, 15 percent of respondents have no effort at all underway to measure effectiveness of such programs, and another 27 percent are doing "some" slicing and dicing to understand what is working and what is not. Almost half (40 percent) simply go by intuition, correlating sales increases by promotion to consumer outreach. This intuition group, interestingly enough, is where almost all of the apparel and footwear organizations belong. Only 19 percent of our participants use advanced statistical market mix modeling, and again, we find bigger companies in this group.

FIGURE 2

Governance/Support Structure in place to Manage Consumer Insights

**FIGURE 3**

Yesterday's Consumer vs. Today's Consumer



WHERE USED

The consumer awareness generated through analytics and surveys is used in a variety of ways, although a surprising number (18 percent) don't use the learnings to make any changes to tactical plans. About one-quarter (24 percent) of our survey participants use the insights for new product strategy decisions, and another quarter (24 percent) use them for aligning consumer and trade promotion. To ensure execution goals are met, 16 percent use the knowledge to align production plans and schedules.

But the bottom line throughout the research is that in this difficult and competitive environment, truly understanding the consumer is a pre-requisite to success. Technology has enabled more data sharing, and for many organizations, it has enabled the analysis of massive quantities of data to glean insights into their customers, both retailers and consumers. Reaching the modern consumer is very different than in the past, and much of that comes from differences pointed out in Figure 3. Almost half (43 percent) of our respondents believe today's consumer to be much more aware and informed and therefore more demanding, while many also believe today's consumer is more price- and value-conscious than in the past, with 14 percent feeling that brand loyalty is diminishing. These findings underscore the importance of leveraging all available assets to create a bond with consumers. **CG**



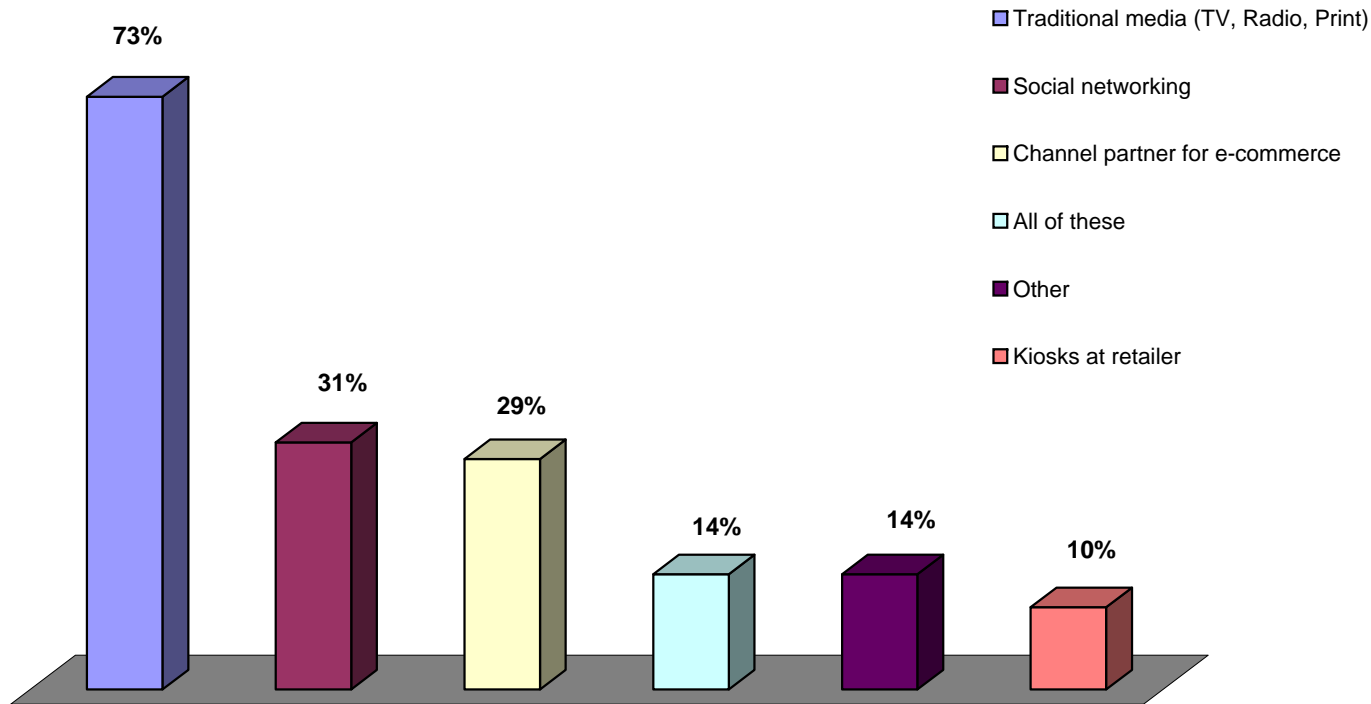
***Consumer Goods Technology
Demand and the Consumer***

November 2008



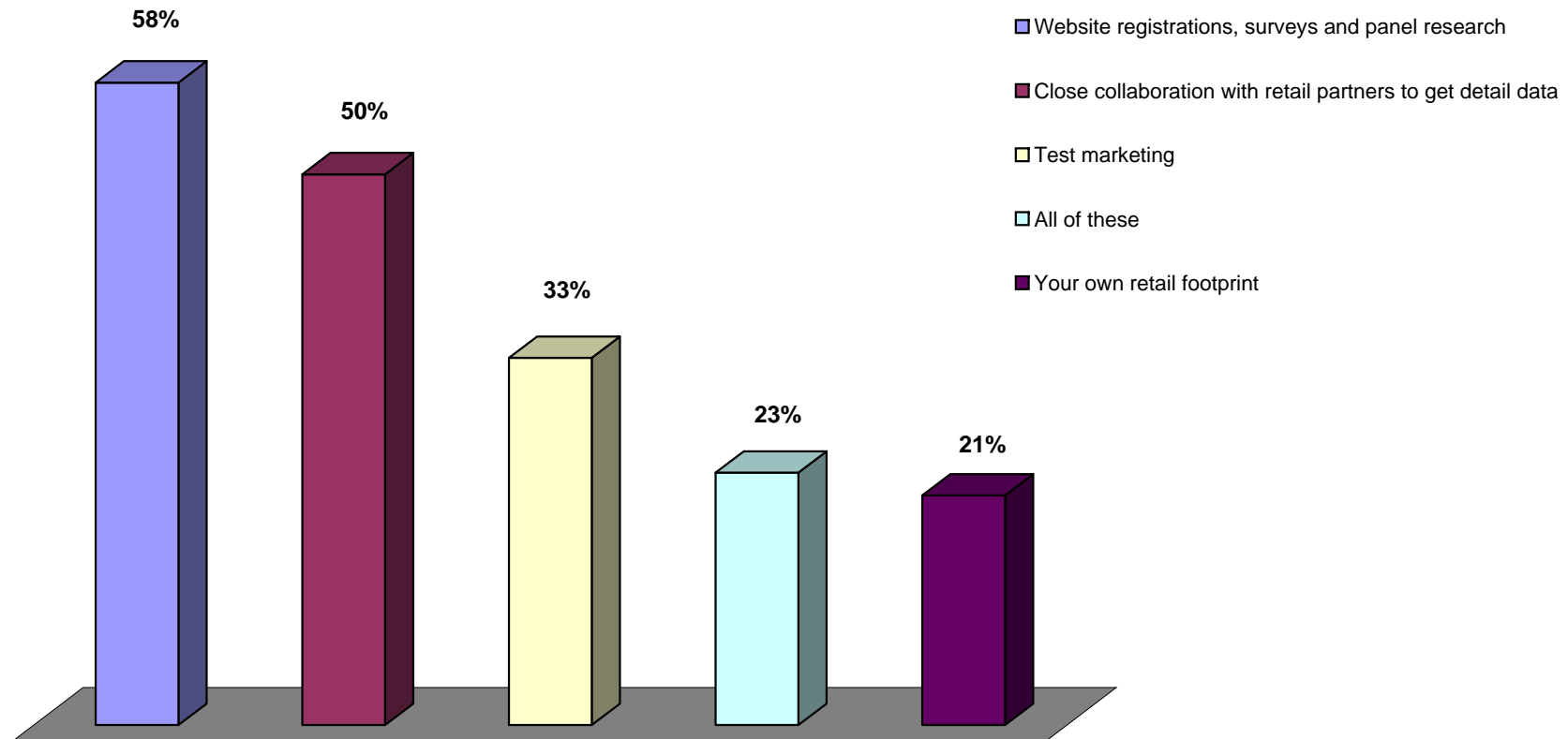
1. Please indicate the various vehicles you use to reach out to your consumers (Multiple choices allowed):

Vehicle	%
Traditional media (TV, Radio, Print)	73%
Social networking	31%
Channel partner for e-commerce	29%
All of these	14%
Other	14%
Kiosks at retailer	10%



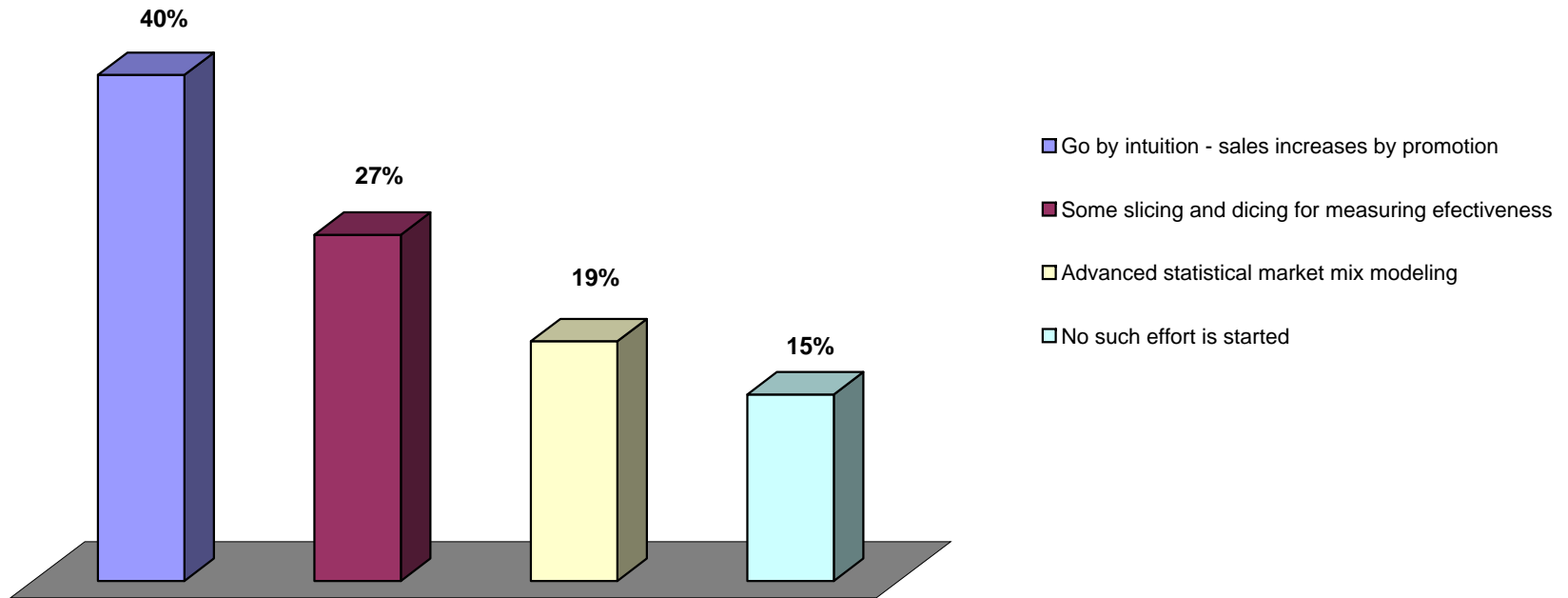
2. Given that CPG Companies are one degree away from end consumers, what are all the processes you have put in place to get consumer related data? (Multiple choices allowed)

Processes	%
Website registrations, surveys and panel research	58%
Close collaboration with retail partners to get detail data	50%
Test marketing	33%
All of these	23%
Your own retail footprint	21%



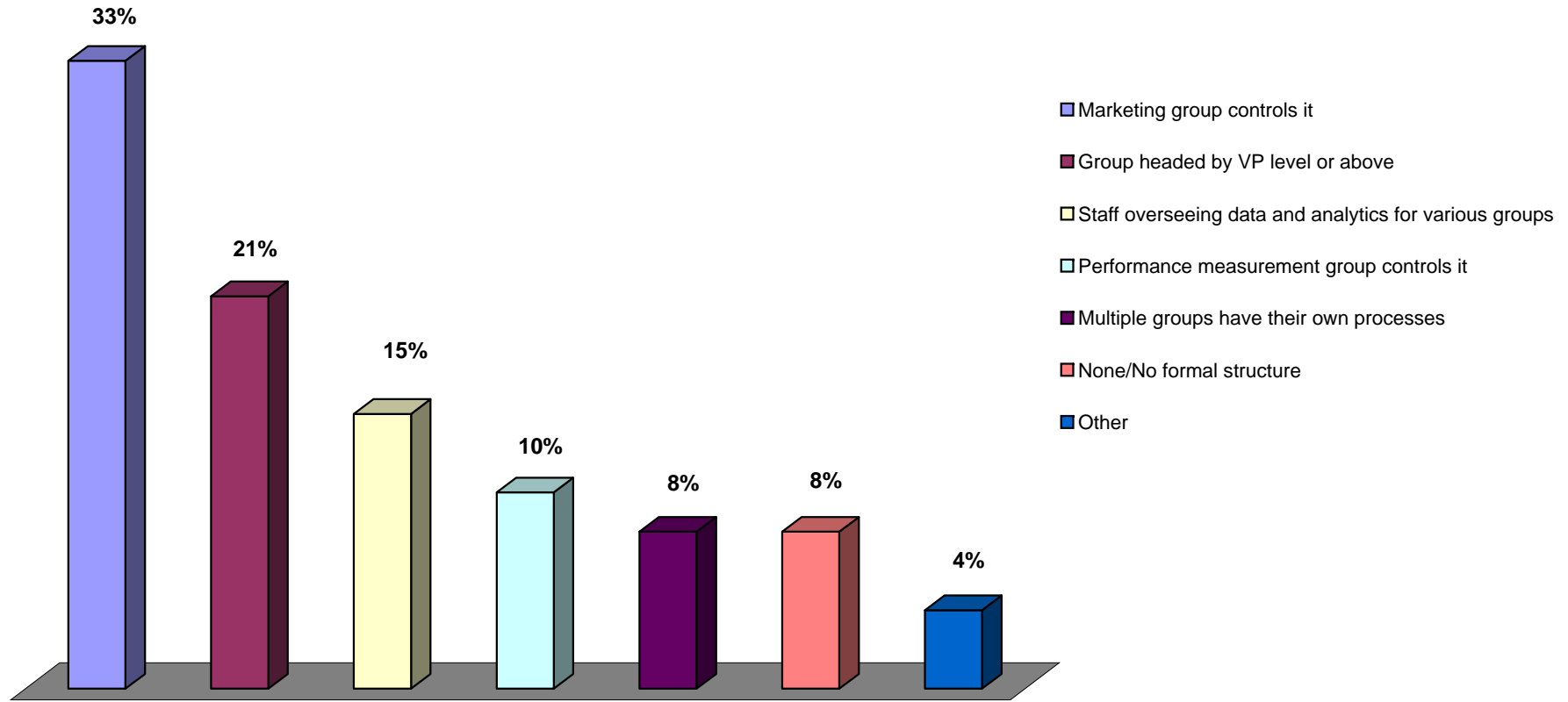
3. How do you measure the effectiveness of your efforts to reach consumers?

Measure	%
Go by intuition - sales increases by promotion	40%
Some slicing and dicing for measuring effectiveness	27%
Advanced statistical market mix modeling	19%
No such effort is started	15%



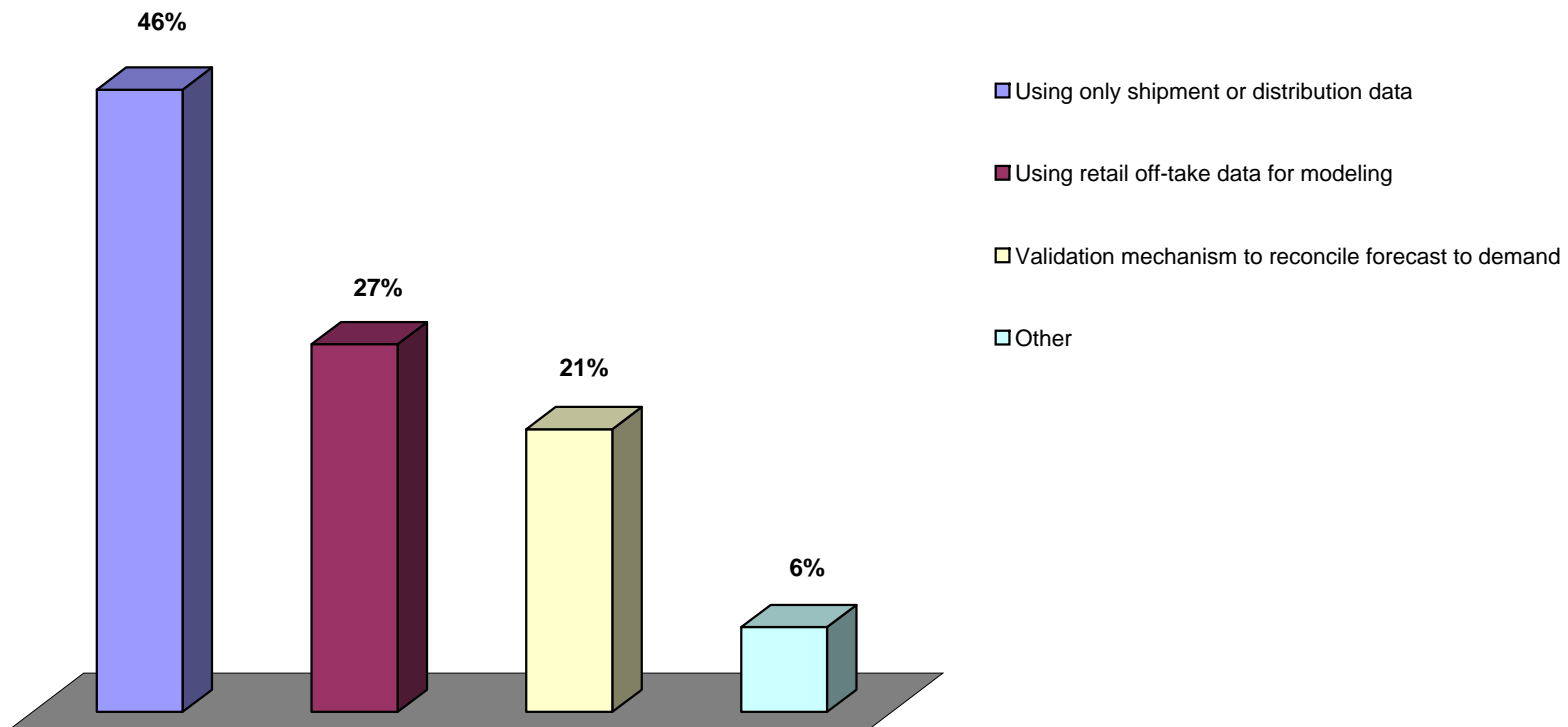
4. What kind of governance/support structure do you have in place for consumer insights?

Structure	%
Marketing group controls it	33%
Dedicated consumer insight group headed by a VP level person or above	21%
Dedicated staff overseeing consumer insights data and churning analytics for various groups	15%
Performance measurement group controls it	10%
Multiple groups have their own processes	8%
None/No formal structure	8%
Other	4%



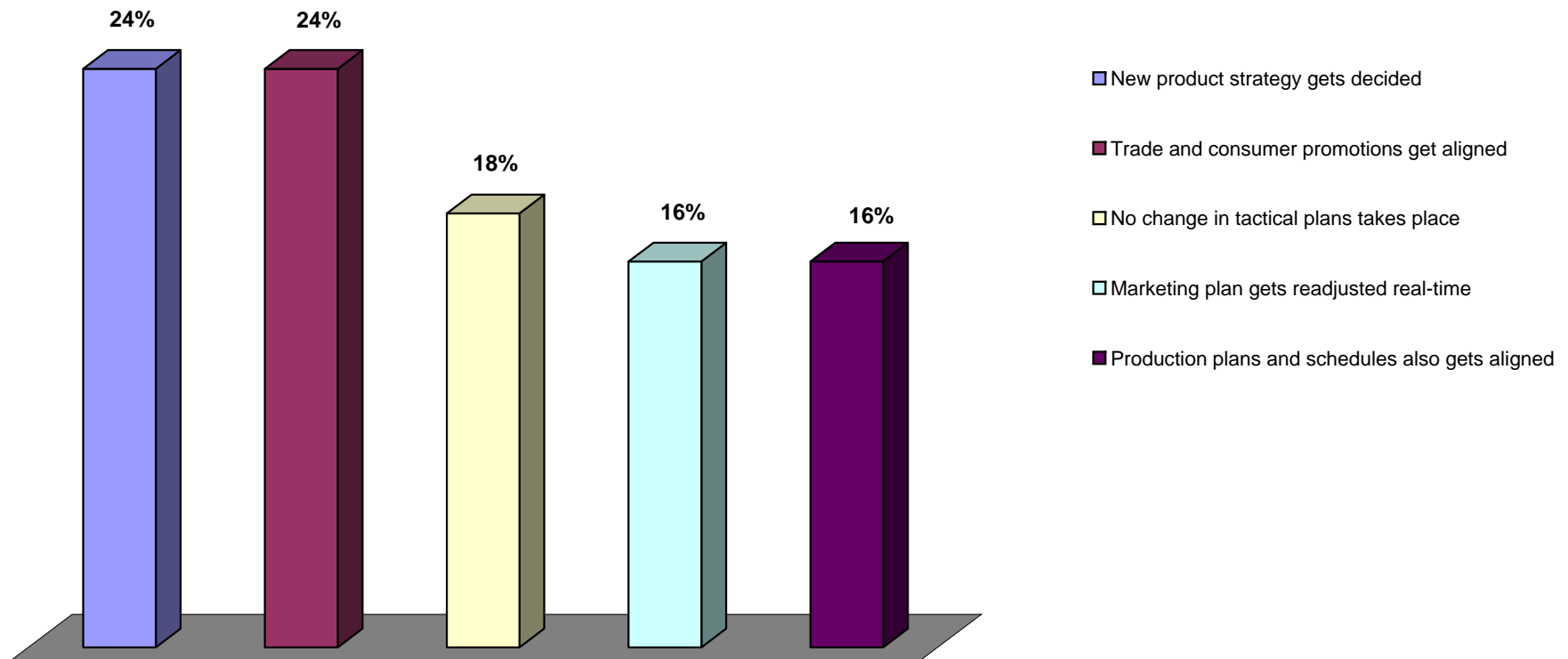
5. What demand forecasting practices do you have in place to ensure you are as close as possible to actual consumer demand?

Practices	%
Using only shipment or distribution data for demand forecasting	46%
Using retail off-take data for modeling	27%
Validation mechanism put in place to reconcile shipment / distribution based forecast to consumer demand	21%
Other	6%



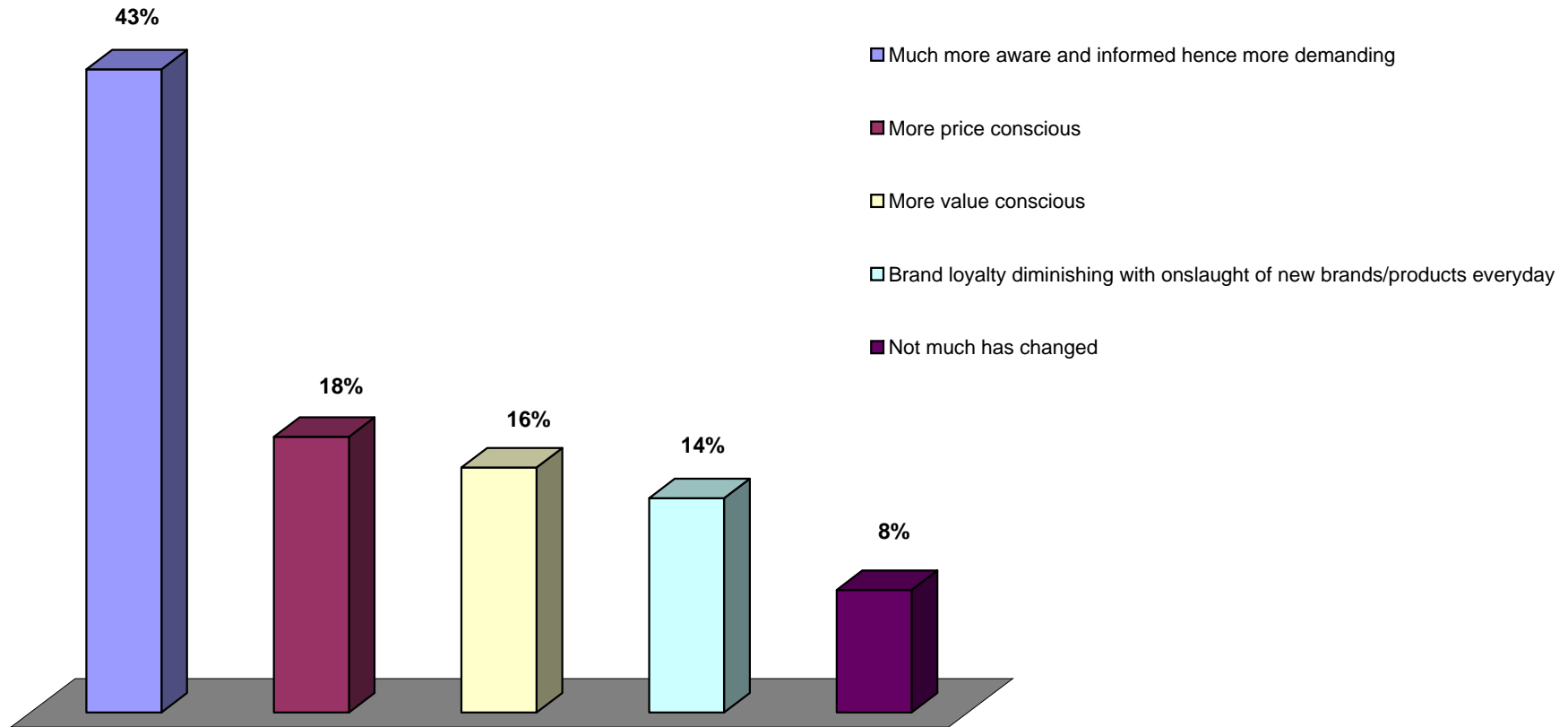
6. How do you use the consumer awareness generated thru analytics/surveys etc. in your business?

How used	%
New product strategy gets decided based on this	24%
Trade promotion and consumer promotion gets aligned based on demand signals	24%
No change in tactical plans takes place from this learning	18%
Marketing plan gets readjusted real-time based on demand signals	16%
Production plans and schedules also gets aligned based on this learning	16%



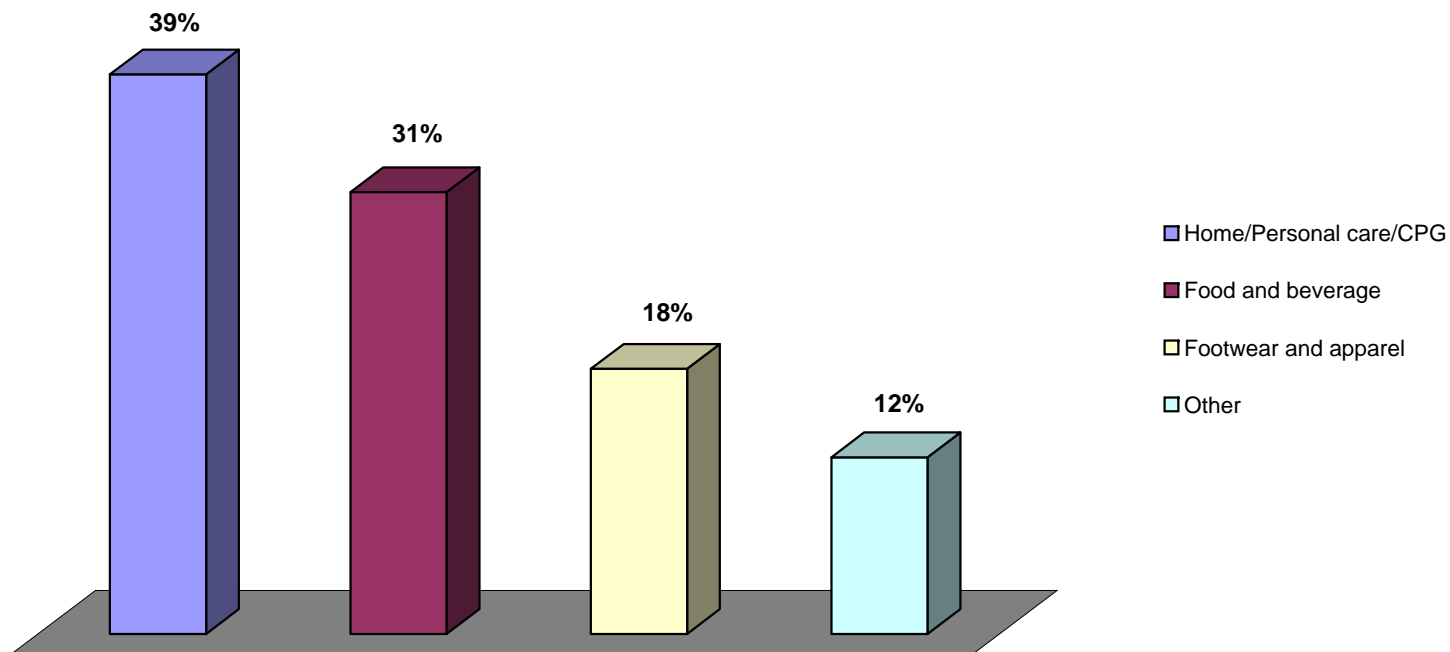
7. What is the biggest difference between yesterday's consumer to today's consumer?

Difference	%
Much more aware and informed hence more demanding	43%
More price conscious	18%
More value conscious	16%
Brand loyalty diminishing with onslaught of new brands/products everyday	14%
Not much has changed	8%



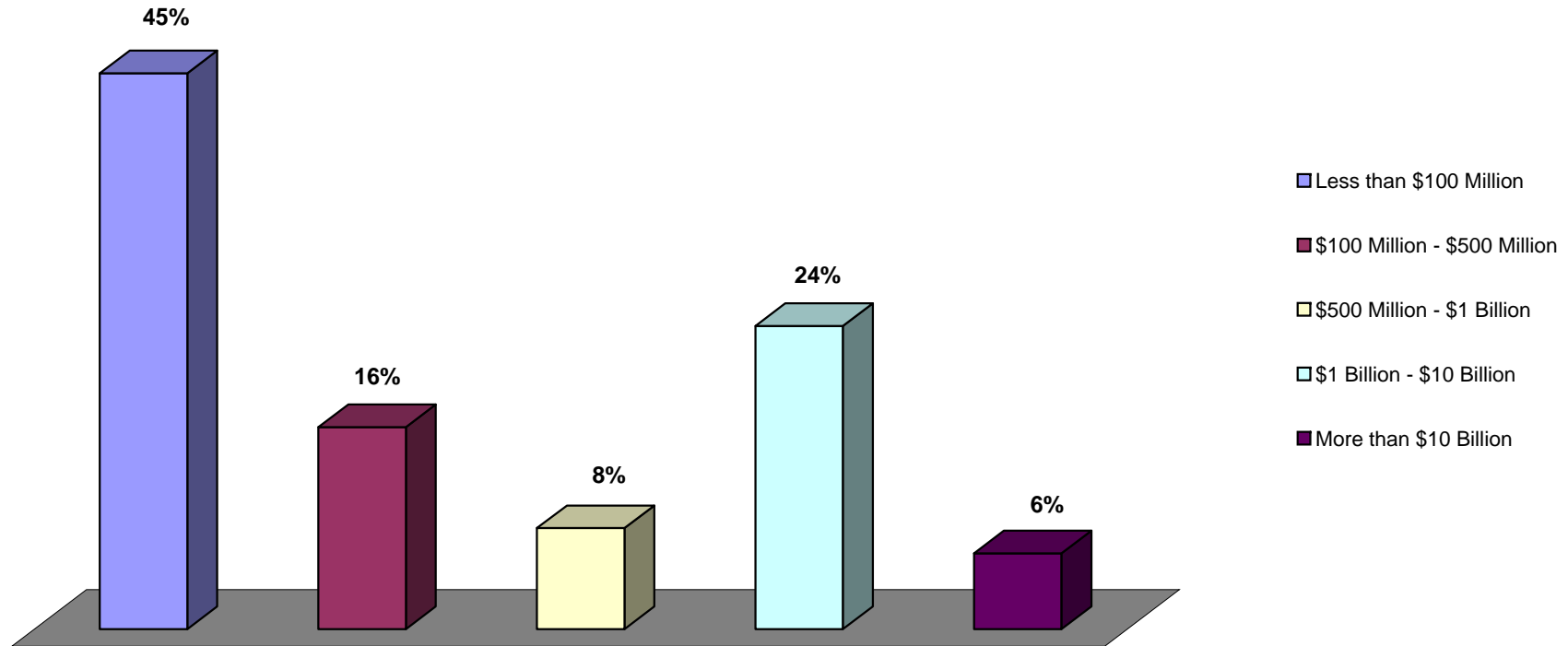
8. Please indicate the primary product category in which your company operates:

Category	%
Home/Personal care/CPG	39%
Food and beverage	31%
Footwear and apparel	18%
Other	12%



9. Please indicate the annual revenue range of your company:

Annual Revenue	%
Less than \$100 Million	45%
\$100 Million - \$500 Million	16%
\$500 Million - \$1 Billion	8%
\$1 Billion - \$10 Billion	24%
More than \$10 Billion	6%



10. Please indicate the number of brands you have in the marketplace (Global brands):

Brands	%
Less than 10	55%
10 to 25	16%
25 to 50	6%
50 to 100	4%
More than 100	18%

