Analyze consumer data? Transform commercial outcomes?

An integrated approach to analytics can accelerate commercial value delivery in the consumer products industry

The better the question.
The better the answer.
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Building a better working world

The consumer products industry is struggling to use commercial analytics and data in ways that deliver full value. EY Practice Leader Rob Holston explains why and suggests how to unlock this performance paradox.

To reignite growth, consumer products companies need granular, integrated insights on commercial performance. And they need the ability to turn those insights into action, fast. Executives know this. That's why the question we hear time and again isn't, "Do we need analytics?" It's "Why aren't our analytics delivering more value and why is our ROI on data so low?"

The truth is most companies in the sector are failing to get full value from their data and analytics investments. That's typically because they are not prioritizing their investment for today's challenges or changing their working practices in ways that would enable them to create competitive advantage (see "Three points of failure" on the right).

For example, the big make-or-break decisions in this industry are taken within arm's reach of the shelf. It's here that a shopper decides whether to buy a product. Yet we still see firms stuck in the old belief that periodic analysis at the 30,000-foot, macro level is going to tell them anything useful about this shopper's behavior — never mind how to influence it.

It doesn't matter how elegant your strategy sounds. If it's informed by rudimentary analysis of dated, and incomplete information, its success or otherwise is more a matter of luck than judgment. The most likely outcome of this operating model is failure. And we've seen that happen repeatedly, at great expense, both in financial terms and in terms of lost market credibility.

So why doesn't the clear desire to engage with commercial analytics deliver better results? We call it the "paradox of performance." Every company has its own challenges, but essentially we see three points of failure. These are the common reasons why consumer products companies are not getting their expected return on investment from commercial analytics and data.

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Three points of failure

1 Not prioritized enough

The consumer products industry is relentlessly focused on the challenge of where and how to find growth. While executives struggle to unlock that puzzle, they've been busy executing the one strategy they can control — cost-cutting.

This might keep investors happy in the short term, but is it a way to fuel long-term growth? In a market that is contracting or stagnant at best, the answer is probably no. New data capabilities can unlock additional pockets of opportunity. Companies need to start investing in them.

Most companies are striking the wrong balance between what they spend on getting data and what they invest in translating data into knowledge and action. The scales are generally tipped towards the former, at the expense of the latter. By contrast, the leaders in this area are those that have got their priorities right. They are building their data science and data management skills. They are developing their ability to translate analytics into insights. And they are establishing a culture of analytics. For a handful of these pioneers, new investments in data and analytics are a purposeful part of their growth strategy, elevated beyond market research and insights.

2 Not sophisticated enough

Consumers like relevant, personalized offers and trusted experiences. They reward manufacturers and retailers that provide them: look at the success of Amazon, Walmart or Unilever. But these are noble exceptions. For most companies in the sector, their commercial execution is just too blunt and generic to move the performance needle.

The right combination of technology, data and analytics can deliver the kind of granular view that makes market tactics aimed at broad "customer segments" obsolete. One company we know grew its sales by 3% after migrating from a channel-based view to a "perfect store" understanding across its retail execution. A move to more granular analytics enabled it to tailor its assortment, pricing and merchandising to local conditions and individual stores, thereby driving growth. Even a small percentage improvement, if sustained, can have a huge impact on performance.

3 Not omni-channel enough

Traditional retail channels are continuing to consolidate, but the connection points for activating and engaging consumers are multiplying rapidly. To thrive in this omni-channel environment, companies must have speed and agility. Those are two characteristics that many firms still lack. Their old legacy working practices just don't enable them to deliver the integrated experience consumers want.

The good news for them is that data and insights on how to win with consumers will continue to expand exponentially. And such data are increasingly available in near-real time. But current decision-support systems are based on stale, point-of-sale-centric data delivered in periodic PowerPoint studies or monthly updates. In an always-on world, consumer products companies still seem to operate mostly "unplugged" when it comes to their decision-support technology.

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How to execute commercial analytics strategies that deliver value

To drive market performance, companies must be able to synthesize new data sources, apply advanced analytics and use those analytics when and where they make decisions. Yet many struggle with how to unlock their commercial performance. As a result, they cling to historical practices and dated approaches.

It's time to move on. Our work with clients has identified five areas that will be essential in helping you transform the way your firm uses commercial analytics and data. Get these five right and you will position your firm to compete effectively on analytics today and in the next several years:

1 Integrate data and insight

Firms that use commercial analytics effectively can integrate different kinds of data from multiple different sources. Classic point-of-sale data is fine for reporting market share, but its relevance to decision-making is limited and shrinking fast.

Those that buy syndicated data are realizing it might be better to fuel their own or third-party decision platforms with disaggregated data feeds, combining structured and unstructured data at a fraction of the cost. Those savings can then be used to build new execution capabilities, driving data-investment ROI.

We have seen companies integrate direct-to-consumer, i.e., eCommerce, data and retail store data along social sentiment insight with various econometric factors to unlock a better demand forecast. Not only did forecasting error get reduced, it also helped shape their channel strategies to be more responsive to dynamic consumer behavior.

2 Scale analysis and insight development

Effective commercial analytics requires continuous insight across the organization. A one-off analysis or an ad hoc project can be useful, of course. But for real value, it's critical that you create a consistent approach and a capability you can grow.

Leveraging a scale analytics platform wrapped in a solid data governance operating model will drive value creation. Analytics will continue to be more real-time and self-service. An analytics platform will allow for the industrialization of the analytical science while providing the flexibility, speed and cost advantage to power commercial decisions at the speed of business.

An important early step is to develop a common analytics "language" in your organization. When people are talking about a key measure, for example, there needs to be clear agreement about what they mean. Without that clarity, it becomes harder to drive adoption or to hold people accountable.

We've seen one company that had six different methodologies for calculating price elasticity and developing a price architecture — each created by a division or region working in isolation.

In today's global consumer products company, delivering a scale analytics capability that has a consistent methodology and a common language unites and raises the capability of the organization, while still maintaining local decision-making.

The human side of analytics

A recent EY and Forbes Insights survey found that one-third of executives worldwide — from a range of industries — were trying to build a strong analytics culture. But, just as many said, their managers and staff felt threatened by analytics.

This suggests that many organizations are neglecting the "softer" capabilities needed to use analytics effectively, notably those relating to behavior. We separate this challenge into two broad areas:

- Macro issues — the higher-level organizational and leadership requirements to address when conceptualizing the organization's approach to data and analytics. Example: How might the organization's culture need to change?
- Micro issues — the individual human behavioral dynamics to consider when designing the application of analytics Example: Do the "consumers" of analytics feel sufficiently empowered to act and are their incentives aligned appropriately?

Almost all automated processes require a human to make a business decision or change a business process, as a result of analytics. An organization that works to remove behavioral barriers is more likely to achieve full value from its analytics investments.

3 Create insights while you sleep

Firms must be able to spot changes in market sentiment and consumer behavior, real-time — and even predict them before they happen. Then they can make rapid changes to pricing or media activity, for example.

Effective commercial analytics will generate insights that inform long-term strategy. But firms that only "call up the data" for a monthly or quarterly management meeting will struggle to get real value from their commercial analytics. Invest in commercial analytics that are "always on" — always looking for and flagging opportunities for immediate action.

4 Translate insight into action

Firms too often underinvest in the skills they need to move from insights to real-world commercial decisions. One way to fix this is to build central commercial analytics teams around common business issues — such as managing revenue growth or making marketing more productive.

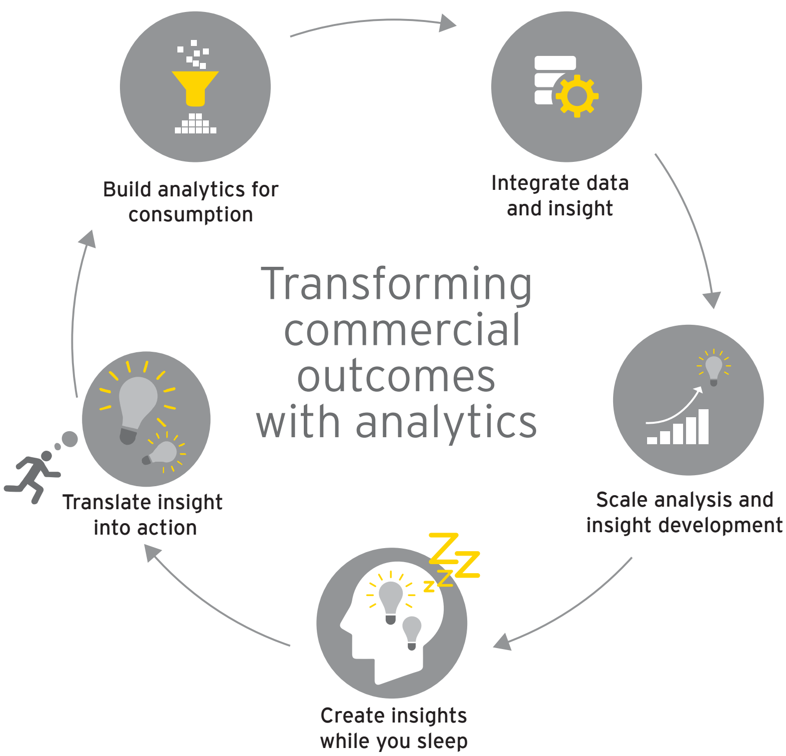
You can then invest in training and knowledge management to support and develop these teams. That will give you a core commercial analytics capability — one that combines data expertise with a detailed awareness of all the decision points that lead to winning propositions "at the physical and virtual shelf."

5 Build analytics for consumption

It's often in the gap between insight and action that the battle for consumer spends is won or lost. Decision-makers must be able to access analytics-driven insights whenever and wherever they need them. Increasingly, that won't be when they're sitting in front of a workstation.

Understand what questions commercial analytics can answer, how those insights fit into your business processes and who needs access to them. Then invest in commercial analytics that deliver the right insights to the right people in the way that works best for them — from mobile phones and tablets, to wearable devices.

For most companies, there's more value in "democratizing" core analytics, so the widest number of people can access them and use them to make decisions than there is in developing next-generation analytics approaches. If your insights are locked in a PowerPoint deck, you'll struggle to move with the pace today's environment demands.



Case study

A leading global consumer products company was wrestling with monetizing the value of data and analytics across their organization. The company historically has relied on commercial analytics on pricing and trade ROI to be created by their marketing research function leveraging multiple global data and analytics providers. The insight was frequently helpful, but the speed at which these insights were returned missed critical decision windows and didn't allow for the current learning to be incorporated into analysis. Sales and commercial executives frequently had to defend decisions with dated analysis and the organization was losing creditability in its interactions with its customers. The client created an analytics center of excellence and invested in scale technology along with new visualization tools to allow for the continuous creation of the analytics. They powered their sales organization with self-service analytics tools and training to change the commercial performance of their organization.

How EY can help you deliver

We have a range of capabilities, proprietary technology assets and an advanced partner ecosystem that can help transform our clients' ability to create, consume and scale commercial analytics in ways that will unlock growth and improve their business performance.

These capabilities address core client issues in revenue growth management, marketing productivity and retail collaboration. We collaborate with our clients to create high-impact outcomes — be it through advisory engagements or leveraging our Commercial Analytics business platform to create speed, scale and efficiency.

More information

To learn more about EY's Commercial Analytics and how we can help you move forward, contact:

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Rob Holston leads the Advanced Analytics practice in the Americas and the global Consumer Products Commercial Analytics practice at EY. Rob's experience and background spans multiple industries and global markets, all while centered on unlocking innovative growth opportunities through the unique combination of strategy, data, analytics and technology solutions.

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