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THE EVOLVED MARKETPLACE

How CPGs are achieving digital transformation success with the help of 3 critical capabilities.

An Infosys Consulting Perspective

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INTRODUCTION

Digital transformation for CPGs: Finding the right aisle.

Every consumer product's enterprise is in some stage of digital transformation. However, many are under-investing in foundational capabilities around data, analytics and artificial intelligence (AI) needed to maximize the benefits of their ambitious transformation agenda.

Based on our client work, we have identified three foundational capabilities required for success. These are the digital shelf, single view of the customer, and decision analytics. This point-of-view will explore this in more detail.

CPG success

Digital shelf

Decision analytics

Single view of customer
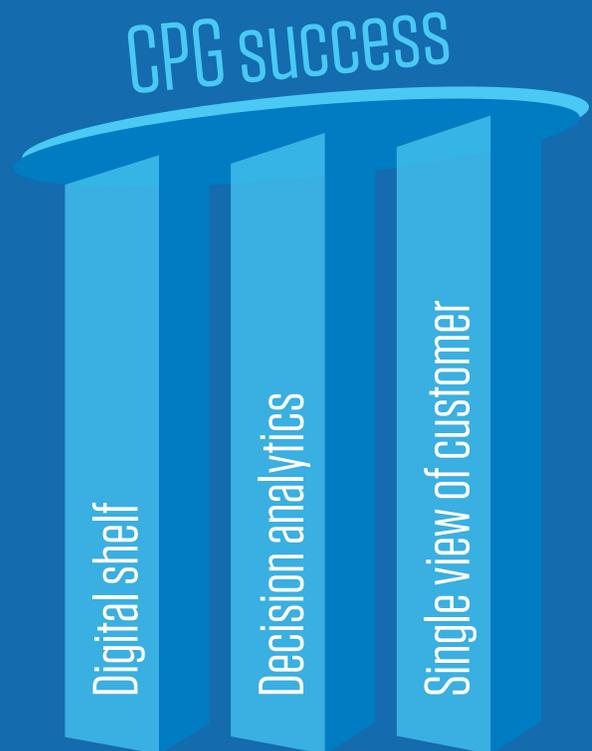
Digital shelf: The new storefront.

'Searchability' and 'key information display' are vital for a complete customer-experience in the online shopping journey.

> "The best brands win at two key moments… the first at the store shelf, the second at home."
>
> **A.G. Lafley, CEO P&G 2005**

In 2020, the **first moment of truth** has changed to **zero moment of truth,** the instance when an online-decision is made.

The digital shelf is the new storefront on online channels and consists of all digital touch points where a consumer interacts with and experiences a brand or a product in the consumer journey.

In this now forever interlinked digital/ physical world, first, products must be found prominently during the online search process, if not, it is equivalent of being out-of-stock. Second, key information bits must be displayed, for the consumer to digest and compare with other items.

Displaying rich and targeted product information to the consumer is a strategic imperative for CPGs to win in the digital world.

70%
of Americans say they look at **product reviews** before making a purchase

Source: Google shopper survey

79%
of consumers now say they **use a smart phone** to help with shopping

Source: Google shopper survey

85%
of all consumers **research online** before making a buying decision

Source: Salesforce report

33%
online shoppers **abandon carts** due to lack of detailed and complete product information

Source: Consumergoods.com

3X
Is the **influence web channels** have on offline sales in brick and mortar stores

Source: Forrester report

The new customer journey is decidedly influenced by availability of information.

What are some digital transformation programs missing?

What's truly needed is an extensive set of **product information** from **consumer search point of view** so that rich and relevant information is provided to consumer **for every search** they perform.

How ready is your digital shelf?

- ☑ Can you rapidly create and publish partner-specific product information for their digital channels?

- ☑ Can you create personalized product content factoring in consumer sentiments and preferences?

- ☑ Can you refresh product information on the digital channels overnight in response to an external event?

- ☑ How well is your digital information optimized for partner search engines?

- ☑ Is the on-line product information always in sync with the overall brand strategy and positioning?

Historically, CPG companies focused on having product attributes to meet their operational needs like having length, and height for planograms or weights for enabling supply chain operations. Also, some product images and product descriptions are available to display products over web sites. This is not enough. What's really needed is rich product information from a consumer point of view so that CPG firms present their products more effectively in the digital world. Digital transformation programs need to make consumer-centric product information a top priority.

The digital shelf capability focuses on creating a flexible and responsive platform for digital product contents that can manage and distribute timely, accurate and complete product information to the end consumers, factoring in their needs and preferences.

The following factors are critical to provide a complete digital experience to the customer:

- **Retailers' search algorithms:** can downgrade search rank if certain attributes are missing / do not meet their standards

- **Competing product attributes:** increases the chance of discoverability (e.g. – user searching for Royal Dansk' cookies is also shown Danish cookies by Danisa)

- **Customized contents and attribution:** by customers can target various demographic clusters appropriately (e.g. – Family Dollar vs. Target)

- **Ability to refresh contents:** in response to seasonal events can help propel sales (e.g. – highlighting sustainability attributes around world environment day)

Single view of consumer.

Digital engagement must progress to brand loyalty at an individual level, on all touch points.

> "
>
> When **two marketers** are competing for the **same customer's** business, the marketer with the **greatest scope of information** about that particular customer, will be the **more efficient competitor.**
>
> **Peppers & Rogers**

> "
>
> Organizations will have to engage consumers in a dialogue, serve up customized content and offers, and blur the distinction between marketing, sales, service, supply chain, and R&D in order to become consistently relevant and earn consumer loyalty.
>
> **Forrester**

Technologies are now making the concept of one-to-one marketing, first envisioned in 1994, a reality. Though the concept was advanced by Don Peppers and Martha Rogers decades ago, realizing the vision proved to be a challenge in the absence of the right tools and technologies.

However, the channel partners of CPG firms proved adept at leveraging the new technologies and their direct access to consumers, and raced ahead in developing one-to-one marketing capabilities. For example, Amazon or Target.com know precisely who is buying the products at a given zip code. In fact, they also know what products are being compared before being purchased. They know at an individual consumer level, how strong their brand loyalty is, how sensitive they are to price and which promotions work.

Today the strategic imperative for every CPG firm is to deepen its digital engagement. This means interacting with consumers across all consumer touch points, throughout their journey and staying engaged beyond purchase to develop deep loyalty to the brand vision.

90%
of shoppers agree that understanding **user journeys** across channel and devices is critical for their success

40%
of marketers are using **consumer research** to drive decisions

40%
of all consumers likely to spend more than planned with **personalized experience**

20%
Higher **Net Promoter Score (NPS)** for firms offering highly personalized experience

2X
Shoppers are twice more likely to **add items to basket** when experience is highly personalized

Source: Google shopper survey

The power of personalization

The era of personalized engagement.

> 66
>
> Any retailer that is spending more on online advertising with classic aggregators is essentially leaking value.
>
> **Satya Nadella, Microsoft**
>
> Interview with Yahoo at NRF 2020

You have single-view of customer if:

☑ The product information is tailored to the customer (profile, behavior, interactions, history)

☑ You do not rely on third parties for engagement

☑ You are investing in building capabilities that can predict consumer behavior

☑ The engagement evolves as the situations and preferences of the consumer change

☑ The engagement covers all touch points and experiences of the customer
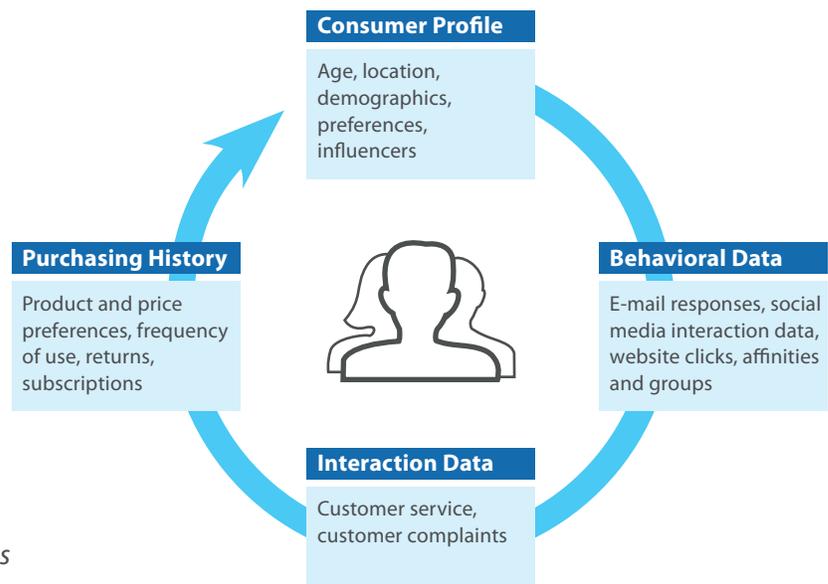
Data obtained by building AI capabilities

Direct interaction/engagement with the consumer is not the sweet spot for CPG firms. The low-involvement nature of some of the products makes the task even more daunting. Still, several top players are now increasing the spend on digital marketing and programmatic media strategy to advance their one-to-one marketing capabilities.

However online advertising through programmatic approach may be reaching a stage of diminishing returns.

This makes it important for CPGs to aggressively invest in capabilities to enable personalized engagement with consumers directly instead of via third parties. In cases where CPG firms only have skeletal, cookie-based data about consumers, meaningful personalization becomes a challenge. The prerequisite for effective one-to-one marketing is consumer profiles that are much richer than mere cookie data.

Single View of Consumer (SVC) can power highly personalized (one-to-one) communications with consumers, with greater effectiveness through segmentation. For example, if a brand knows the age and sex of a baby, the brand site can provide dynamic customized content to the mother that adjusts as the age changes. The brand site can also serve time-relevant content to the mother as her child grows. SVC can help orchestrate the experience of the consumer across all channels.

Consumer Profile
Age, location, demographics, preferences, influencers

Behavioral Data
E-mail responses, social media interaction data, website clicks, affinities and groups

Interaction Data
Customer service, customer complaints

Purchasing History
Product and price preferences, frequency of use, returns, subscriptions

Winning with decision analytics.

Ecosystems that standardize data across enterprise silos and support cross-function collaboration can greatly enhance decision-making.

In the past, data was collected to provide a rear-view mirror image of the consumer and decisions were made based on hindsight. The need of the hour is actionable analytics that aid dynamic decision-making at every step of the consumer journey.

Rapid shifts in consumer preferences and the dramatic explosion of digital channels as alternatives to traditional brick and mortar stores are well known in the industry. To provide analytical support to cope with these changes, CPGs are updating data ecosystems by leveraging cloud-based and other new technologies. The new data ecosystem is expected to harmonize and standardize data across enterprise silos. Such an ecosystem is expected to support cross-functional collaboration and aid decision making.

For a personal products CPG, the supply chain head needs real-time visibility into how her supply chain will meet demand. The market research head wants to learn in real-time to keep up with the changing consumer. The sales leader wants better, faster analytics in order to increase speed-to-market and compete with the market's quick movers. This is where decision analytics is fast-becoming the new paradigm for business leaders.

Key characteristics of decision analytics

Actionable analytics

Analytics should support decision-making versus merely informing a decision maker. For example, decision analytics for a retail chain will show potential root causes for revenue short fall (i.e., were there out-of-stocks, did competition reduce prices or introduce promotions, was there a shortfall in distribution reach, etc.)

Full cycle decision making

Decision analytics support decisions around where to play and how to play for brand planners. Once the strategy is set in motion, analytics provide ongoing feedback on where the strategy is working and where it needs further tuning. A supply chain team can merge data from consumer complaints, ratings/reviews and social media for visibility and alerts to take action.

Available at every level

Powering decision-making for front-line sales executive visiting a store, a logistics manager at a distribution center or the Chief Marketing Officer. A brand team wanted their products to be "irresistible" to consumers, so they defined the measures of irresistibility and established the mechanisms to analyze it from competitive, social and historical sales data.

Just-in-time

When a front-line executive is making a store visit for sales execution – all analytics related to the store are available in time for the visit. One CPG firm implemented an iPad-based financial dashboard that provided its sales representatives with a near real-time view of profitability by brand by retailer.

Proactive running of the business

Decision analytics would alert business leaders significantly ahead of time on impending issues. For example, it could provide advance warnings in case of likely revenue and profit shortfalls. Such advance forewarning can provide opportunities for advance remedial measures and soften the impact of unfavorable events.

Full range of data

Leveraging rich social insights can have a major, real-time impact. For example, some CPGs have found ways to use Twitter data to identify out-of-stocks. At one firm, analysis from on-going chats with key influencers provided enough insights to allow them to use "precision marketing" (i.e., targeting micro-segments).

Conclusion

Using the lever of data for future success.

To summarize, CPGs have an opportunity to multiply returns on digital investments by launching focused initiatives in three critical areas – the digital shelf, single view of the consumer and decision analytics. A focused and robust program in these areas can drive operation efficiencies, but more importantly power proactive decision making that can unlock new revenue opportunities for firms.

We believe this is the new frontier for achieving competitive advantage in a short time. Time is ripe to leverage the real power of data.

Want to learn more? Our experts are on the front lines of this discussion every day with our clients, and can share some rich perspectives with you on how to approach your digital future.

MEET THE EXPERTS

PRASAD VUYYURU

Partner, Infosys Consulting

Prasad is a veteran in the company, joining us in 2004 and currently leads our Enterprise Insights practice in the U.S. He has 25 years of experience in the management consulting industry and has helped more than 20 major clients create business value from data and insights. Prasad was instrumental in opening several new accounts for Infosys through the various service offerings he grew within the organization. He has received 3 prestigious awards for excellence from Infosys. Previously, Prasad worked at Booz Allen Hamilton and in various sales and marketing leadership roles at consumer products companies.

SACHIN JANGAM

Associate Partner, Infosys Consulting

Sachin is a veteran at Infosys Consulting having spent the last 22 years with us. In this time, he has delivered large-scale digital transformation programs for several of our CPG, retail, and logistics clients, including a British multinational consumer goods company and some of UK's largest chain of supermarkets. Using his in-depth knowledge of business processes and IT products, he has successfully implemented multi-channel commerce, front office effectiveness, and supply chain capabilities for a number of clients. Sachin displays a strong acumen for predictive analytics, digital evolution, and big data in retail and e-commerce. He is a certified Chartered Financial Analyst from CFA Institute and holds a bachelor's degree in engineering from Shivaji University, India.

THOMAS CHILL

Associate Partner, Infosys Consulting

Thomas has a track-record of delivering business analytics and enterprise information programs across a range of industries. He has helped many clients with their digital transformation journeys through a sound information strategy, advanced analytics and updated business platforms. Previously he was an associate partner with IBM providing solutions based on business analytics, information management and cloud data platforms to clients. He has been a senior director of analytics at Aegion corporation and vice president at Staples. Thomas has a penchant for learning with several certifications in data and analytics from John Hopkins University, University of Washington, The Wharton School of Business and many more. He also has a bachelor's degree in Business Administration and a master's degree (with honors) in organizational studies.

MEET THE EXPERTS

SREEKRISHNA SUBRAMANIAN

Associate Partner, AI & Automation

Sreekrishna Subramanian has been with Infosys Consulting for the last 13 years, championing customer experience for key clients. His focus lies on using data, analytical capabilities and AI & Automation to help brands deliver world class experiences. He has helped numerous global organizations define the strategy for their digital shelf and customer experience initiatives. He has also led several global digital transformation programs to drive growth and profitability. Prior to Infosys, Sreekrishna was with Ford Motor Co., Michelin NA and JDA (now Blue Yonder). He holds a master's degree in industrial management from Clemson University and a bachelor's degree in mechanical engineering from BITS Pilani (India).

RAJ NELLUTLA

Associate Partner, Infosys Consulting

Raj is a highly accomplished digital transformation strategy and data analytics leader who implements new business strategies for global companies across the various technologies. He has hands-on experience with SAP, Salesforce, JDA, AWS and the Microsoft Azure suite. Raj has been with Infosys since 2014 and well-known as a strategic thinker, adept in aligning with the corporate leadership goals while developing and launching new strategies.

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