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# FUTURE PROOFING REVENUE MANAGEMENT IN CPG

PERSPECTIVES ON WINNING WITH PRICING IN 2020 AND BEYOND

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*1 154 days.....*

*UNTIL...*

*JANUARY 1, 2020*

*HAPPY NEW YEAR!!*

*Doubling the size of the company  
from 2015*

*Double revenue while increasing  
company margins*

*Nearly every  
organization has*

*Reach \$30 billion by 2020, up from \$10 billion in 2010*

*made 2020*

*promises*

*Double segment revenue by 2020*


*Reach \$100B in revenue by 2020*

*Sales growth exceeding 5% (despite  
1-2% growth the last three years)*

*Develop new products and reformulate  
existing ones to reduce salt, fat and sugar.*

# BUT 2020 STRATEGIES ARE A LOT LIKE NEW YEAR'S RESOLUTIONS

## NEW YEAR'S RESOLUTIONS

1. lose weight
  2. exercise
  3. drink more water
  4. quit smoking
  5. earlier to bed
  6. drink less
  7. pay off credit cards
- phone mom  
remember birthdays  
LISTS!!!
- 

**\$18bn lost in market share by 25 top CPG companies since 2009.** - *Forbes, May 2016*

UNDERCURRENTS IN PLAY PLACE  
STRESS ON THE CONSUMER PRODUCT  
COMPANY'S TRADITIONAL SOURCES  
OF COMPETITIVE ADVANTAGE.  
- *DELOITTE CONSULTING, LLP, JUNE 2016*

**Collectively, the [CPG] industry has lost steam.**  
- *DELOITTE CONSULTING LLP, JUNE 2016*

**Executive summary:  
Rough seas likely ahead for CPGs.** - *Deloitte Consulting LLC, June 25, 2016*

**American culture is experiencing 4 seismic changes that are terrifying consumer companies.**  
- *Business Insider, October 2015*

**Is Brand Loyalty Dying A Slow And Painful Death?**  
- *Forbes, January 2013*

## CONSUMERS ARE NO LONGER BRAND LOYAL

Most of the traditional FMCG sector has gotten it wrong. It has failed to recognize that its lunch has been eaten. - *From Great to Gone: Why FMCG Companies are Losing the Race for Customers By Peter Lorange, Jimmi Rembiszewsk, May 2014.*

**Consumers today are having difficulty trusting a brand's intentions.** - *Forbes, December 2014*

## EVERY CATEGORY IS HYPER-CONTESTED

**Top 100 CPG brands saw sales and market slip significantly in the past year.** - *Progressive Grocer, October 2015*

**CONSUMER BEHAVIOR AND PREFERENCES ARE RAPIDLY CHANGING—ARGUABLY AT A SPEED THAT MANY INDUSTRY PROVIDERS ARE NOT PREPARED FOR.** - *Food Logistics, July 2015*

## UNCONVENTIONAL PLAYERS ARE STEALING SHARE

**There's a new normal impacting CPG companies and retailers every day.** - *Consumer Goods Technology, March 2016*

**Consumers Are No Longer Brand Loyal.**  
- *Forbes, December 2014*

**Disruption in consumer and retail is exploding.** - *Forbes, August 2015*

**90% OF THE TOP 100 CPG BRANDS HAVE LOST MARKET SHARE, WITH DECLINING SALES GROWTH VS. CATEGORY.**  
- *CATALINA MID-YEAR PERFORMANCE REPORT, SEPTEMBER 2015*

**[CURRENT BRANDING] DOESN'T SUPPORT LASTING AND MEANINGFUL ENGAGEMENT.** - *Forbes, December 2014*

# THE LATEST SCANNER DATA INDICATES THIS IS NO LONGER A RISK, BUT RATHER THE NEW REALITY

- **Units decreased** in both of the most recent four week periods for both the brands and private label *(through Sept 2016)*
- **Price**, which had been increasing throughout the beginning of the year **is starting to decelerate for brands**, and has decreased in each of the last six months for private label products *(through Sept 2016)*
- As a result of decreasing units and pressures on price, **net sales shrank last month** (for only the third time since the Great Recession) and private label continues to slide (down in each of the last six months *through Sept 2016*)

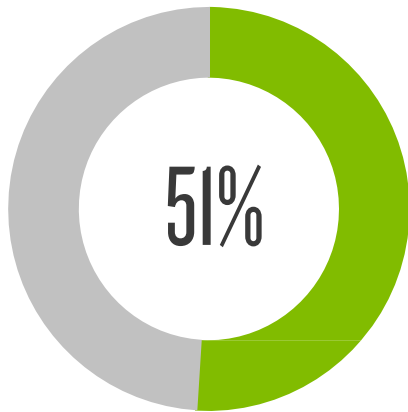
Source: Nielsen XOAC including convenience, as reported in Credit Suisse Food Sales Tracker 20 Sept 2016

**INSANITY:  
DOING THE SAME THING OVER AND  
OVER AGAIN AND EXPECTING  
DIFFERENT RESULTS**



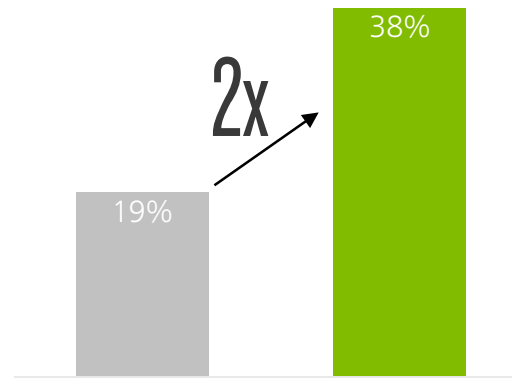
# THESE OUTCOMES ARE THE RESULT OF A CHANGING CONSUMER

## CHANGING VALUES



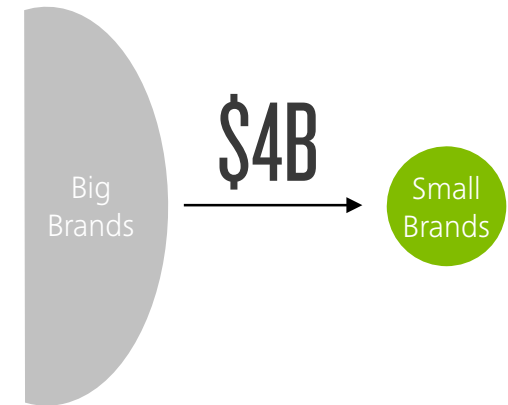
More than half of consumers value Health, Wellness, Sustainability, and Experience more than Price, Taste, and Convenience, driving more consumers to the perimeter.

## CHANGING BEHAVIOR



Shoppers spend half the time in the center (19% of their visit) vs. perimeter (38%). Conversion is also lower: perimeter converts 66% of shoppers to buyers; center store is only 33%.

## CHANGING CHOICES



Consumers are flocking to local brands, meaning big brands are seeing accelerated declines in the center. Last year, small brands stole \$4B in market share from large brands.

Source: Deloitte Food Value Equation Study, Deloitte American Pantry Study, Deloitte Digital Divide, Nielsen XAOC Scanner Data

# RETAILERS ARE REACTING BY INVESTING IN NEW BUSINESSES



## CHANGING VALUES

As consumers increasingly value experiences, many retailers have invested in “grocerants”, driving 30% growth in in-store dining and take-out foods over the past eight years.



## CHANGING BEHAVIOR

As consumers progressively shop at the perimeter, many retailers have invested in new footprints and store designs to emphasize the perimeter.



## CHANGING CHOICES

As consumers increasingly value local and responsibly made products, many retailers have changed assortment, branding, and merchandising to reflect new demand.

# AND BY INVESTING IN NEW TECHNOLOGIES

## Investments

## Examples

<p>Revamped Center Store / Frozen</p>	<ul style="list-style-type: none"> <li>• More Stations, Fewer Aisles</li> <li>• New Organizing Constructs</li> <li>• Greater Focus on Fresh Foods</li> </ul>	<ul style="list-style-type: none"> <li>• Meal shopping (not ingredients)</li> <li>• Smart Sensors</li> </ul>
<p>Personalized Products &amp; Local Curation</p>	<ul style="list-style-type: none"> <li>• Social Referral</li> <li>• Crowdsourcing</li> <li>• Product Customization</li> </ul>	<ul style="list-style-type: none"> <li>• Greater Prevalence of Store Brands</li> </ul>
<p>Digital In-Store Experiences</p>	<ul style="list-style-type: none"> <li>• Augmented Reality</li> <li>• Internet-of-Things</li> </ul>	<ul style="list-style-type: none"> <li>• Gamification</li> </ul>
<p>Experiential Shopping</p>	<ul style="list-style-type: none"> <li>• Interactive Kiosks and Displays</li> </ul>	<ul style="list-style-type: none"> <li>• Robotic kiosks</li> </ul>
<p>Dynamic Pricing, Promotion and Payment</p>	<ul style="list-style-type: none"> <li>• Digital Shelf Tags</li> <li>• Competitive Response</li> </ul>	<ul style="list-style-type: none"> <li>• Customized Mobile Promotions</li> <li>• Local-Specific Promotions</li> </ul>
<p>Consumer Data Exhaust and Dialogue</p>	<ul style="list-style-type: none"> <li>• In-Store Analytics</li> <li>• Web and Text Mining</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile Commerce Research</li> </ul>
<p>On-line Shopping / Alt. Delivery Models</p>	<ul style="list-style-type: none"> <li>• Home Delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Buy Online, Pick-up in Store (BOPUS)</li> </ul>

# CPGS WILL REQUIRE NEW CAPABILITIES TO WIN IN THIS WORLD

Supercharged capabilities will enable CPG companies to take fast, granular and connected actions to both fuel profitable growth and increase their base profitability



## FAST

Move quickly, with agility, to sense and respond to consumer changes, disruptive competitors, and the market conditions at the ever-increasing speed of the business cycle



## GRANULAR

Use data and analytics to provide a hyper-local, real-time view of growth pockets, with pinpoint execution visibility, driving strategic and tactical decision making across the organization



## CONNECTED

Leverage "always on" connectivity across the ecosystem of consumers, customers and employees to increase agility, provide transparency, and deepen engagement

# AND CPG REVENUE MANAGEMENT MUST EVOLVE TO ENABLE GROWTH

	FROM		TO
Value Proposition to Retail	Category Captain at Best	➤	Insights Captain
Retailer Relationship	Traditional Buyer-Seller	➤	Expert-to-Expert Interfaces; Consultative Win-Win Selling w/Analytics
Revenue Management Lexicon	Financial reporting is only thing we agree on	➤	Common Language and Conceptual Definitions (even when data varies)
Enabling Toolsets	Basic, Offline & Ad Hoc	➤	Integrated Insights via Digital Interfaces
Trade Promotion Tools	Patchwork of solutions; market-driven	➤	Purposeful Reference Architecture, driven by personas and archetypes
Demand Modeling	Occasional PnP Studies at Channel / Pack Level	➤	In-house ability to model at granular level
KPIs	Vary by market and category, diverse focus / attention paid	➤	Cascading goals and KPIs, linked to personas
Performance Mgmt. and Incentives Focus	Top-line Focused	➤	Balanced Top-Line, Bottom-Line, and Brand Metrics
Commercial Career Path	Functionally Silo'ed	➤	Functionally Cross-Trained

# WHERE ARE YOU ON THE CAPABILITY MATURITY SPECTRUM?



*Basic*



*Intermediate*



*Next Gen*

## BRAND & PORTFOLIO STRATEGY

Alignment  
(corporate,  
brand, portfolio)

*Limited*

*Fully aligned &  
**connected***

Brand and  
Portfolio Roles

*Loosely defined; overlap*

*Clearly defined; distinct,  
**granular** positions*

Updates

*Ad hoc; qualitative  
assessment; manual refresh*

*Regular and **fast**; data-  
driven assessment;  
automatic adjustment*

# WHERE ARE YOU ON THE CAPABILITY MATURITY SPECTRUM?



Basic



Intermediate



Next Gen

## PRICE SETTING

	Basic	Intermediate	Next Gen
Guidelines	Limited; across functions		Robust; clear guardrails by <i>granular</i> microsegment
Analysis & Reporting	Manual; limited / inconsistent across metrics		Automated and <i>fast</i> ; advanced / sensing-based
Pricing Reviews	Low specificity; by region		Highly <i>granular</i> ; microsegments
Price Management	Manual; ED spend review		Dynamic / <i>connected</i> to Sales
Data	Significant gaps		Comprehensive; <i>connected</i> and integrated (i.e., 3 <sup>rd</sup> party)

# WHERE ARE YOU ON THE CAPABILITY MATURITY SPECTRUM?



Basic



Intermediate



Next Gen

## CHANNEL & CATEGORY MANAGEMENT

Channel  
Strategy

*Basic; inconsistent mappings  
(channels, outlets, products)*

*Comprehensive; fully aligned  
**granular** segmentations  
(brand, portfolio, channel,  
product)*

Investment  
Strategy &  
Reviews

*Manual; by key account /  
channel*

*Automated and **fast**; aligned  
channel segmentation and  
prioritization*

Planning

*Manual; by key account / region*

*Automated and **connected**;  
using predictive insights*

Visibility

*Limited*

*Full; **connected** datasets  
customer pricing, costs,  
investments (i.e., P&Ls,  
margins)*



# WHERE ARE YOU ON THE CAPABILITY MATURITY SPECTRUM?



Basic



Intermediate



Next Gen

## TRADE PROMOTION MANAGEMENT

Post Analysis	<i>Limited; inconsistent; manual of invoices</i>	<i>Automated and <b>fast</b>; advanced predictive</i>
Incremental Opportunity ID	<i>Ad hoc; post-event analysis</i>	<i><b>Granular</b>, Optimized; cognitive analysis / sensing</i>
Settlement	<i>Manual</i>	<i>Automated and <b>fast</b></i>
Data	<i>Significant gaps; limited integration</i>	<i>Comprehensive and <b>connected</b>; fully integrated (i.e., invoice level data)</i>
Visibility	<i>Limited (i.e., PTC, pass through)</i>	<i>Full PTC and pass through at <b>granular</b> level (e.g., SKU/Store)</i>

# IN SUMMARY...

 CHANGING VALUES

 CHANGING BEHAVIOR

 CHANGING CHOICES



 SOFT SALES TRENDS

 SCRUTINY ON PROFITABILITY



 CALL FOR ACTION TO FUTURE PROOF REVENUE MANAGEMENT

# Thank you.

Contact us.

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