

Collaborative Marketing Driven by Advanced Analytics Summit

Ensuring Your Successful TPM-TPO
Retail Execution Journey



“The next generation of commercial analytics – unlocking performance through integrated, cloud-based solutions”

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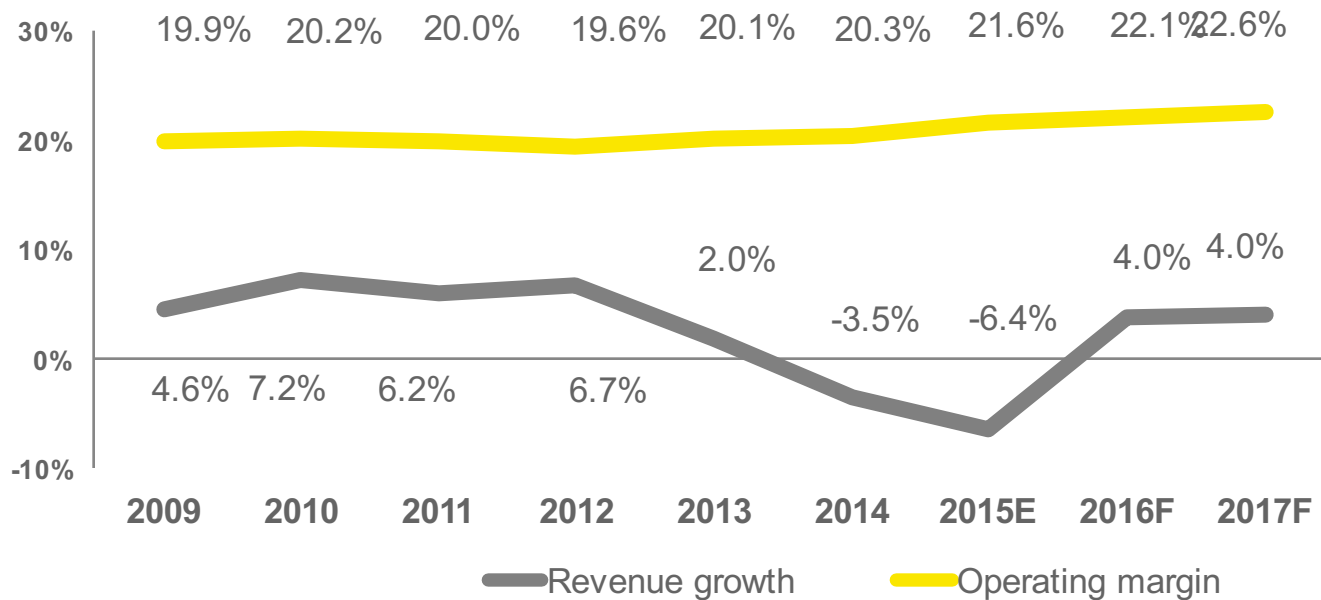


**By the end of this session,
you will understand ...**

- ▶ **Why CPG's need to take a different, more connected, view of commercial analytics**
- ▶ What leading companies are doing differently
- ▶ How analytics, technology and capability are coming together in the future



Today, Consumer Products manufacturers are struggling for profitable growth ...



**Revenue
growth &
operating
margin are
challenged**

Growth is challenging

- ▶ Limited mature market volume growth
- ▶ Trade promotion used to buy volume

Consumers are changing

- ▶ Rise of the digital consumer
- ▶ Retailer power shift

Costs are hard to control

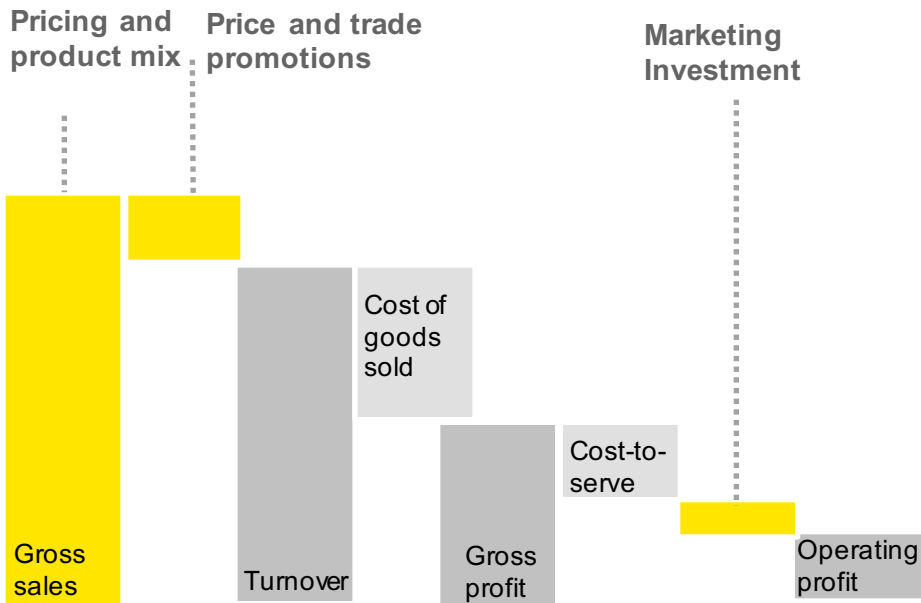
- ▶ External cost pressures growing
- ▶ Internal cost structures challenged by market volatility

Source: S&P Capital IQ. Chart shows weighted revenue growth and EBITDA margin performance of the top 50 CPG (food, beverage, HPC and tobacco) companies as ranked by revenues in 2014



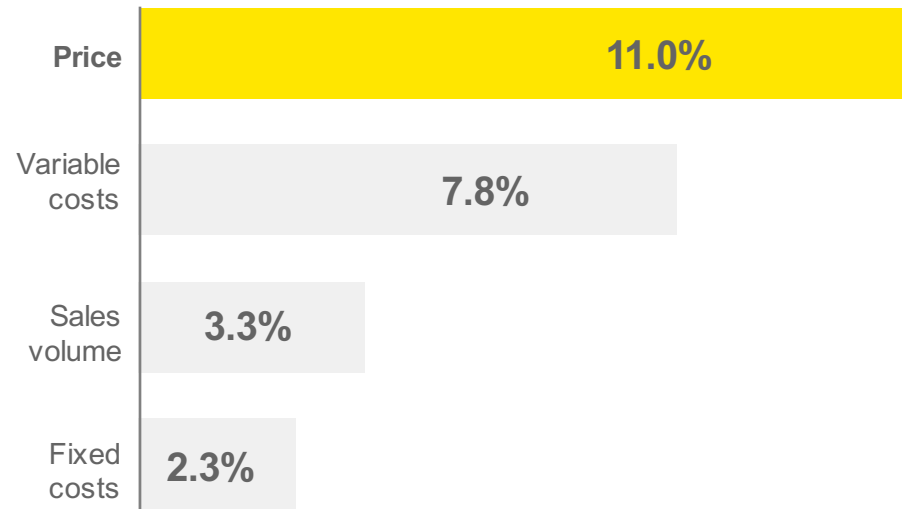
... advanced analytics is an ante for managing commercial levers and enabling sustainable growth

Commercial levers central to profitability...



...and the most significant

A 1% improvement in ... creates operating profit improvement of



Key commercial levers

- ▶ Pricing (base/list)
- ▶ Trade terms
- ▶ Assortment/mix
- ▶ Trade promo investment
- ▶ Promoted price
- ▶ Marketing investment

Improvement in price

1% = 11%
Improvement in margin



The challenge – many organizations today have their foundations in a world that no longer exists ...

Who remembers when?

- ▶ Facebook didn't exist, voicemail and snail-mail ruled
- ▶ Ecommerce wasn't a channel
- ▶ Pricing transparency wasn't available to consumers
- ▶ Walmart growth was key to hitting annual plans
- ▶ Black box Marketing Mix Modelling ruled
- ▶ Customers didn't have the tools or capability to analyze their own data





... and are still adopting legacy analytics approaches that worked in the less dynamic environment of yesteryear

Legacy practices

- ▶ Analytics addressed through one off research or consulting studies
- ▶ Time and investment spent on rear-view insights to plan future success
- ▶ Insight pushed from center to sales and marketing teams
- ▶ Syndicated data used as primary data set for insight development
- ▶ Post event analytics of media and trade conducted to improve next year's plan





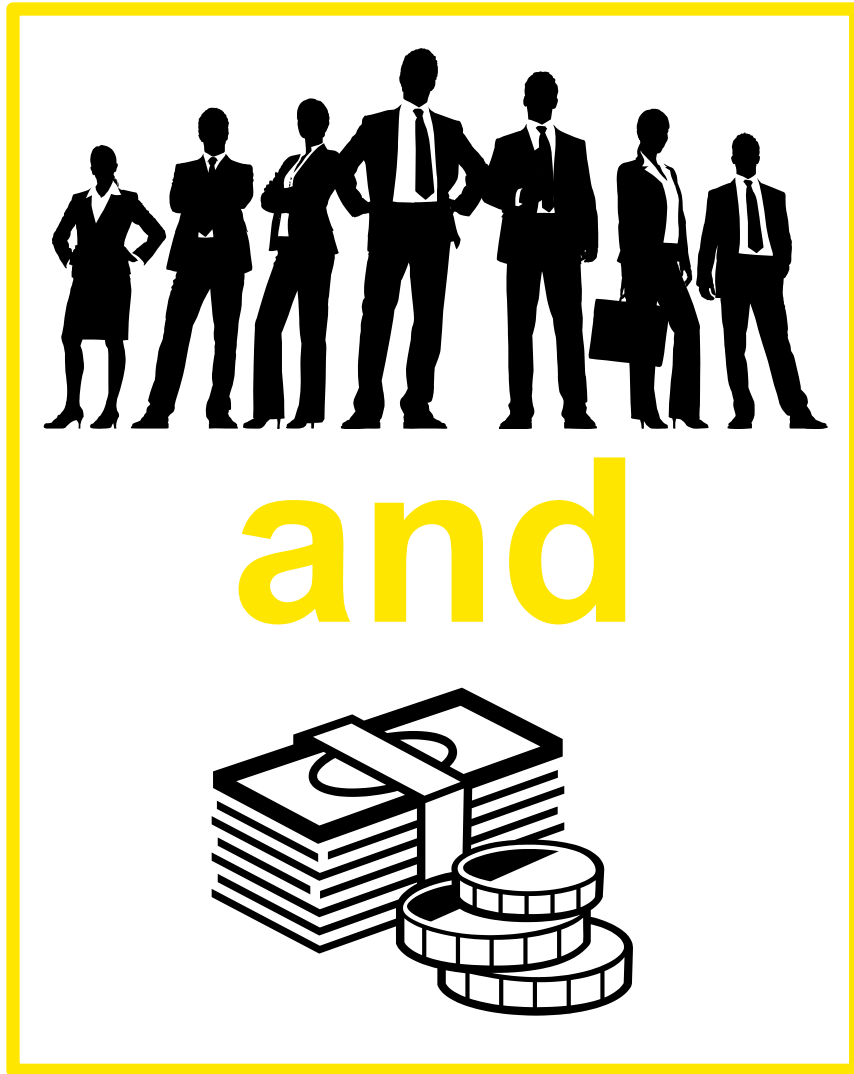
Old ways of working are not addressing the new challenges we face

	Challenges
Pricing	<ul style="list-style-type: none">▶ Dynamic and personalized pricing impact▶ Lack of visibility into performance trade offs (volume, share, profit)▶ Lack of skills and competencies to lead the market
Trade	<ul style="list-style-type: none">▶ Disparate data sources and metrics▶ Single vs. multi-channel measurement systems and tools▶ Reliance on decisions based on past and dated experience▶ Customers setting the agenda
Marketing	<ul style="list-style-type: none">▶ Impact of digital marketing, social media, and integrated advertising performance not understood▶ Portfolio, category and brand decisions siloed – not based on cross-platform fact-base

A photograph of a person in an office cubicle, with their hands raised in a gesture of surprise or frustration. Numerous papers and documents are flying through the air around them, suggesting a chaotic or overwhelmed work environment. The background shows office cubicles and a computer monitor.



The result – a disconnect between the potential of analytics and business performance



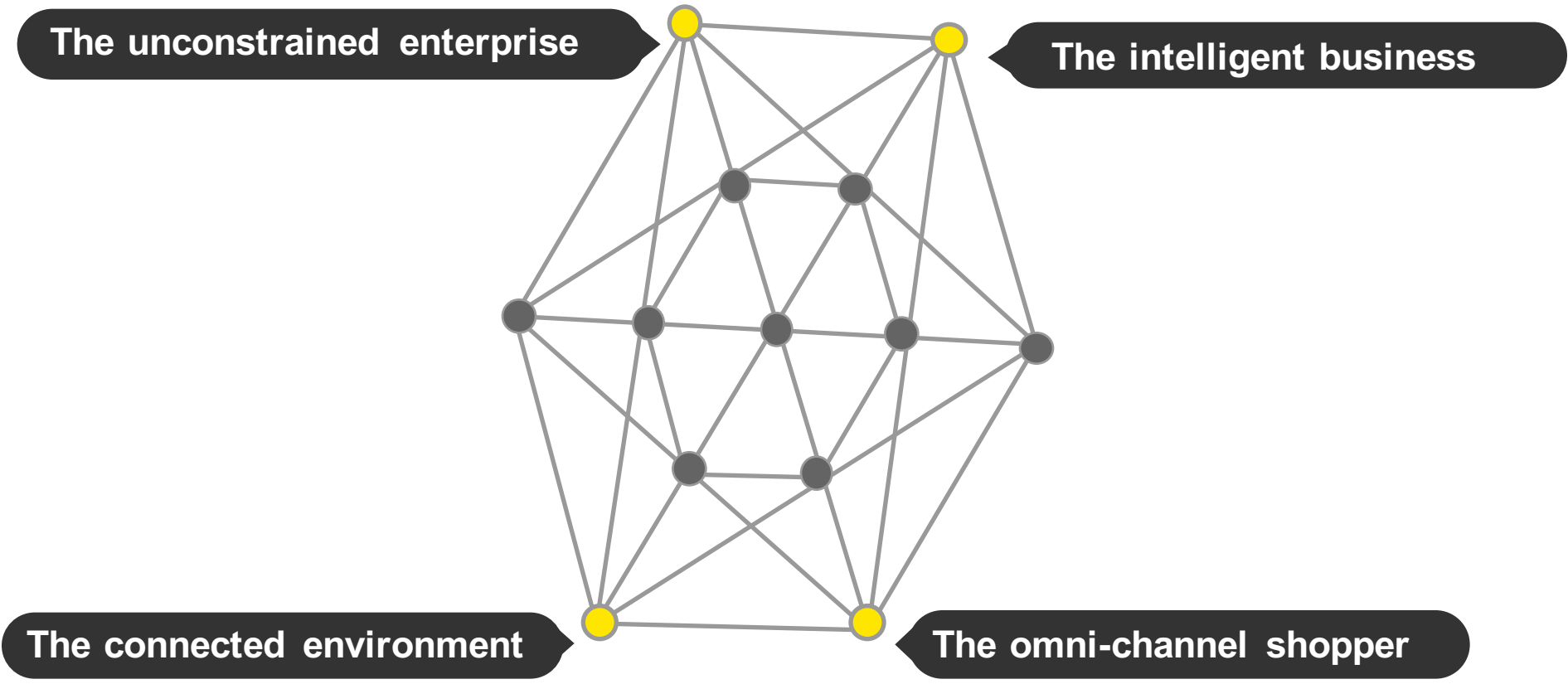


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Leaders are planning for a world that reflects the future and not the past

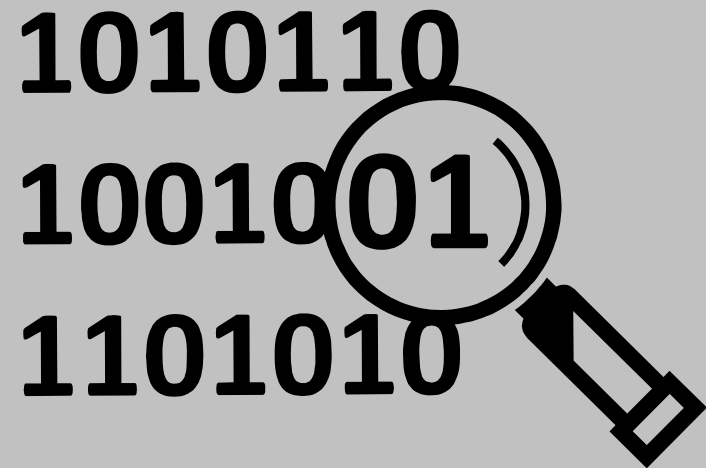




Leaders also see markets as “dynamic” and enable their organizations to use data for competitive advantage

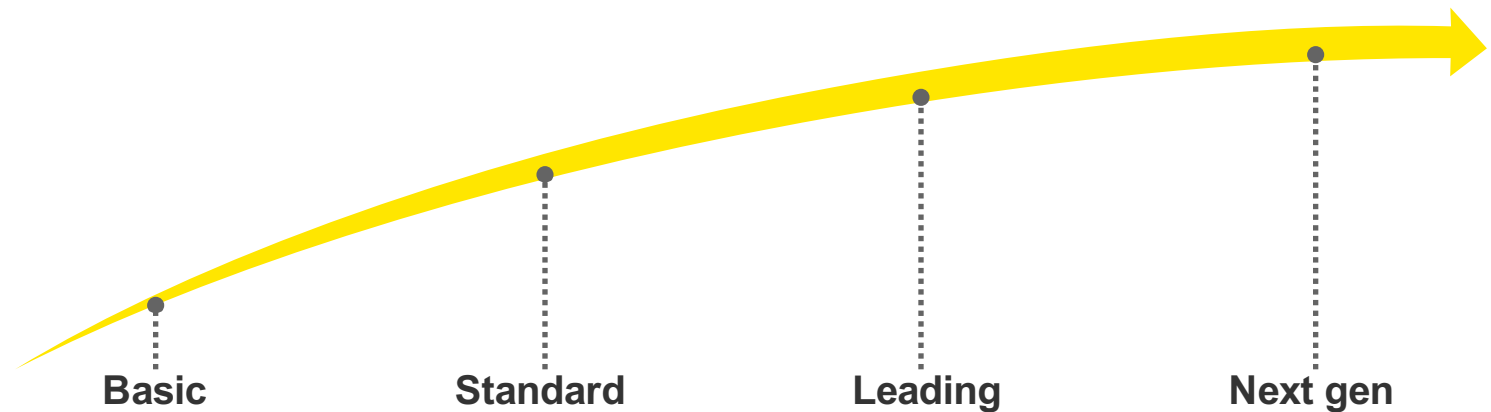
Today's needs

- ▶ Always-on; continuous insights
- ▶ Multi-source data integration
- ▶ Clear linkage to value drivers
- ▶ Democratized and fluid insights
- ▶ Prediction and learning
- ▶ Standardization of capabilities across the 5 to 10 markets that drive global CP sales





The leaders are building differentiated commercial analytics capabilities ...



Scope

- ▶ Core-team or function
- ▶ Core-Processes
- ▶ Enterprise
- ▶ Market Place

Delivery

- ▶ Insight decks
- ▶ Excel
- ▶ Better decks/tableau
- ▶ Functional tools
- ▶ Multi-functional Software
- ▶ Mobile
- ▶ Seamless ERP Lync

Analytics

- ▶ MBA math
- ▶ Regression
- ▶ Econometrics
- ▶ Optimization
- ▶ Data science
- ▶ Dynamic approaches
- ▶ Cognitive machine learning

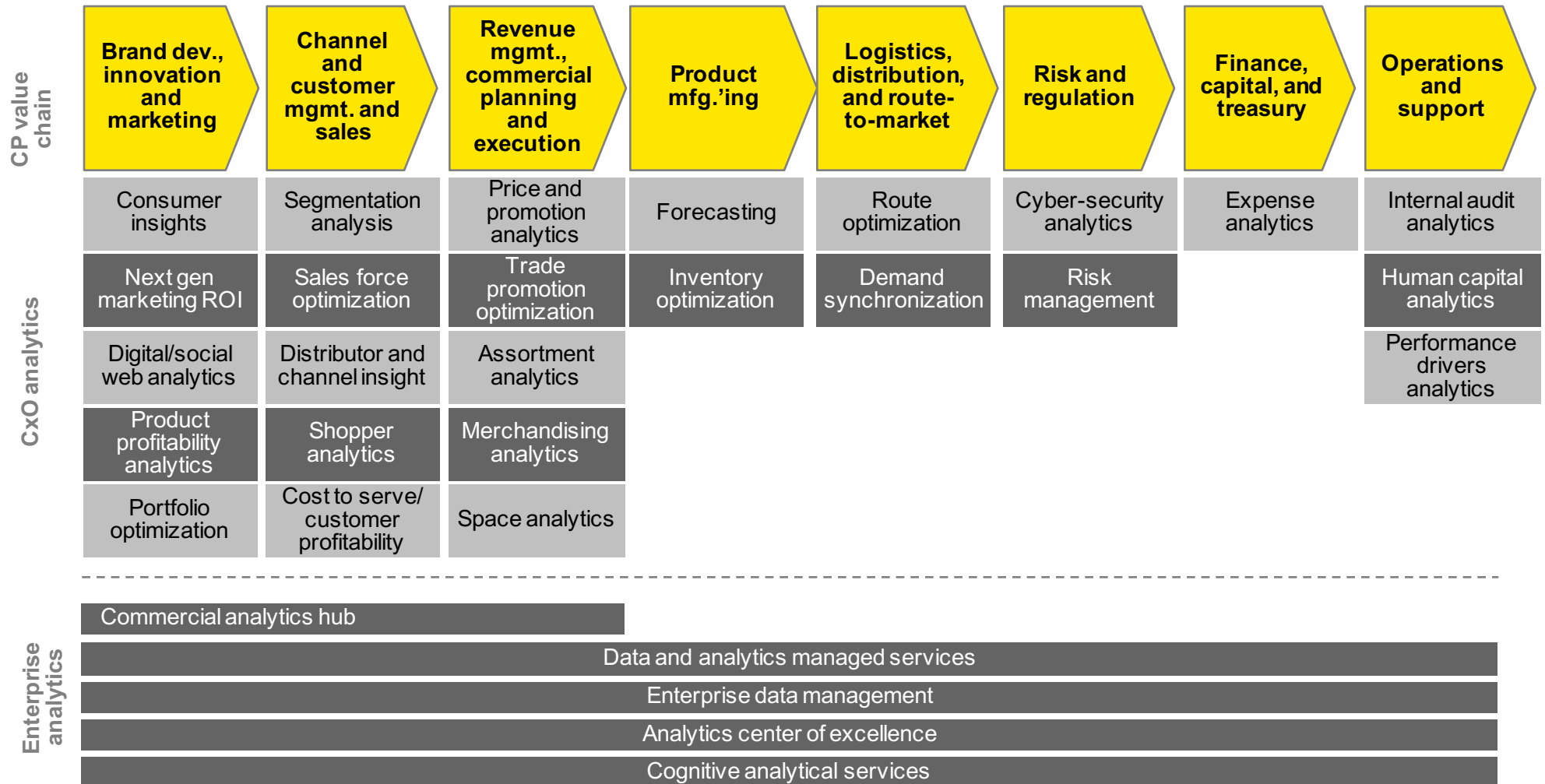
Data

- ▶ Syndicated
- ▶ POS
- ▶ Financial data
- ▶ Loyalty
- ▶ Media
- ▶ External econometric
- ▶ Cross-enterprise (supply and demand)
- ▶ Omni-channel
- ▶ Demand signals



... and integrating analytics across functions

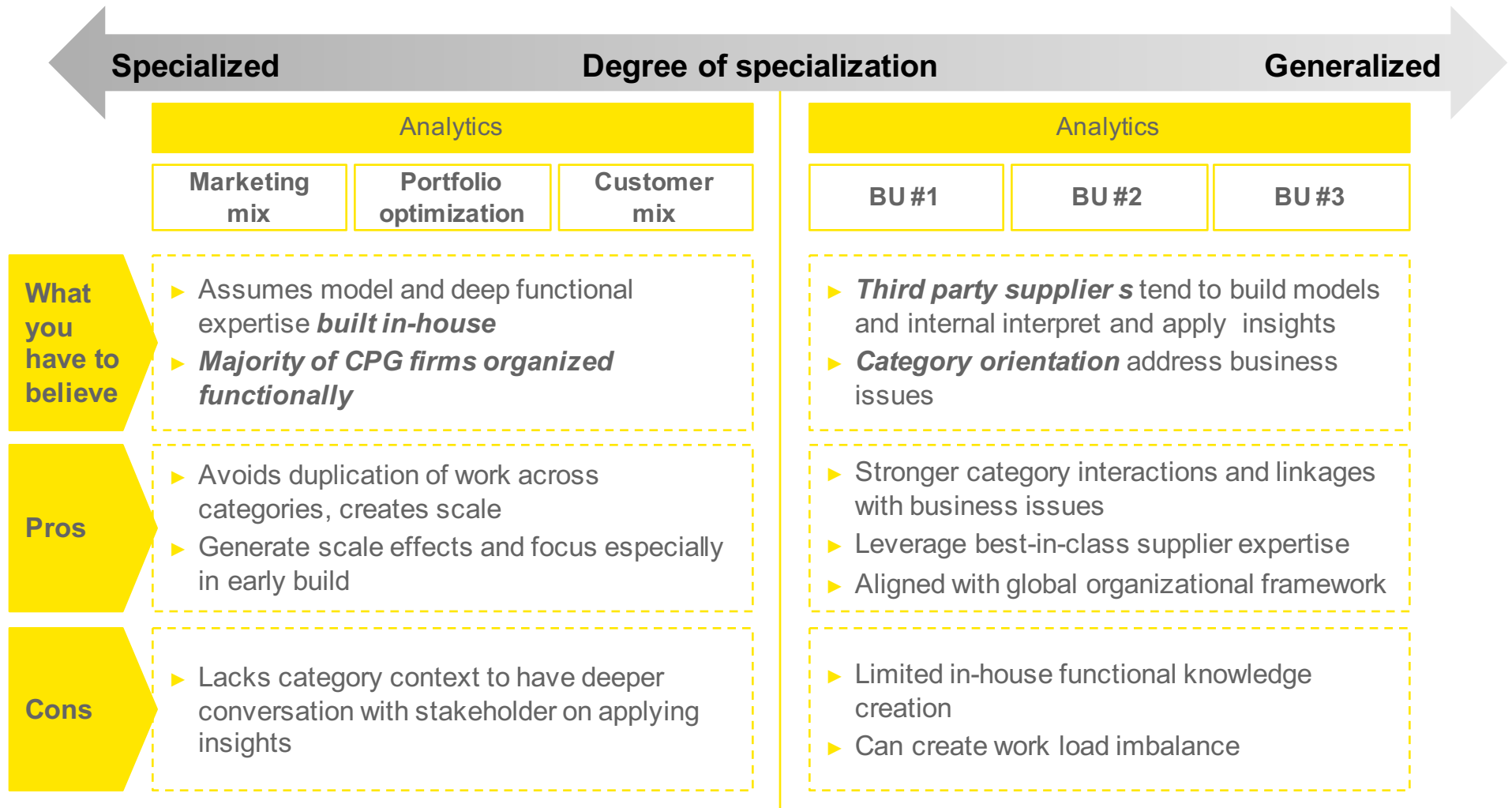
Leading class analytics proliferation





Analytics organization structure varies based on the maturity and culture of the CPG

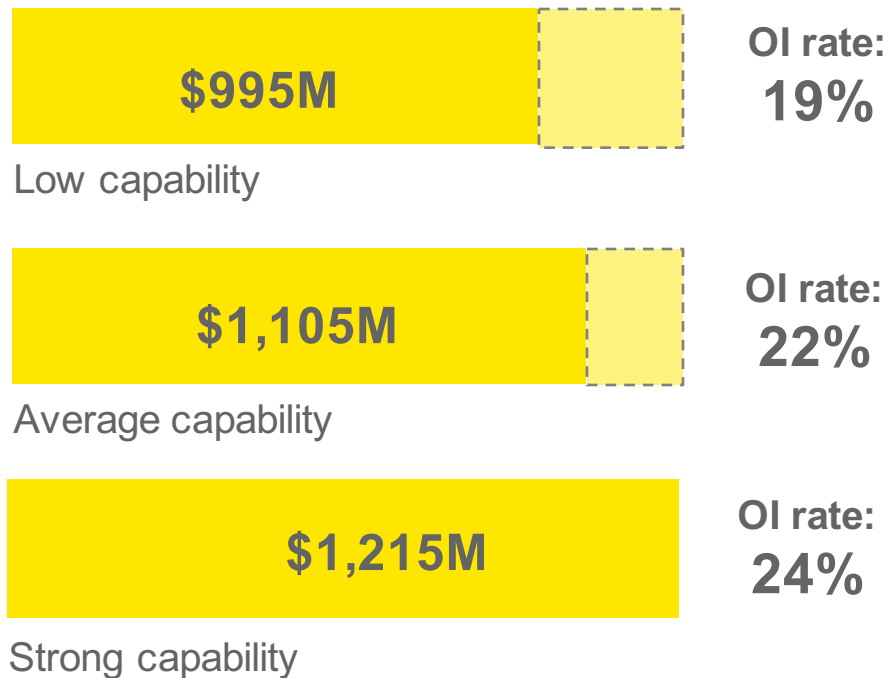
Setting up an analytics organization involves trade-offs between deep functional expertise and category knowledge.





As a result, leaders are able to grow both the top and bottom lines

Operating Income Performance of a typical \$5B CPG Manufacturer with varying levels of Commercial Analytics Capability



Companies with strong commercial analytics capabilities generate **22%** higher OI than their lowest peers

Source: EY Analysis; S&P

= Missed opportunity

Source: S&P Capital IQ. Analysis based on EY experience and weighted revenue growth and EBITDA margin performance of the top 50 CPG (food, beverage, HPC and tobacco) companies as ranked by revenues in 2014.



Case Study: It's not just about technology

The Problem

1. Shareholder value performance in bottom third of peer set
2. Competition benefited from accelerating Net Revenue/unit via a combination of increasing list prices, improving mix and controlling promotional spend
3. Surveys indicated that 9 different groups believed they owned Revenue Management process, and up to 75 people touching decisions across the end-to-end process
4. The organisation lacked a common language, process and measures and tools to be successful

The Solution

1. C-suite sponsorship and VP lead for global, multifunctional team
2. Focus on organization, process, systems, incentives and metrics across Price, Promotion, and Mix
3. Visibility, uniformity and accessibility of information and decisions
4. Analytics delivered to workgroups and individual roles with visualization for quick decisions
5. Move to Globally scaled analytics function within shared services group
6. Accepted manual data cleansing where necessary – offshore and standardized

The Results

1. 5x faster decision making, with action take at shelf weeks faster
2. RM is an integral part of all IBP activities and drives 1-2% organic revenue growth per year
3. Drove increased OI contribution
4. 50%+ of workforce enabled via integrated, cloud-based collaboration workspaces fuel by advanced analytics and reporting
5. Cross-functional workgroups able to understand the drivers of revenue, volume, and profitability by channel, account and store clusters



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The use of analytics for competitive advantage has been difficult but there are common themes for success

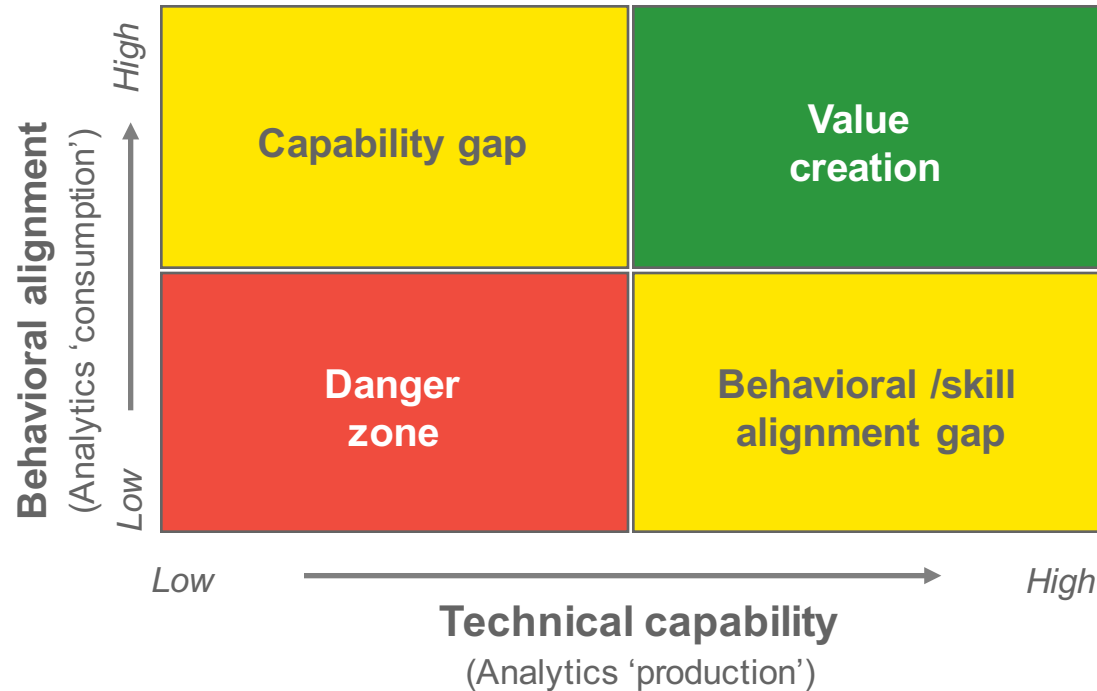
Drivers of success ...

- ▶ Enabling online environments where multiple functions use analytic insights to jointly plan, manage and execute
- ▶ Using 3rd parties to manage both data integration and advanced analytic modeling
- ▶ Creating custom user interfaces that enable the organization to dispose of their antiquated Excel workbooks
- ▶ Changing ways of working to drive more rapid transition from insight to action



Competing with analytics depends on technology, new ways of working and improved skill sets

EY analytics value framework



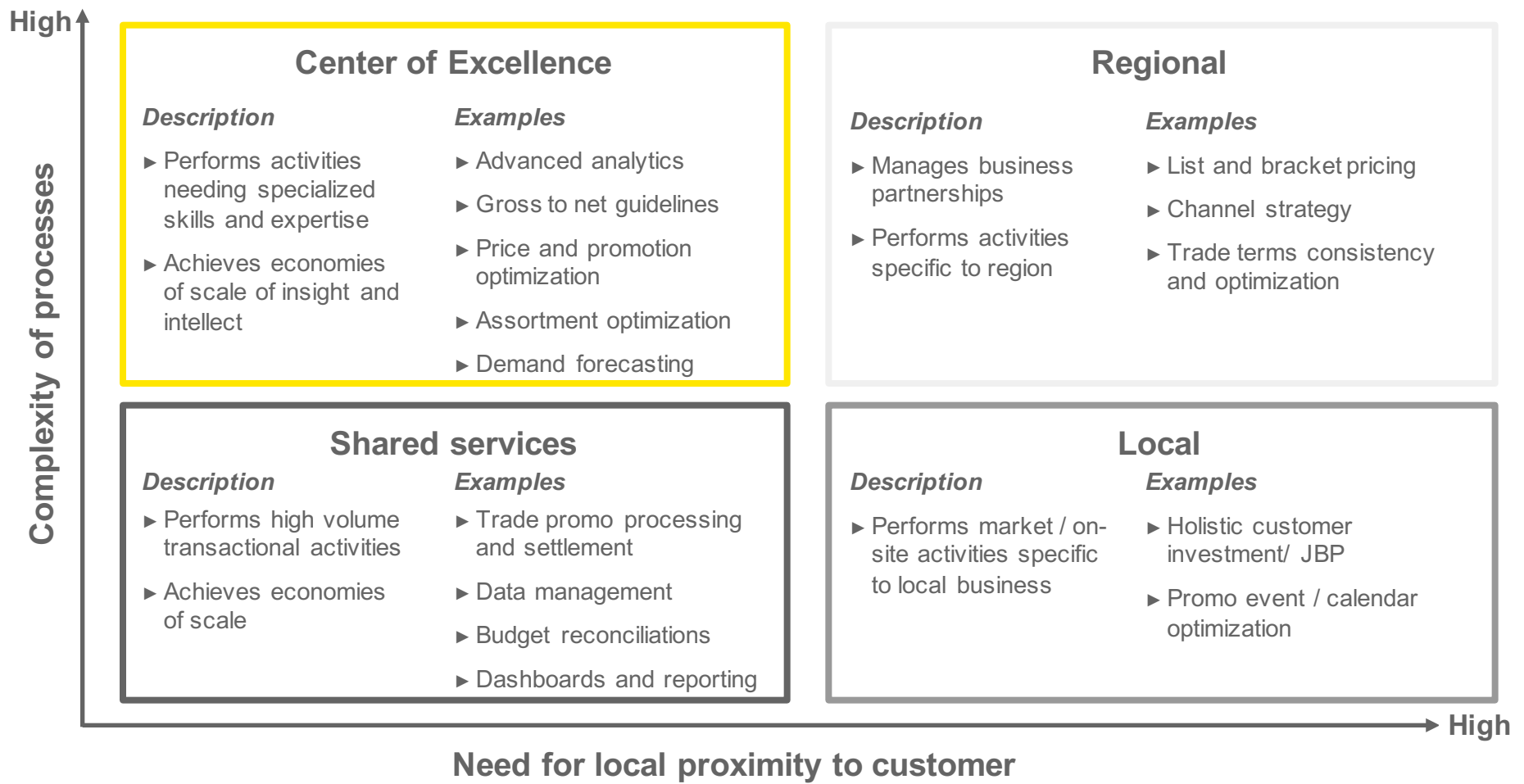
To succeed, companies must advance in tandem their ability to produce analytics at scale, the ability/skills to consume and translate analytics into more optimal decisions, and the ability to work differently to move from insight to action and outcomes at speed.

- ▶ Culture and leadership
- ▶ Organization and process design
- ▶ Learning and development
- ▶ Incentives/rewards
- ▶ Data science
- ▶ Data quality
- ▶ Infrastructure and tools



CoEs and share services are evolving to accommodate advanced skills/capability

Complex activities requiring specialized skills that do not require local proximity, and can benefit from economies of scale for insight and intellect are ideal CoE targets.



Source: The New Case for Shared Services, EY 2014



Connecting analytics with people, process and technology delivers tangible benefits

Marketing	Sales	Finance	Operations
<ul style="list-style-type: none"> ▶ Improves return on marketing spend ▶ Enables marketing to plan, optimize, and measure investment across multi-channel media ▶ Enables internal insight generation vs. high cost agencies ▶ Enhances strategic planning capabilities 	<ul style="list-style-type: none"> ▶ Drives more profitable volume and OI contribution <ul style="list-style-type: none"> - Assortment - Price - Promotion - Placement ▶ Enables faster cross-functional planning, collaboration, and execution ▶ Enable Sales to focus on selling with dynamic analytic capabilities at point of need ▶ Provides global economies of scale for data 	<ul style="list-style-type: none"> ▶ Enables better management and governance of spend and ROI ▶ Accelerates pace of decision making to capitalize on market growth opportunities ▶ Improves revenue, sales and operating margins ▶ Creates improved budget to variance/ actual reporting 	<ul style="list-style-type: none"> ▶ Enables global, integrated network of analytics hubs/CoEs <ul style="list-style-type: none"> - Drives consistency in approach, quality, depth and breadth - Reduces cost of data and analytic production ▶ Accelerates pace of decision making to capitalize on market growth opportunities ▶ Enables integrated global and local governance of performance, decisions and actions
Better outcomes	Improved speed	Agile approach	Reduced costs



Cloud based solutions are at the heart of integrating and enabling differentiated analytic insight.



Commercial Analytics Hub



- ▶ Deep Sector Domain Knowledge
- ▶ Commercial Transformation Leadership
- ▶ Seasoned Team of Practitioners and Sector Analytics Leaders
- ▶ Financial Heritage and Value Focus
- ▶ Global Analytics Operations Centres

- ▶ Integrated Global Platform aligned to core client issues:
 - Revenue Management
 - Retail Execution
 - Marketing Productivity
- ▶ Scale analytics production aligned with local analytics consumption expertise
- ▶ Managed Service and Outcomes based fee structures

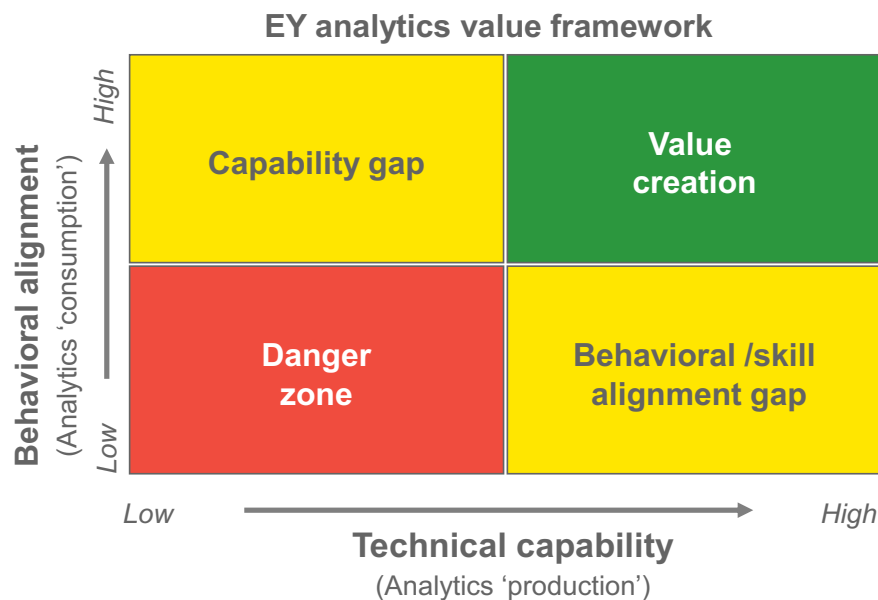
- ▶ Leading Cloud-based Azure platform
- ▶ MS Power BI
- ▶ Cortana/Rev R Analytics Leadership
- ▶ Flexible and open development model
- ▶ Trusted IT/Security
- ▶ Mobile

Analytics consumption capabilities

Analytics production capabilities



Getting started on improving capabilities and realizing value!



Assess your existing analytics capabilities (incl. gaps)

Shape the requirements to meet your business' needs

Incorporate analytics leading practices and innovation

Dedicate focused team of resources to guide pilots &/or implementation

Develop and track business case to ensure value realization

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Wrap-up/Q&A