

**Fusing Digital and
Trade Strategies
to Drive
Mutual Growth**

***“Taking your TPM TPO
and Advanced Analytics
Capabilities to the Next Level”***

How to Make Price and Promotion Work Harder in an Increasingly Digital World

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At the end of this session, you will be able to . . .

- ▶ Identify how digital is disrupting the CPG industry
- ▶ Understand why embracing disruption is important
- ▶ Know how to activate disruption in your organization
- ▶ Articulate how a few companies have used digital to deliver results

Digital POV – CP&R Sector

1 | Digital Disruption



“We are in the throes of a transition where every business has to think of their digital strategy.”

– Bill Gates



Digital Disruption

...a continuous form of disruption to business enabled by data and technology **across the enterprise.**

- ▶ Digital will surpass TV media spend by 2018
- ▶ Consumers are screen agnostic; 70% of digital marketing will be delivered via mobile devices by 2019
- ▶ Digital is changing cost structures across the marketing value chain
- ▶ The Marketing function is undergoing an evolution of mindset and skills led by technology

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“With *digital technology*, it’s now possible to have a one-on-one relationship with every consumer in the world.”

– Robert MacDonald, CEO, Procter & Gamble

40%

of digital data stored in cloud by 2020

\$18B

Singles Day Sales in 2016 via Alibaba

5.4B

People with mobile phones by 2020

>50 billion

internet-connected things by 2020

Amazon

Is the **5th** largest digital publisher

\$65.7

billion spent on digital ads in 2015

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“We are witnessing a seismic change in consumer behaviour. That change is being brought about by technology and the access people have to information.”

– Howard Shultz, CEO, Starbucks

Consumer requirements



Personalization

▶ Fast, mass customization



Experience

▶ Consistent omni-channel engagement



Price / Quality

▶ High quality products at reasonable prices



Omni-Fulfillment

▶ Freedom of choice in products, delivery & payment



Transparency

▶ Corporate profile, privacy standards, reviews

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“You walk into a retail store, whatever it is, and if there's a sense of entertainment and excitement and electricity, you wanna be there.”

– Howard Schultz, Chairman, Starbucks

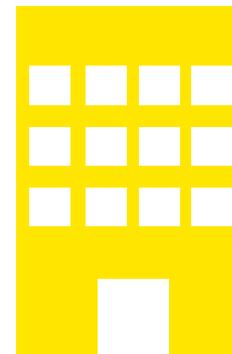
Evolution is occurring

- ▶ **~\$370B** digital sales in 2017 (US)
- ▶ **72%** of millennials research and shop online before going to a store
- ▶ **84%** shoppers use mobile devices as part of shopping trip
- ▶ **22%** of folks under 45 years old use a **mobile** coupon while grocery shopping

Foundation is still relevant

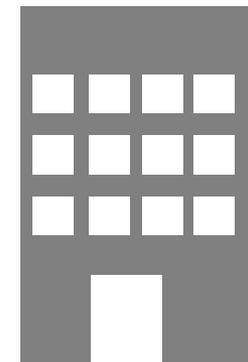
93%

Retails sales that occur within stores



80%

In five years



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2 | Embracing Disruption

Establishing eCommerce excellence

Focusing on purposeful digital marketing

Focusing on shopper engagement

Developing a direct-to-consumer strategy

Adopting new pricing & promotion paradigms



The disruption is real for the consumer products industry

Dollar Shave Club & Harry's Paradigm

>30%
New products come through acquisitions

20% ↑
eCommerce sales in digital marketplaces (US)

47%
Jobs at risk for automation
(EY Capital Confidence Barometer)

\$36b
CPG eCommerce sales by the end of 2018 (US)
(GMA Research)

The average total cost of a data breach is
\$3.79m
per breach
(Ponemon Institute, 2015)

52%
Fortune 500 churn since 2000
(Constellation Research)

>50%
CPG growth from digital sources (2020)

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Transformation to a digital culture is challenging

Many CPG companies are using M&A and agile alliances to build capabilities

68% Say they are faced with industry digital dynamics forcing a rapid response

Petfinder (a leading online database firm) for online content management support

59% Say they don't have internal capabilities to respond to a digital transformation

Under Armour Inc. spent \$710m acquiring 3 top health & fitness application developers

67% Say they plan to use M&A to buy rather than build digital capabilities

Unilever spent \$1b to acquire *Dollar Shave Club's* mail service for shaving supplies

Walmart spent \$3.3b to acquire *Jet.com*, to grow its e-commerce business

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While challenging, the benefits are significant

Digital enterprises are more profitable, growing faster, have a lower cost base and are more highly valued by the market



Profitability

Digitally mature companies with strong transformation programs are on average **26% more profitable** than their industry competitors. Based on a basket of measures including EBIT margin and net profit margin

2.5x Growth in digital sales

Digital leaders are on average growing their digital sales at 2.5 times that of their sector peers

12% Higher market valuation ratios

Digitally mature companies with strong transformation programs create more value, generating 12% higher market valuation ratios



Cost

Digital transformation can **cut the total cost base by 9%**, through shifting customer interactions to digital channels and automating paper-heavy processes

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3 | Disruption in Action



CP&R competitive landscape is transforming with digital

GTM transformation

Digital transformation: New product design, informed by customization tracking & IoT feedback

New channel model: Installed interactive virtual grocery store in Gatwick Airport

New businesses

Grocery delivery service grew from **\$1M** in sales to **\$10M to \$100M** in just over 3 years

Manufacturer democratization

Robotics, 3D printing & simulation technologies ease capital barriers to manufacturing at scale

eTail

Redefining business terms:

- Pricing is **~16%** lower
- Assortment is **17 times** larger
- Cost base is **4%** lower
- Customer satisfaction ratings **highest** in the industry



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Digital disruption can gain advantage and promotion productivity

Situation

- ▶ Omni-channel, ubiquitous & promotion centric environment
- ▶ Highly regulated industry with opt-in requirements & PII regulations
- ▶ Low organic growth; focus on share & enhanced services
- ▶ Need margin friendly customer acquisition, high value retention & uptake in new services

Solution

- ▶ Integrate and unify customer data across disparate data sources
- ▶ Utilize predictive analytics to identify prospects based on behavior triggers
- ▶ Develop dynamic price alternatives based on over 1000 Geo, LTV, product & acceptance profiles
- ▶ Implement next best action methodology across all touch points to reduce churn triggers

Results

- ▶ Increased prospect targeting (60% to > 90%)
- ▶ Increased speed-to-activate new service offers and “fail quickly”
- ▶ Improved customer experience metrics with direct reduction in churn
- ▶ Vastly improved customer engagement profiles enabling improved efficacy of “look alike” acquisition

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Case study: technology enablement

Activation

- ▶ Omni-channel synchronization
- ▶ Multi-platform digital strategy
- ▶ Machine learning based propensity analytics
- ▶ Unified CRM program—next best action at every recognized touch point
- ▶ Real-time testing & simulation

Technology

- ▶ Multi-channel DMP based infrastructure
- ▶ Highly flexible, cloud-based, big data infrastructure
- ▶ Customized audience management package with open source extensions
- ▶ Data visualization with scenario engine and alert systems

Action

- ▶ Customer path analysis
 - ▶ Ads viewed (online/offline)
 - ▶ Digital exposures
 - ▶ Retail engagement
 - ▶ Purchase decision
 - ▶ Post-purchase interaction
- ▶ Evaluate, simulate, activate
 - ▶ Dashboards at the points of impact (region/accts)
 - ▶ Propensity algorithms
 - ▶ Manage against objective success/correct/fail thresholds

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4 | Activating Disruption



Collaboration is key

Success requires thinking more innovatively and taking advantage of burgeoning technology & data resources



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“Innovation distinguishes between a leader and a follower.”

– Steve Jobs, former CEO, Apple Inc.

Social engagement

“**Consumer Pulse**” analytics scan the **social media** universe capturing and categorizing comments by brand

Drives real-time customer engagement & risk management

Demand sensor forecasting

Uses demand signals rather than historical trend approaches, thus identifying the true drivers in near real-time

80% improvement in forecast accuracy and ~20% reduction in safety stock

Data-driven campaign management

Real-time testing for ongoing execution of promotional program with >100MM custom digital touch points per quarter

70% conversion rate among desired targets driving ~\$1B in annual sales

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Q & A

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Are you ready for digital disruption?

- ▶ What is your digital price and promotion strategy?
- ▶ How are you allocating spend to digital promotion?
- ▶ Which digital promotion tactics are most impactful?
- ▶ How do you analyze ROI of your digital promotions?
- ▶ What processes, resource, and tools are deployed to digital price and promotion?

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