Analytics & Insights Indicator:

Industry Benchmarks on How Companies are Using Data to Drive Decisions

Overview

Data. As a Consumer Products professional, you are probably swimming in it. Syndicated, POS, loyalty, coupon, survey data – not to mention the flood of social media data coming your way. However, for most CP organizations, the issue is not about the volume of data or even access to it. The challenge lies in turning those data inputs into actionable insights that could drive your business forward. It is about using that data to make smarter decisions, measure your success, and to know what is working and what is not.

Currently, a company's ability to measure success is often limited by its focus on traditional, financial-based metrics: revenue growth, company profitability, earnings per share, etc. No proven KPIs exist that allow an organization to measure their success in Analytics, and very few benchmarks are available to gauge organizational capabilities. When organizations attempt to gauge their analytical prowess, they might evaluate their analytical tools and, perhaps, the number of analysts and statisticians employed. However, this fails to consider a more holistic measure, one that views organizational behaviors and processes equally important as resources and tools.

To fill this void in the industry, Clarkston Consulting developed the Analytics & Insights Indicator to provide a comprehensive view of Analytics for the entire organization. Gathering survey data from approximately 100 Consumer Products professionals, Clarkston assessed companies' analytical capabilities around Strategy, Process, Organization and Technology (SPOT), providing recommendations across all of these areas. The following research brief summarizes these findings.

an·a·lyt·ics [an-l-it-iks] noun

The process of embedding data into decision-making through the creation and analysis of statistical models against this data.

Key Findings

For a company to reach its full analytical potential, they must align their analytical capabilities with corporate strategy. Thus, addressing these execution issues now is critical, as the challenge will only get more challenging as big data continues to roll in. Highlights of these key findings include:

The biggest gap lies between strategy and execution

Companies continue to struggle with the best ways to get the right information in the hands of the right decision makers. The intent to embed data into decisions is there, but companies fall flat on their ability to execute.

Three out of four respondents reported Analytics to be a key part of their strategy, confirming that the topic is clearly on the mind of top industry executives. However, almost half of the respondents felt their organization is not aligned around key performance metrics, indicating that simply including Analytics in your strategy does not guarantee that the right things will ultimately be measured.

Survey respondents also – regardless of whether they reported Analytics within their corporate strategy – rated their company's ability to compete in the market with Analytics as "somewhat ineffective." On top of that, over 60 percent of survey respondents do not feel as if their company has a specific, structured plan around how to integrate big growth in data.

Companies struggle with sharing data across the organization

Most companies do not have a centralized Analytics group within the organization to help drive strategy and execution. Our research concludes that the majority of companies are not leveraging leveraging analytics to drive the functional processes within their organizations, with specific opportunities for improvement in a few critical customer facing areas.

To evaluate this more closely, we asked respondents to rank their current performance across various functional areas. Measuring the difference between a company's current performance and future priority can give us some indication on which functional areas have the largest gap – and therefore the biggest room for improvement.

Charting the differences in the current performance and future importance can give us some indication into the "Opportunity Delta" or simply stated, what areas have the biggest room for improvement? As shown in Figures 1, the largest gaps are all focused around the sales and marketing functions, including marketing, marketing mix optimization, and trade promotion management. On the other end of the spectrum, core 'back office' functions like manufacturing, finance and human resources have the smallest gap.

By the Numbers

75% report Analytics is part of their strategy.

Only **50%** feel their insights are being shared across the organization.

Almost **80%** reported their organization does not have a centralized Analytics group in place.

70% feel they need more talented people to help with Analytics.

50% will invest in new technologies to augment their Analytics capabilities.

Effectiveness

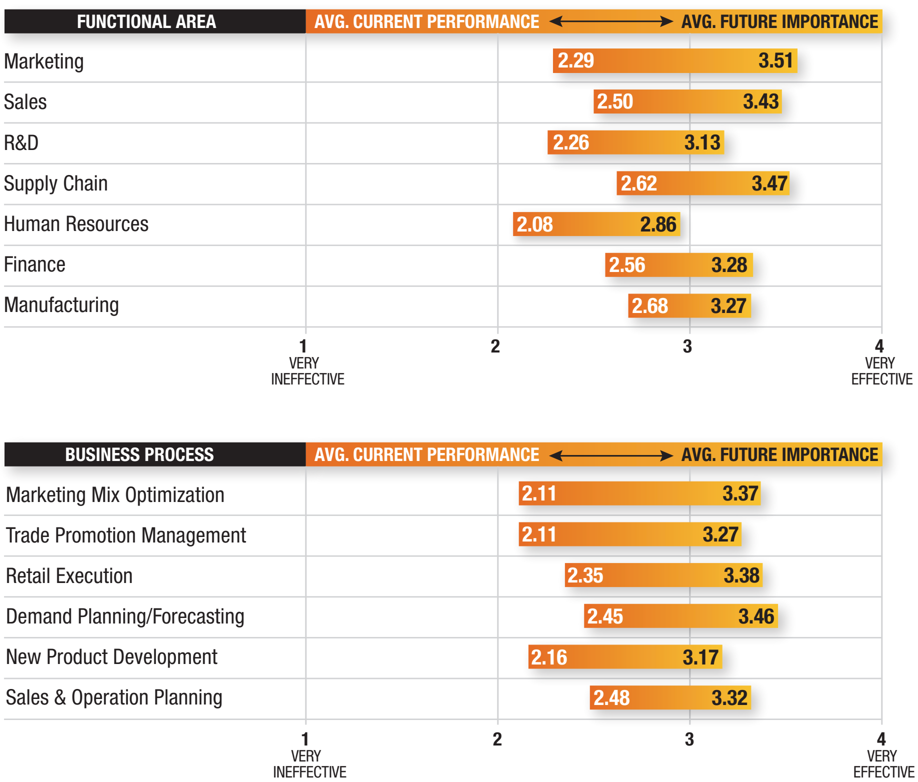


Figure 1: **Average level of effectiveness for current performance and future importance across the organization**

The industry is foreseeing a shift in focus from improving Analytics around Manufacturing and Finance to Marketing and Sales. This is natural, as Consumer Products companies have spent the economic recession improving their efficiency through cost saving initiatives. While it is important to continue to push the envelope and achieve efficiency gains, it is the companies with a strategy to also boost effectiveness that will truly separate themselves from their peers.

Most companies feel they don't have the right people to support Analytics

With the right processes in place, CP companies need to ensure that they have dedicated people in place to analyze and interpret the data in order to extract insights. Yet, despite the fact that Analytics is so important at a strategic level, very few companies have the right organizational structure and people in place to realize success.

Most organizations feel they do not have the right analytical 'talent' to support their organizational needs. However, considering that the analyst of the future will require such a unique skill set, combining business knowledge with statistical expertise, we would recommend that internal development should not be the lead strategy. Evaluate opportunities to hire strategically, and leverage external partnerships to fill existing gaps in capabilities.

In regard to the capabilities of individuals, only 30 percent of respondents feel that their company has the right people in place to support their Analytics needs. When asked how they will look to fill these needs,

- 40.5 percent will develop their people internally
- 26.6 percent will hire strategically
- 23.8 percent have no plan in place
- 9.5 percent will look to external resources/partnerships

Companies have the tools to analyze their data, but can't do it in real time

The right Analytical tools can save you a lot of time and headache. But, are you using the right ones? Are they giving you information that you can really use, when you need it?

Survey respondents didn't seem to have an issue with access to technology. These days, the majority of CP companies have a centralized data repository in place, capable of housing huge volumes of downstream data inputs. Capable may be the key word here. Companies may have the right tools in place, but a staggering 50 percent of them are planning to invest in augmenting those tools within the next 2 years, focusing on the ability to provide 'real-time' data analysis.

This is where the biggest gap in capabilities appears to be; over 85 percent of companies do not currently have the ability to analyze their data in real time. With the CP industry having invested heavily in data storage capabilities over the past few years - to the point where simply having a data repository is status quo, a corporation must give its analysts the ability to access data in real-time to create meaningful reports for the key decision makers.

Across the types of data being analyzed, survey respondents seemed to struggle the most with social media data. Not surprising, more "stable" data sources such as syndicated data and point-of-sale data ranked higher when respondents reported their effectiveness in analyzing data sets.

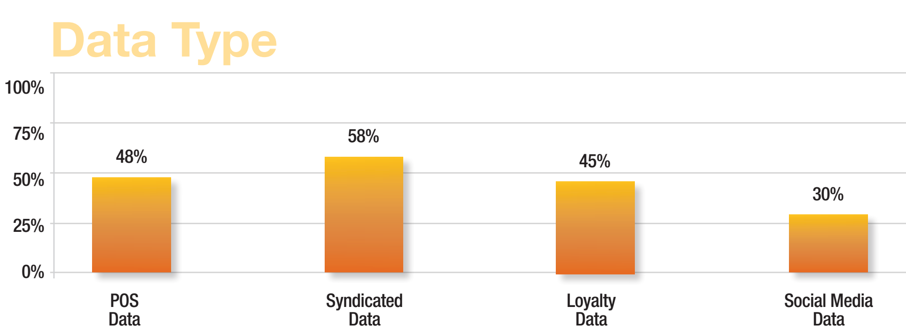
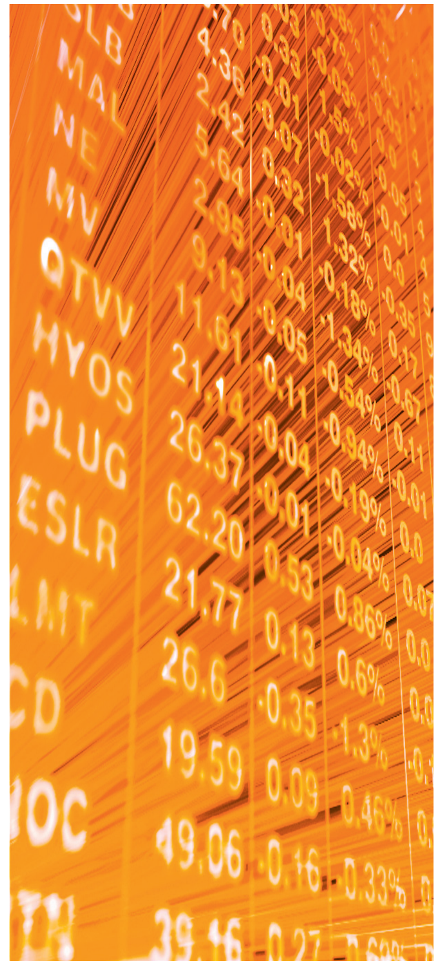


Figure 2: **Analytical Effectiveness by Data Type**

However, if we take into consideration that given strategies are falling short in execution, many processes are not leveraging analytics and companies are still struggling with analytical talent, investing in cutting edge technologies is only going to amplify these issues. Companies should first focus on these other areas using their current technology, and then after measurable gains, consider more bleeding edge solutions that allow for improvements in areas such as real-time data analysis and social media analytics.



Analytics in Action

Sales & Operations Planning *– Imagine a monthly S&OP process powered by fact based quantifiable trade off decisions instead of the traditional negotiation between sales, marketing, and operations over how each group feels about the current business conditions. Now expand that to include the ability to establish the correlation between disparate environmental conditions ranging from trade strategies and marketing campaigns all the way to consumer confidence and competitor actions. Factor in awareness of supply constraints and profitability and you have the basis for a pretty dynamic analytics engine that could transform your monthly planning cycle into an absolute competitive advantage.*

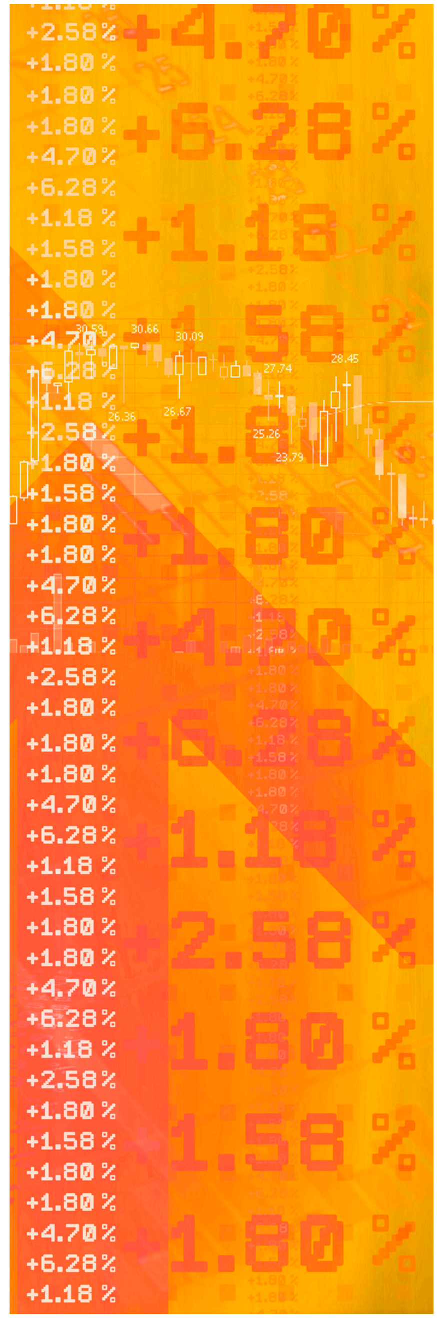
Analytics strategy today tends to think in terms of silos and fails to connect cross functional considerations. Trade, Sales, Marketing, and Planning are all using advance tools but they tend to focus their attention inward. Often times the analytics strategy can be so singular focused that it fails to produce useful insight and instead reinforces what is already understood about the business.

The monthly S&OP cycle offers an opportunity to break down these traditional barriers. Very few standard business processes can match the potential upside benefits of analytics in the way the monthly S&OP cycle can. This is a perfect example of an opportunity to reinvent people, process, and technology to revolutionalize stale business process into a dynamic profitability driver.

Trade Promotion Optimization *– By definition, Trade Promotion Optimization is the use of predictive modeling techniques and analytics to identify the best combination of promotional investment variables within a set of constraints to achieve an incremental sales return. Or, more simply, TPO is the process of leveraging analytics to ensure that promotional dollars are being used in the most efficient and profitable way.*

To enable this and better understand which programs shoppers want most, analytics is the key. Coupled with effective modeling capabilities, analytics will speed up testing and learning. Price responsiveness and margin guesswork can be eliminated. Promotion frequency and inventory positions can be optimized. Merchandising vehicles can be localized cost-effectively to reduce waste. Shopper messaging can be crisp and relevant.

In recent years, companies have started to make advancements in their trade processes and tools. However, optimization represents the next frontier where true strategic advantage could be realized, allowing CP companies to provide shoppers superior shopping experiences based on continual learning through modeling and analysis.



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About Clarkston Consulting

Clarkston Consulting is a different kind of management and technology consulting firm. We deliver a unique experience for market leaders within the Consumer Products and Life Sciences industries. Considering professionalism, expertise, and value as prerequisites, we take service a step further through our unyielding commitment to the success of people as individuals, both our clients and our employees. By combining integrity, adaptability, and a whatever-it-takes attitude, we have achieved an extremely high rate of referral and repeat business and a 10-year average client satisfaction rating of 97%.