

INSIGHTS

Are You Data Rich but Insights Poor?

Turning the Tide on the Downstream Data Wave



There has been a dramatic shift in the past 20 years in the way retailers and manufacturers attempt to influence the marketplace. Manufacturers and retailers now have massive amounts of consumer data at their fingertips, moving their relationship from competitive to collaborative. The future innovators of business will be the ones who can best garner insights from this data stream and effectively share them with stakeholders.

Downstream sales and insight data presents an intriguing dilemma for consumer products companies. Instead of using targeted data to generate actionable insights, organizations are drowning in an ocean of conflicting information. Traditional account and store-level sales data are now being integrated with new data sources, such as loyalty, coupon, survey, and social media insights. Understanding how to leverage this data has gained increased visibility among executives as the effort to manage it often overshadows the benefit. One thing is certain: the evolving consumer landscape requires downstream data effectiveness measured by how well an organization can identify and interpret insights to their partners.

Manufacturers Leverage Consumer Insights

Yesterday's Environment

Before retail data, manufacturers controlled relationships through strong brand loyalty, driven by limited marketing approaches creating barriers for new competition.

- National Brand Loyalty
- Direct Advertisements
- Supply Chain Control
- Product Innovation



Retailers Leverage Shopper Behavior Data

Today's Environment

Retail data and increased competition allowed retailers to assert more control with relationships and demand significant concessions for optimal shelf space and sell in.

- Private Label Shift
- Assortment Allocation
- Shopper Performance & Preferences



Collaborative Insights

Tomorrow's Environment

Shared ownership and collaboration will drive the evolving manufacturer/retailer relationship as consumers become more educated and are provided with additional choices.

- Category Optimization
- Promotion Organization
- Strategic Pricing & Modeling
- Consumer & Shopper Insights

Downstream data should be leveraged across multiple business functions and represents a critical component that connects supply and demand organizations. The innovators in this area are driving strategic decisions with these rich insights; but it is far more common for an organization to be wrestling with basic elements, such as which data to even evaluate, let alone using the insights and information to support strategic discussions. While investment continues to increase, most companies fail to deliver the anticipated benefits, unsure of their final objective.

A 'data insights maturity' scale with the following attributes helps illustrate advancement from 'uncertainty' (collector) to 'innovator' (collaborator):

Collector – At this stage, an organization is still learning which types of data they want to include in their analysis and how to manage the infrastructure. Typical decisions include which customers to focus on, and what types of data to purchase. Many organizations never emerge from the collector phase and typically view downstream data as merely a cost of doing business.

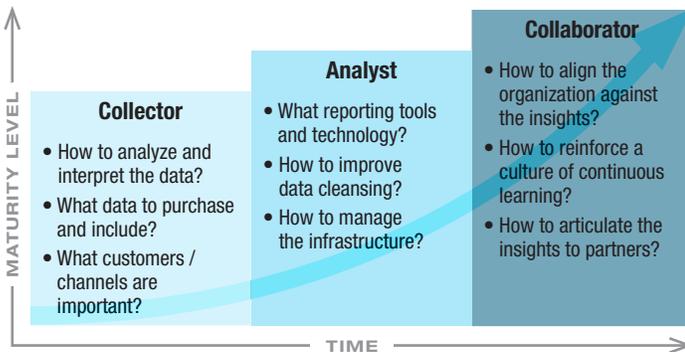
Analyst – At this stage, a company will have sound practices for collecting and storing data, along with basic reporting, but will lack the ability to interpret and develop insights. During this stage, a company will start to look at the technologies that are available to analyze the data and start to consider how to share across functional areas. These companies typically have on-going pilot efforts that individually are demonstrating success.

Collaborator – As an organization becomes more comfortable with data sets and technology, the focus turns to how to harness actionable insights. The major driver in this phase is to find ways to communicate this information to internal and external stakeholders so that better decisions can be made. Most decisions focus on how to better share the data and how to incorporate emerging technologies, such as social media insights.

An important step for a company moving through these stages is to set realistic expectations around what insights can be provided with the data. A common mistake throughout this journey is overestimating the impact of the data, assuming data can be plugged into a couple of complex algorithms and predict the future. Advanced use of this downstream data provides insights around context, visibility, and speed that you don't get from traditional sales data. This provides agility to react quickly to a market event and the granularity to understand the root cause. Simple point of sales data won't tell the story of how a national campaign and coupon program impacted a trade investment or allow you to deconstruct a specific event to determine the true return on investment.

Before investing in a downstream data strategy, it is critical to understand the questions you are trying to answer. Predictive analytics is a misleading term, since software can only answer questions within the defined context. A well-defined context provides an environment in which accuracy is at an actionable level. If you consider that simple sales forecast accuracy is considered effective at 75%, you can imagine the difficulty of forecasting multi-variant scenarios that are common in predictive analytics. Along with context, several other considerations should go into a measured and disciplined downstream data approach:

- Focus not just on collecting data, but also analyzing the data for strategic advantage;
- Create capabilities that align with your strategy, not that come standard with a software package;
- Understand the role collaboration between retailers and manufacturers plays in today's landscape.



Maturity within this process can be determined based on what questions an organization is asking. As organizations mature, questions shift to an outwardly focused perspective driven by a desire to collaborate and share insights.

Going beyond collection

The most common misconception today is that if some data equals good then more data equals great. Most companies have become effective at managing data streams but lag behind when it comes to the quantitative and qualitative methods it takes to interpret and apply them. It is important to match any investment in the technology with an investment in the process capability needed to drive insights. Predictive and advance analytics need internal resources that understand both the applications and the business to drive the success. If you want to move out of the world of row and column exception reporting, you must invest in resources that can take you there.

“Predictive and advance analytics need internal resources that understand both the applications and the business to drive the success.”

Invest in your strategy, not just software

There are specific functional areas that warrant investment in downstream data, including retail execution, customer collaboration, category optimization, sales strategy insights, and demand forecasting. Determine which of these areas contribute to competitive advantage that is aligned with the organizational strategy. Other investment guidelines include:

- Never believe in a perceived ROI of standalone software. There is no magic bullet;
- Don't pursue data acquisition and centralization without considering the broader picture since this will result in a fragmented architecture with multiple versions of the truth;
- Invest in leading downstream data practices only when it is aligned with how you intend to differentiate in the market;
- Avoid the temptation to build a data empire. Instead, set a strategy to differentiate, and use downstream data to aggressively pursue it.

Downstream data effectiveness can connect the functional organization and ensure alignment, but technology alone will not enable this capability. Clearly defined strategic objectives that are aligned against an investment in the human capital infrastructure represent the key to success.

Sharing data insights

The ultimate goal of downstream data is to drive the insights and analytics to understand the business and communicate within a continuous learning environment. This has always been true regarding internal stakeholders, but in today's environment it has become increasingly important to share insights externally. Manufacturers need to share their knowledge of the consumer with retailers. Retailers need to share their knowledge of the shopper with manufacturers. Together, this will drive collaborative insights to help:

- Realize effective promotions;
- Strategically price products;
- Drive innovation; and
- Improve the shopping experience.

The most advanced organizations are constantly evolving the medium and messaging to more effectively communicate with all partners—and they are using data to drive these insights.

Too often companies view downstream data as merely a cost of doing business. What gets lost in this approach is that a downstream data strategy should always be improving your ability to learn and share knowledge. Strategic objectives should dictate where you place your bets and focus your attention. Advanced analytics investment should also be aligned under this single strategy and only pursued when there is a clear business framework that can be addressed. Downstream data effectiveness should always be measured by how well an organization is able to consume and present their insights to internal and external stakeholders.

Client Case Study

Problem: A leading consumer products company was struggling to realize return on their growing investment in downstream data.

Solution: Clarkston Consulting helped our client define short-term improvements in their existing data investment, improve stakeholder communications around data issues, and eliminate pockets of independent analysis that were not being shared across the organization.

Results: Our client now has a strategy to realize competitive advantage through insights and analytics, with a roadmap to increase retailer collaboration, enhance forecast accuracy, improve margins, and increase trade spend effectiveness.

Clarkston's Downstream Data Framework

As you think about your downstream data approach, it's important to base its effectiveness within the broader scope of your organization's objectives. To begin this process, explore the framework presented below. Asking yourself these key questions will help you determine the needed investment in downstream data and how you can transform that data into thought-driven, profitable results.

Objectives	Capabilities	Levers of Advantage	Data Types	
Business Planning <ul style="list-style-type: none"> Strategic planning Retail execution Growth Engines <ul style="list-style-type: none"> Market Category Brand Profitability Product Innovation <ul style="list-style-type: none"> New form Packaging Launch performance Operating Efficiency <ul style="list-style-type: none"> Forecasting Replenishment 	Retail Execution & Compliance Sales Strategy & Insights Consumer-Driven Supply Customer Collaboration Systems & Tools <ul style="list-style-type: none"> Demand Signal Repository Predictive Analytics Scenario Planning Organization <ul style="list-style-type: none"> Governance Culture Individuals/Structure Competing on Data 	Speed <ul style="list-style-type: none"> Information latency Process cycles Visibility <ul style="list-style-type: none"> Accuracy and granularity Optimization Competitive Context <ul style="list-style-type: none"> The effect of marketing Understanding the shopper Store execution 	Sales <ul style="list-style-type: none"> Store Syndicated measures Price Inventory <ul style="list-style-type: none"> Store Warehouse Wholesale Shipments <ul style="list-style-type: none"> Store Wholesale Retail Consumer 	Merchandising <ul style="list-style-type: none"> Audits Shopper <ul style="list-style-type: none"> Coupon Loyalty Shopper basket Panel Social

How will we win in the market?

How would the data drive performance?

Which competencies are required?

Are we able to capitalize on the opportunities?

How can we improve?

What opportunities does the data afford?

What downstream data do we need?

Should we invest in downstream data?



About the author

Ed DeAngelis is a manager at Clarkston Consulting with a focus on improving business process around sales, operations, and planning through technology and organizational improvement. During his tenure at Clarkston Consulting, Ed has worked with leading consumer product manufacturers in business planning, trade promotion, demand planning, supply chain, and sales strategy.

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