

CONSULTANT REPORT 2011



INDUSTRY EXPERTS OFFER
GUIDANCE FOR CONSUMER GOODS
COMPANIES AIMING TO REINVEST
IN BUSINESS AND TECHNOLOGY

FEATURING:
KITTIM CONSULTING
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In Our Expert Opinion

WHAT BUSINESS INITIATIVES SHOULD YOUR COMPANY EXPLORE IN 2011?

The optimism in the industry is palpable; consumer goods (CG) companies are coming out of hiding and starting to reinvest as the economy improves. Trusted advisors can provide critical guidance during this period as your company re-prioritizes business and technology initiatives. In *CGT's* third annual Consultant Report, Kittim Consulting and Cognizant provide expert opinions on the topics that are keeping CG executives up at night.

If a CG company could pursue only one business improvement initiative in 2011, what should it be and why?

SKINNER: The great recession of the last three years caused a dramatic shift in the business landscape for CG companies. They are now dealing with a consumer who has cut down on spending, who is switching brands and who is constantly looking for deals. Plus, retailers are putting tremendous

pressure on them to absorb some of their margin shrinkage all the while looking more like competitors than partners due to the ever-increasing range of private label brands. Lastly, they are dealing with an increasingly complex business landscape of multi-channel integration, game-changing technology innovations and increasingly complicated regulations. Under these circumstances, CG companies need to improve ef-



KEVIN S. JACKAM
Managing Principal,
Kittim Consulting, Ltd.



STEVEN SKINNER
VP, Cognizant Business Consulting, Retail, Consumer Goods and Hospitality Practice
Cognizant Technology Solutions

fectiveness and optimize costs in areas that matter most. Given that close to 15 percent of a given CG company's revenue is spent on trade promotions, it is only too obvious that the one business improvement initiative in 2011 that companies need to pursue is trade promotion spend effectiveness.

JACKAM: CG companies must develop and deploy a comprehensive, cohesive social media campaign. At a minimum, this campaign should include corporate Web sites, product Web sites, promotional microsites, Facebook pages and Twitter feeds. Think of this as your "social media network" — one that functions

24/7/365. You need to ensure that your network is integrated with a consistent theme and branding, but with varying messages to ensure content stays fresh and relevant. Special promotions, coupons, games and contests encourage interaction and repeat visits. More importantly, if done correctly, users will invite people in their personal networks to join your media network. Once you have their attention, you must ensure that the interaction is not just one way with the company doing all of the talking. The most successful CG companies will be the ones who use social media to listen to their customers and react to meet changing market needs. That will

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Kittim Consulting

FROM STRATEGY TO DELIVERY. YOU CARE ABOUT BOTTOM LINE NUMBERS. SO DO WE.

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We eat, sleep and breathe consumer goods. This constant focus allows us to maintain in-depth knowledge of trends and technologies across the consumer goods spectrum. Each year, we execute a wide range of consumer goods projects in every region of the globe. These projects include strategic planning, network design, sourcing and supplier evaluation, site and facilities planning (Greenfield and Brownfield),

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Kittim Consulting - North America HQ
4060 Peachtree Road, NE
Suite D-225
Atlanta, GA 30319-3020
www.kittimconsulting.com/cgt



KEVIN S. JACKAM
Managing Principal
Phone: 678-333-8529
Kevin.jackam@kittimconsulting.com



set you apart from the competition. And as we all know, product differentiation is what allows for premium pricing.

What emerging technologies should CG companies explore in 2011?

JACKAM: CG companies need to focus on interacting with customers through their mobile devices. To be successful, companies will need to use a combination of marketer-driven and customer opt-in tools. This is classic push-pull marketing updated for the 21st century. CG companies can “push” digital coupons, special promotions and key messages to target consumers. The emerging “pull” tool is QR code scanning, which is positioned for growth in 2011 with mobile devices. The technology can be used in traditional and interactive marketing campaigns. Campaigns can run the spectrum of print ads, direct mail,

and in-store displays to Web sites and electronic billboards. Marketers appreciate the near real-time capability to measure audience response rates. Doing so quickly validates ROI for marketing campaigns and ensures that budgets are spent effectively.

SKINNER: There has been considerable action and interest in the area of trade promotion management during the last few years. Many CG companies embarked on the TPM journey — many stumbled, some continue to struggle and some succeeded. But one consistent theme has been a rather narrow focus only on the transactional

and executional aspects of trade promotions. There has been very little progress made in the area of optimizing trade spend. Brand managers, category managers, sales personnel and finance folks are all asking the same questions: “Did we spend our trade dollars in the most effective way we could have? Did we get the maximum bang for the buck with our trade dollars?” Unfortunately, the answer has most often been: “We don’t know for sure!” Reasons cited for this are many — no bandwidth to analyze this, not enough data points to make conclusions, too many variables and constraints, etc. Answers seem to lie in the emerging technologies

for trade promotion optimization. CG companies need to go beyond tactical-focused simulation and look at a broader optimization strategy based on powerful analytics and business rules.

What projects in the CG market are truly innovative and worthy of imitation?

SKINNER: The heartening trend is that several of the leading CG companies are fast realizing that trade spend optimization is where they need to put their energy to make a quantum impact to their business. Increased focus on master data management and demand signal repositories are strong indicators that CG companies are readying themselves to lay the foundation for enabling true trade spend optimization. They are critically assessing data sources to figure out ways to improve the reliability of data that will aid better

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“The most successful CG companies will be the ones who use social media to listen to their customers and react to meet changing market needs. That will set you apart from the competition.”



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egies that keep them price-competitive, category-leading and consumer-savvy. Our expertise spans a wide gamut, from demand-driven supply chains, to revenue-creating trade promotion management systems, to analytics systems and mobility solutions that anticipate and serve ever-changing customer needs.

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Cognizant Technology Solutions
500 Frank W. Burr Blvd, Teaneck, NJ 07666
www.cognizant.com



STEVEN SKINNER
VP, Cognizant Business Consulting, Retail, Consumer Goods and Hospitality Practice
Phone: 201-286-9543
Steven.Skinner@cognizant.com



analytics. They are also looking at new ways to harness technology to gather more intelligence on consumer responses to promotional tactics and the level of retail execution of promotional schemes.

JACKAM: Two very different technology-based projects come to mind. First, the Starbucks Pay-by-Phone app is rolling out nationwide after successful beta testing in New York and Seattle. The app displays a unique barcode on iPhone, iPod Touch and some BlackBerry devices that can be scanned using a point-of-sale device that deducts the cost from the balance on a card. Second, the Dr. Scholl's Custom Fit Orthotic Center kiosks, deployed to stores nationwide, use 2,000 pressure sensors to analyze feet and then recommend custom fit orthotics. At \$50 per set of orthotics, it is a high margin item, but far less than a visit to a podiatrist. Feedback from users has been predomi-

nantly positive. More importantly, recommendations to friends and family are quite high.

What was the most important business lesson you learned during the recession and how can you apply it to CG clients?

JACKAM: The CG industry was believed to be recession-proof. I recall a CPG executive once boasting that everyone needs to buy toilet paper. His boast was partially correct. They need to buy toilet paper, but not necessarily a premium name brand. Many cash strapped consumers abandoned name brand consumer product goods in favor of store brands and private label items. I predict that many consumers will not return to buying name brands, especially for staple items. To warrant a premium, you must craft a message that your product is unique and meets their special needs. Don't

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give in to the temptation to compete on price alone. When competing on price alone, you commoditize your products and ultimately erode brand value.

SKINNER: The recession has taught us several important lessons—many of them obvious and intuitive. But we think the following are especially significant given the impact they are likely to have on businesses:

The customers and business partners (retailers) that emerged from the onslaught of the recession have a whole new perception and benchmark around core concepts of need and value. CG companies need to read this carefully.

Those who followed the natural instincts to cut back on invest-

ments during the recession time merely survived. But those who continued to make smart investments and innovate truly flourished. CG companies need to run twice as fast just to stay where they are in today's world — and make quantum leaps to actually move ahead. This means leveraging new business ideas, technology and execution models.

The economy is fickle and resources are limited, whether it is capital or jobs or goods. But the key to revival lies in collaboration and doing more with less. CG companies need to apply the same tenets to their business: increased collaboration with retailers and consumers, and an unwavering focus on improving effectiveness in all areas of business. ❖