



Highlights:

- Consumers can inform every aspect of a manufacturer's business, from how the supply network operates to which retail partners are most appropriate.
 - Today's consumers will not remain loyal to brands that pass along the costs of their own inefficiency.
 - With the building blocks of trusted, integrated data in place, consumer products manufacturers can develop six key capabilities to better compete in this shifting landscape.
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Anticipating Demand Signals

Amid a host of changes in the consumer products industry, the goal of growing ever closer to the consumer remains constant

Consumer products companies today are wrestling with a host of well-documented, industry-wide challenges. Failure rates of new product introductions are higher than 70 percent globally.¹ Environmental concerns are adding cost and complexity to the production cycle. And volatile commodity markets increasingly are the sole determinant of gross profit margins.

These are all important challenges and worthy of attention from the industry's brightest minds. But none of them alone should be the focus of the industry's efforts to transform. For that, manufacturers should prioritize the one thing that can inform their product development, improve their operations, and increase their competitiveness. They should be focused on the one thing that determines their revenues and controls their brand. Consumer products companies should be focused on consumers.

The trouble is, right now, they are not. Today, there is a new breed of shopper that dictates the terms between buyers, sellers and manufacturers. These consumers are empowered by technology, transparency and an abundance of information. They expect to engage with companies when and how they want, through physical, digital and mobile means. They want a consistent experience across all channels. They compare notes. And they can champion a brand or sully a reputation with the click of a mouse.

That is why manufacturers must consider the consumer in all operational decisions, not just sales and marketing. Because when done right, consumers can inform every aspect of a manufacturer's business, from how the supply network operates to which retail partners are most appropriate. By analyzing critical market and operational data, from multichannel buying behaviors to social media content, these companies can transform their entire value chain and learn to anticipate consumer needs, not react to them.



Smarter Consumer Products

Point of view

This consumer-centric approach introduces some difficult questions for consumer products companies: how can we get closer to the consumer, or influence the buying experience, when the retail channel stands between us and them? How can market insights possibly help us to operate more efficiently? What does the shopper have to do with our efforts to become a more sustainable enterprise? The answers to these questions, and many others, are in the data.

Big Data, Big Opportunity

There are 2.5 quintillion bytes of new information created each day. Fully 90 percent of the data in the world today has been created in the last two years alone.² It comes from shopper interactions, transactions, retail customers, supply networks, manufacturer operations, emails, mobile phones, social networks and much, much more. And every bit of it can be used to learn more about how to get the right products to the right markets at the right time.

Consumer products companies play an increasingly important role in this new landscape, as both generators and users of big data. Seemingly unmanageable flows of facts and figures have been confounding the industry for decades. In fact, the global supply chain standards group GS1 recently conducted a study with some of the U.K.'s largest supermarkets and suppliers and found that well over 80 percent of supply chain content is inconsistent from one source in the chain to another. The sheer quantity of this “dirty” data is resulting in billions of dollars in lost product sales for consumer products companies due to inventory overages and shortages.³

But it doesn't have to be this way. Innovative manufacturers are developing best practices around managing the variety, velocity and volume of big data to transform their enterprises. In so doing, they are synthesizing detailed information about their end consumers and using it to redefine their internal processes. They are moving beyond automation of business processes and beginning to address enduring challenges such as food safety, product traceability, sustainability and

workforce effectiveness. They are assessing market responses to new products and dramatically increasing launch success rates. They are dissecting social media activity in conjunction with shopper buying insights to predict people's behavior, track sentiment and understand brand perception. And they are analyzing marketing promotions in real time and adapting their strategies to optimize outcomes.

The foundation of effectively managing consumer demand signals is clean, visible, integrated information. Integrated information is the key to moving beyond the simple automation of processes, and into deep business insight. But because 80 percent of new knowledge is unstructured content, ensuring information quality is necessary to speed the time-to-value of business analytics by delivering trusted, accurate and timely information to the right decision makers.

With the building blocks of trusted, integrated data in place, allowing information from inside and outside the company to drive marketplace insight, consumer products manufacturers can develop six key capabilities:

- **Consumer centricity**—New ways to connect both physically and virtually with consumers, either directly or through retailers
- **Differentiation**—Focusing on those assets and processes that create sustainable differentiation and deliver the greatest value to the customer
- **Glocalization**—Balancing localization of customer offerings with the need for global operating efficiency driven by standard processes and systems
- **Corporate responsibility**—Integrating goodwill and accountability into the organization in part by filtering through the social channel noise with new information management skills
- **Innovation**—Creating and delivering unique and compelling product and service offerings that exceed customer expectations
- **Integrated information**—Allowing interoperability across multiple systems inside the company, and visibility throughout the supply chain

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These six capabilities allow manufacturers to gain unprecedented insight into their markets and inform virtually every function inside the company. One example is ConAgra Mills, the third-largest miller in North America and a grain industry leader.⁴ ConAgra Mills needed a tool with predictive capabilities in order to foresee both market changes and customer needs up to 18 months in advance. Utilizing integrated information from disparate sources across the supply chain, and a deep understanding of predictive analytics and optimization, ConAgra Mills will deliver to their customers the products they need, when they need them, and at a price they can afford.

Another example is how social media helped a leading global sport shoe producer⁵ win big at the World Cup. Traditionally, sponsorship campaigns for sport shoe producers are prepared months prior to large events by external ad agencies. By the time the sponsorship impact hits the sales reports, however, it is generally too late to readjust or reprioritize advertisements, and campaign opportunities worth millions of dollars are lost.

This particular company implemented a shift from reactive marketing to predictive marketing based on how shoppers respond to, and interact with, products in real time. Starting with the 2010 World Cup, the shoe producer planned and executed a new shoe launch augmented by social media insights. The company looked at real-time messages across more than 1,200 soccer-specific message boards, blogs and news sites, resulting in more than 1.5 million documents deconstructed. The effort yielded more than 4 million pieces of information that tracked athletes, teams, products and campaign slogans across 17 markets in multiple languages, and monitored 300 concepts in near real time. By gaining deep insight into consumer sentiments and the key drivers of the “social buzz,” the marketing team was able to fine-tune its sponsorship activities on an hourly basis and dynamically reprioritize TV advertisement themes and product launch strategies. All of this activity can now be collected, viewed and aggregated instantly on mobile devices, all with a few clicks of a mouse.

This, in turn, minimized unnecessary administrative tasks and manual entry, allowing management to focus more on business growth, rather than tedious, labor-intensive efforts. The processing insights also can be viewed in real time, allowing decisions to be made immediately, rather than waiting hours or days until the content is compiled.

Today’s consumers have no patience for waste. They will not remain loyal to products or brands that pass along the costs of their own inefficiency, and it will not take them long to find the same product or service from a competitor. Courting these consumers is more than a challenge, however. It is an opportunity to find insight, to make your business more agile and to answer questions that, in the past, were beyond reach.

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For more information

For more information on IBM big data initiatives, visit: www.ibm.com/bigdata. Learn more about the myriad ways consumer products manufacturers are effectively leveraging big data at www.ibm.com/consumerproducts/



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