skai

MIND THE (DATA) GAP

What CPGs need for retail-intelligent advertising and ecommerce success

Advertisers with the least data about their customers

are most at risk of wasted spend, and that's a situation many CPG marketers know all too well. — Nielsen

In this report, learn about:

- The new market shifts creating the challenges facing today's consumer packaged goods marketers

- Why data is the key to overcoming ecommerce obstacles

- The types of data CPG marketers lack and why they need it

- How to access and activate critical datasets

- Recommendations for building a marketing practice based on data

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Introduction

In May 2020—during the worst pandemic in recent memory—consumer packaged goods (CPG) company PepsiCo launched two new ecommerce websites, PantryShop.com and Snacks.com, as Direct-to-Consumer (DTC) initiatives. On these sites, web visitors can shop for the company's variety of snacks & beverages and have them shipped directly to their homes.

But the core of this project isn't only about selling snacks, it's about gathering information.

"What is different about this is we're getting data on what people are doing versus what they say they will do," said Gibu Thomas, PepsiCo's head of ecommerce. "People are voting with their wallet, so we know exactly what resonates."

The CPG space is going through a dramatic transformation and companies know that data is the critical ingredient to success. A McKinsey report on CPG affirms that "the most forward-looking CPG companies recognize that such data will help them better understand—and expand into—high-growth areas."

This is why a company like PepsiCo is willing to spend valuable resources to launch ecommerce sites.

For the data.

"Selling direct to consumers enables you to own the interface with the customer," said one industry expert at the time. **"This is vital because if you own the interface, you own the customer. If you own the customer, you own the data, and if you own the data, you own the future."**

What's changed: Without direct customer relationships, CPG marketers lack vital data

The expectation for every modern marketer is to be data-driven. Data is the source of truth for CMO-level decisions such as budget allocation and selecting partners or down to the granular choices made by channel practitioners on what bid to assign a keyword or ad or what time of the day to send an email campaign.

Yet CPG advertisers often lack vital data as a result of not having a direct relationship with shoppers, since historically retailer partners were in the middle. And it didn't matter, because CPG marketers weren't tasked with influencing customer-level purchase paths because that was all handled by their retailer distribution partners.

From Forrester Research reported recently:

[CPGs] "struggle to connect campaigns with specific sales because most transactions occur through a third-party distributor, like a grocer, independent retailer, or ecommerce site. Unlike retailers and financial services brands — which are flush with transaction, digital intelligence, and call center data — CPG have almost no direct access to customer-level purchase data. This makes measuring campaign-level marketing objectives, like building customer loyalty or promoting repeat purchases, much harder."

Simply put, CPG marketers don't have this data because they've never needed this data so they never built the means to gather or apply it. Instead, CPG marketing was focused on branding KPIs around driving brand awareness, equity, and engagement. Although brand marketing, too, relies on data intelligence, the sophistication of today's digital performance advertising data needs is considerably higher. Performance marketers have hundreds or thousands of data points, if not millions and billions of data points, to track and measure in order to successfully manage this type of advertising.

The world of shopping and selling online has changed. CPG marketers are getting pulled into new areas of

focus which require true data maturity and the lack of data is now a real issue. To manage the gap, you must understand what data you have, what data you need, how to fill your data gaps, and how to successfully apply and operationalize the data once you have it.

What's missing: New, critical areas where CPG marketers need data

Make no mistake: consumer packaged goods companies utilize plenty of data, and there are amazing cutting-edge data practices throughout the industry. Sales optimization is happening with sales data, product optimization is happening with product data, and marketing optimization is happening with marketing data.

CPGs spend massive amounts of money on marketing, but right now there are new market forces that are pushing CPGs to completely rethink the silos in which they evaluate information and realign the way they utilize data to be more holistic in their approach—with all groups (Sales, Product, R&D, Operations, Marketing) pooling data together into one powerful, unified dataset to meet the new market challenges facing their businesses. They will also have to supplement their current data assets with new data types they've never needed to fill the gaps to handle these new challenges.

And CPGs are rising to the challenge.

"Over the last three years, we set up some great data lakes, infrastructures, hired data scientists, created a vendor ecosystem now that has hundreds of petabytes of data," says Mar's Chief Digital Officer, Sandeep Dadlan *"Now, we are in a position move forward in the data and analytics journey meaningfully."*

Digital: from a solid opportunity to absolutely critical for growth

As more consumer buying behavior migrates offline to online, CPG marketing budgets have followed. The digital

Online shoppers plan to download coupons and comparison shop

Percentage of survey respondents who predict engaging in selected buying behavior in 2019*

| Behavior	Percentage
Download coupons	54%
Compare prices on websites	53%
Order online, pick up in store	23%
Order online for home delivery	22%
Use online subscription services for some grocery items	11%
Use online meal kit delivery services	5%

*Respondents could make more than one choice.
Source: Information Resources Inc. (IRI). IRI Consumer Connect survey, Q4 2018

transformation isn't new, but its dramatic acceleration has caught many companies off guard and unprepared.

The shift in consumer buying behavior to online

A recent study from Cleveland Research found that manufacturers expect ecommerce to reach 21% of their US retail sales in 2021. Ecommerce is worth $4.5 billion in sales to the world's biggest CPG advertiser—Procter & Gamble—which is 6% of its sales today, but expects that figure to jump to $10 billion in 2021 and account for around 30% of its sales.

■ Have bought last 12 months   ■ Expect to buy next 12 months

Shopping rates more than double in two years

2018: 23.1% → 25.8%
Rates of shopping exceed expectations

2019: 36.8% → 39.5%
Rates of shopping exceed expectations

2020: 52.0% → 62.5%
2020 sees bigger-than-average, 10.5-PPT jump

Base: US Internet users aged 18+
Source: Coresight research
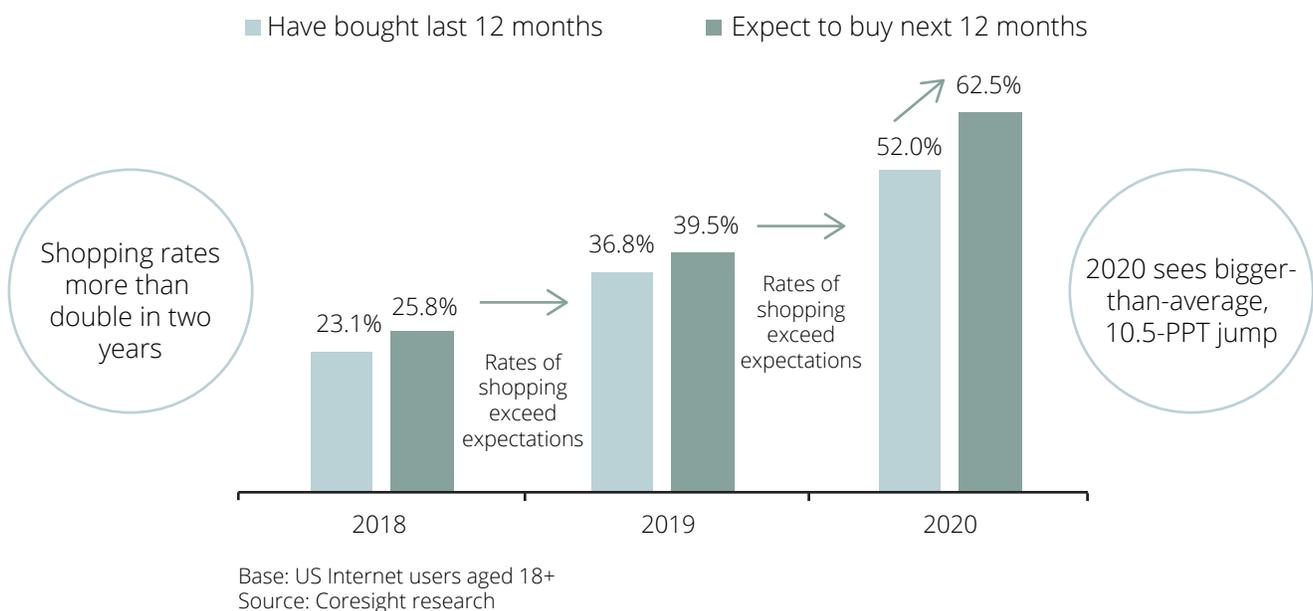
U.S. online grocery sales grew by 22% in 2019 and the shift to online grocery is happening quickly. Although grocery in general in North America is still 95% bought in stores, CPGs know that their future growth will be won or lost online. Online grocery sales are forecasted to represent 20% of total grocery retail by 2025 to reach $100 billion in consumer sales.

Although CPGs knew years ago that the shift to online grocery was inevitable, the pandemic has fast-forwarded the trend by years. Nearly four out of five (78.7%) consumers reported in a recent survey that they have shopped online for groceries since the COVID-19 outbreak, up 39% from before the pandemic. 56.7% also said that they shop for groceries online more often now than before the pandemic.

More evidence of this acceleration was that Target's digital sales increased by 275% in April, with some weeks topping seven times the typical volume. And Walmart's grocery app was the top download among all retail apps downloads in April up 460% vs. its daily average in January 2020.

CPGs now spend more on digital than all forms of traditional advertising combined.

by almost half to 12.6% while their digital investment has tripled to 21.9%. Some forward-thinking brands, like Clorox, spend about 60% of their media budget on digital.

According to Nielsen's CMO 2018 Report, 82% of CPG marketers surveyed said they would increase their digital media spend as a percentage of their total advertising budget in the next 12 months. Based on the survey data, this translates to an average of a 49% increase in digital media budgets across the board.

Digital advertising requires more data—and more types of data—to run successful campaigns than traditional advertising. Audience targeting, real-time personalization, cutting-edge measurement, and performance optimization are data-heavy disciplines.

Savvy, digitally-native competitors

CPGs are not just facing the change in consumer behavior, but also new competition that sees the online shift as an opportunity to unseat legacy CPG brands that are dominant offline.

The rising Direct-to-Consumer (DTC) channel

According to a May 2020 Mintel Report, 43% of consumers say they are shopping direct-to-consumer more than last year, but CPGs have been a bit late to the Direct-to-Consumer opportunity. Large CPGs are lagging behind and not capturing their share of growth. On average, large CPG companies have shares in physical

The CPG media mix moving from traditional to digital

CPGs now spend more on digital than all forms of traditional advertising combined. In 2012, manufacturers spent 25.4% of their marketing budgets on traditional advertising and 7.1% on digital advertising. But now, just a handful of years later, traditional advertising has dropped

stores that are 5%-10% higher than online market shares which translates into hundreds of millions of dollars in lost sales. Hershey's, for example, is the top chocolate company in the offline world, with 12.6% market share. But on Amazon in November 2018, the top chocolatier was ChocZero, which held less than 0.5% market share in brick-and-mortar retail stores.

While DTC represents an marked opportunity for the future, it is also a double-edged sword for legacy CPG companies trying to defend their market share. Native digital, DTC startups are media savvy and—more importantly—because they transact directly with the customer, they have much of the valuable data they need to make effective decisions. "Performance marketing is something that all of the digital direct-to-consumer brands can do because they have top-of-funnel and bottom-of-funnel data," said P&G's Tom Pickford.

Larger brands are anxious to make these programs work. In a PA Consulting survey of 150 CPGs, 84% are seeing increased DTC sales in the last 18–36 months, and 88% have their direct sales to increase further. Aggressive goals require a strong data practice to reach and influence consumers to purchase.

Retail private label brands as a true threat

While "generic" and private label brands have been around for a long time, today, one out of every four products sold in the United States is now a private label or store brand according to the Private Label Manufacturers Association and brick & mortar store brands account for 17% of CPG sales. A good example of this is Costco's Kirkland Signature private label valued at $75 billion.

"For the retailer, it's a very opportunistic move—good from a financial standpoint to be able to drive volume through an owned brand," says one industry expert. "Certain commoditized categories across segments with high price sensitivity, that's where the vulnerability is going to exist." Online, the private label gulf may even be larger. Amazon, for example, has launched over 23,000 products under more than 400 different brands. It is estimated that

Amazon's products business generated $7.5 billion in 2018 and could hit $25 billion by 2022 (this includes their Echo line of devices as well as their Whole Foods' private brands.)
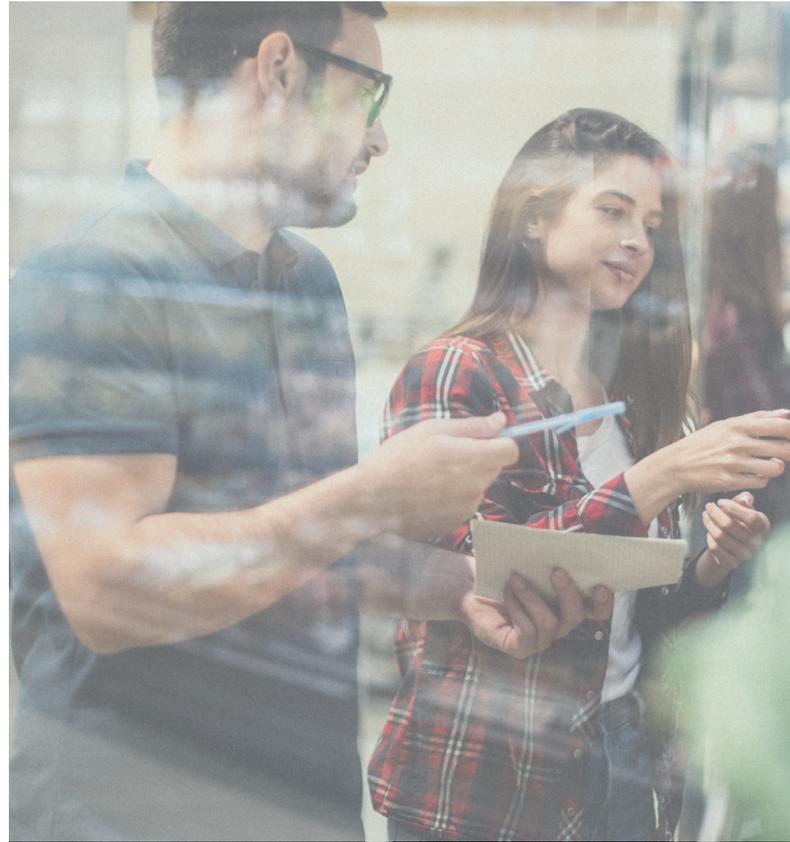
What's Changed
- CPGs are **betting on digital** to be the source of future growth
- Marketing investments have realigned to be **digital advertising heavy** over the last several years to deliver that growth
- While the consumer shift to buying online was inevitable, the acceleration of the last few years combined with the impact of the global pandemic has **fast-forwarded the trend** sooner than CPGs have been able to react
- **New competitors** such as direct-to-consumer and retailer private label brands have a leg up in the digital space

All of these challenges become addressable with the right data mix to guide decision making.

What's needed: Data required for retail intelligent advertising

While there are a wide array of signals that could be useful, the key datasets that are currently being prioritized and sought by CPG marketers generally fall into three categories:

- Retail Analytics
- Marketing Data
- Customer Insights

Retail Analytics

See page 10 for a table of retail analytics data types

This type of data tracks and monitors online retailers for your brand as well as your competitors and is important because CPG marketers must be able to react to the rapidly changing market. With the right retail analytics in place, practitioners can predict trends before they happen and act upon those insights to make successful and profitable decisions.

There's also just monitoring the "digital shelf." Oshiya Savur, Head of US Marketing and Education, Luxury Division at Revlon says that Revlon "spends a lot of time on channel conflict management, whether that's managing inventory that has appeared from gray-market sellers, or managing the impact of price-matching between retailers during events like Prime Day."

Marketing Data

See page 11 for a table of marketing data types

This type of data delves into performance insights derived from advertising practices. Part of the shifting media mix to digital channels is due to the need for CPG marketers to engage in performance advertising and not just the brand marketing with which they have historically been tasked. When armed with advertising analytics, CPG marketers can make informed decisions about how to allocate ad budgets, set efficient media bids, and optimize messaging to improve and maximize their Return on Investment (ROI).

"Effective use of digital requires the right trigger with the consumer to grab their attention and deliver the desired *message*. This requires an almost instant connection with the customer. As consumers become increasingly accustomed to personalized digital marketing, a stagnant banner ad or disruptive ad without context no longer suffices – digital marketing needs to be hitting the right person, at the right time, in response to an active need." - The Evolving CPG Marketing Mix

Customer Insights

See page 12 for a table of customer insight data types

This type of data helps CPG marketers understand the customer journey and better market to them across the funnel. In the recent Gaps in Customer Experience Harris Poll, "53% of consumers surveyed said that they expect a brand to know their buying habits and preferences and should be able to anticipate their needs. Further, 37% said they would stop doing business with a company that doesn't offer a personalized experience...The fluid, omnichannel buying journey is here, and unless a brand shows a customer that it cares about them along every mile of a dynamic journey, the customer may have switched brands by the time that all-important last mile comes into play."

The new expectations that consumers have for brands require not just a fundamental understanding of how and why consumers purchase, but a granular level of data down to the customer journey level in order to achieve. According to Nielsen, "Two critical issues that advertisers need to determine in executing their online advertising are which audiences to target and which sources of data to use to reach those audiences. There is a wide range of data sources available to define and identify audiences, which all come with different costs and are based on varying audience criteria."

Retail Analytics

Data Type	Examples	Marketing Use Cases
Price Comparison	• Prices across websites, including historical data • Product variations that can affect price (i.e. new/used, sizes, quality, promotions, etc.) • Supply/demand curves	A key to maximizing marketing return with ecommerce is balancing the cost of advertising with product margins and price is a major factor into profit—what a marketer is willing to pay for advertising a particular product is dependent on the margin of that product.
Sales & Traffic	• Monitor sales in near-real time • Average order value • Estimate traffic to product pages & brand stores • Performance of promotions • Cross-item impacts and cannibalization of offers • Cart abandonment	Forecast and plan for seasonality and promotions to be ahead of these periods with the right offers and marketing programs. Beat competitors to the punch by picking up on sales trends before they do and encourage early shoppers via ads.
Catalog	• Performance at the product level • Performance at the assortment level • Understand trends across product/assortment features (i.e. 75% of t-shirts sold were v-neck)	Build a granular understanding of how each product performs based on advertising influence to allocate budget accordingly.
Competitive Intelligence	• Share-of-voice to understand keyword ranking by company • Competitor prices, sales, & traffic • Competitor promotions • Monitor competition's catalog movement: included, added, removed, out-of-stock products	Find and exploit advertising gaps where you are beating your rivals to double down while discovering where they are beating you to fill those gaps with marketing.
Fulfillment	• In-stock & out-of-stock oversight • Estimated shipping times • Delivery times • Cancels and returns	Ensure advertising is not pointing to out-of-stock items (or longer than expected shipping times) which will waste the budget.
Policy Monitoring	• Identify unauthorized sellers • Call out specific retailers that are violating Min Advertised Price agreements, other rules • Call out issues in retailer creative	Maximize ROI on advertising by removing unlawful competition.

Marketing Data

Data Type	Examples	Marketing Use Cases
Media Engagement	• Clicks, Views • Likes, Shares • Email opens • Click-through Rate	Enables marketers to optimize their programs to best elements that drive consumers down the funnel from awareness, to consideration, and finally to purchase
Advertising Cost	• Cost-per-click (CPC) • Cost-per-engagement • Budget capping • CPM	With many digital ad channels now programmatic/auction-models, bidding correctly to value is one of the most important aspects to success
Media Performance	• Revenue • ROI, ROAS, CPA • Cost of Goods Sold (CoGS)	Signals used by auto-optimization tools to manage and optimize large advertising programs at scale based on return
Media Mix Analysis	• Online/offline impact • Cross-channel measurement • Multi-touch attribution • Media mix modeling	Allocate budgets across advertising tactics and channels based on the interplay of those programs (how they assist each other) to maximize the investment
Brand Studies	• Brand sentiment • Brand lift • Ad recall • Purchase intent • Net Promoter Score • Brand affinity	These media studies help companies understand the health of their brand which adds an important market perception dimension to media planning and advertising investment
Web Analytics	• New vs. returning visitors • Pageviews • Referral traffic analysis • Content engagement • External links clicked	Gain a better understanding of post-click behavior being driven by advertising channels. Helps to better evaluate the media-mix to not just generate the most efficient traffic, but the most effective traffic
Audience Targeting	• 1st party identifiers • CRM data • 3rd party segmentation • Retargeting • Lookalike	Apply audience targeting segmentation to media platforms in order to better understand their respective values for bid optimization as well as what creative messaging works best with each group
Keyword Data	• Taken from paid search and commerce advertising programs • Keyword query reports • Search volume trends • Benefits/features sought	Understand which keywords your customers are using are trending up or down. Leverage that insight to build out organic search programs as well the right terms to use in ads. This data can also be mined for Product to better understand how to deliver products that people are looking for
Creative Intelligence	• Clicks • Click-through rate • Views • Likes, Comments	Blend insights on which ads and messages are working best to build new variations of messages to any marketing channel

Customer Insights

Data Type	Examples	Marketing Use Cases
Demographics	• Age/gender • Household income • Children in the home • Ethnicity • Education level	Demos have been used by marketers for decades as the primary targeting criteria for advertising. While other, stronger signals now exist, they still can be a valuable layer as part of a wider persona program at scale
Lifestage	• Married, single, engaged • No children, pregnant, children • In school, newly graduated • Retired • Just moved • Buyer journey stage	Certain CPG product categories are heavily reliant on lifestage data that impacts every marketing decision. For example, the percentage of new mothers a publisher garners will dictate if a diaper company chooses to invest and at what level
Purchase Behavior	• Items purchased • Products browsed • Put into a shopping cart • Abandoned cart • Barriers along the path to purchase	Historic purchase behavior is one of the strongest signals of what a consumer will purchase in the future. Customers exhibiting purchase behavior in line with an advertiser can be targeted with ads
Behaviors & Insights	• Categories of interest • Content engaged/watched/read • Hobbies • Political leaning • Categories of apps used	Behavioral targeting can help marketers reach consumers before they purchase. Especially useful for brands that sell products that are seldom purchased (cars, boats, washing machines, etc.) where there isn't much historical purchase data.
Lifetime Value	• Repeat orders • Loyalty card data • Customer referrals • First-time customer	Especially valuable for companies whose products are purchased often (toilet paper, food, soap, etc.) It may be worth it to "overpay" for a consumer's first few orders to build brand loyalty and drive lifetime value
Media Preferences	• Sites visited • Media time spent with devices • Apps installed (and usage) • Videos watched • Podcasts/music listened to • Streaming services used • Where they get their news	Knowing the media engagement/usage patterns of an audience can guide media planning and budget allocation to ensure the target audience will be reached. Also, the kinds of spokespersons and ad creative which could be used.
Social Sentiment	• Comments • Keywords in comments • Positive/negative reaction • Engagement rate	Social feedback helps marketers understand—at scale—how consumers are feeling towards their brand or ads. Social can be a good testing ground for new products & messages to gauge reaction before going broad with the item or creative strategy

How to get it: The CPG paths to holistic data

Going from data-poor to data-flush is not an insignificant task, but CPG marketers are focused on just how important it is to their success. "It will be essential to listen on a daily basis to what the markets, the clients, the customers, the consumers are telling us," said Coca-Cola's Strategic Connection and Media Director. "And we adjust our spending to what really matters in a specific moment."

The following are just a few of the ways that CPG marketers can get to the data they need.

From direct-to-consumer programs

PepsiCo's recent DTC moves will help it gather consumer research to inform future efforts. And they aren't the only ones thinking that way. Jackson Jeyanayagam, the VP and General Manager of DTC for Clorox, has been looking to invest in DTC as a way to build better customer data. "We're going to learn and optimize which SKUs are going to do well."

In the RetailTouchpoints.com article, The Case For Subscription Service In CPG, Publicis Sapient's Kristen Groh advises a similar course of action for other data-strapped CPG companies:

"Take for example the laundry category, where a CPG company may have a suite of fabric care products that meet the various needs of wash day. With their knowledge of the usage occasions, frequency of replenishment and ingredient preferences, this company could start with a DTC subscription-based business focused on laundry. This will allow the company to test and learn — closely monitoring consumer behavior and preferences, and quickly optimizing features, functionality and pricing to find a model that delivers enough consumer value to capture the adoption and maintain ongoing usage and loyalty. Once the service gains traction with consumers and is showing value to the business, the company can expand into adjacent categories."
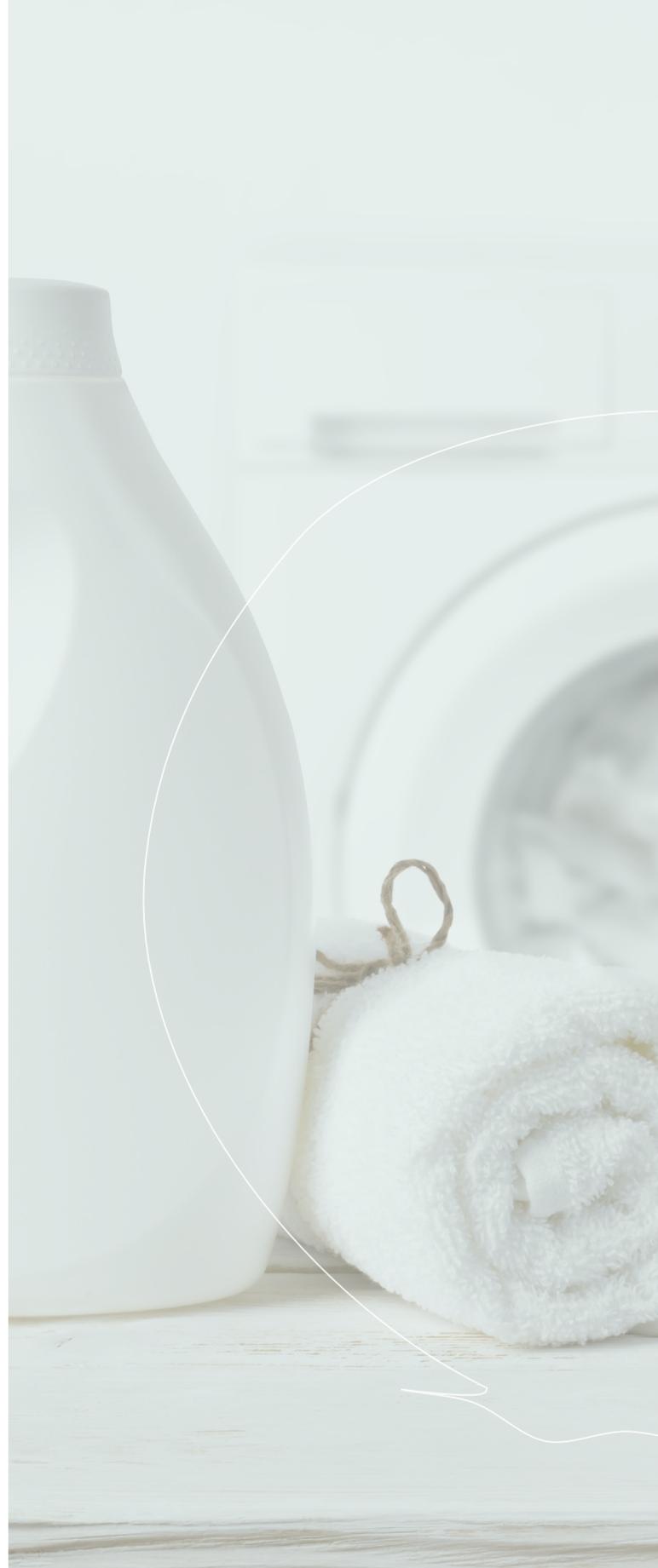
Work with data vendors

The advertising industry has never had a shortage of data companies willing to sell to marketers. It can get pricey—and sometimes the cost exceeds the value—but for marketers who lack the data themselves, it can be an immediate way to solve some of their data needs.

Some of the types of vendors CPG marketers might consider include:

Panel data, by companies such as Nielsen, IRI or Kantar Worldpanel, can help CPG marketers better understand shopper demographics or behaviors.

Point of sale (POS) and loyalty card data such as what NCSolutions (formerly Nielsen Catalina) provides to gather consumer purchase data. This is generally in-store versus online, yet the insights into "who is buying what" can inform online decisions.

Retail analytics, such as what can be obtained from companies such as Profitero or DataWeave offer digital shelf insights such as described in the previous chapter of this report.

Audience targeting, from companies such as Experian, Epsilon, and Oracle, can provide IDs which can be ingested and used by media platforms to target customers based on a wide range of criteria including purchase behavior.

Via digital advertising data

CPGs will spend $12.8 billion in online ads in the US in 2020—representing 8.5% of total digital advertising spending in the U.S. this year. Beyond the value of the impressions, clicks, engagement, and sales that this investment will generate, the resulting data from these ads is significant. CPG marketers can use this dataset to learn a lot about consumer behavior if mined correctly.

- **Search advertising** is not just a proven tactic to reach interested consumers at the moment of intent, but also provides a glimpse at scale into what is on their minds at any given moment based on the keyword choices they use.

- **Social advertising** offers granular targeting of consumers based on a wide range of criteria including demographic, geographic, behaviors and interests, and other signals. It represents a valuable opportunity to test marketing messages by audience segments which can inform creative strategies for other channels.

• **Commerce advertising**—offered by retailers such as Amazon.com and Walmart.com—enable CPGs to reach consumers while they shop in those online stores. 95% of spending on this channel is on search-triggered ads which can help CPG marketers to gauge the volume trends of product searches, consumer interest (via click-through and conversion rates) of specific features and assortments of their products, and identify (via bid price fluctuations) when competitors are increasing their advertising investments.

For savvy CPG marketers, digital advertising can be planned and executed in a manner that best benefits
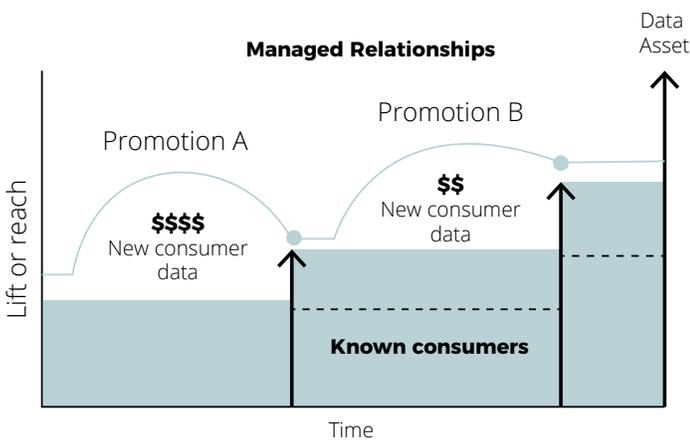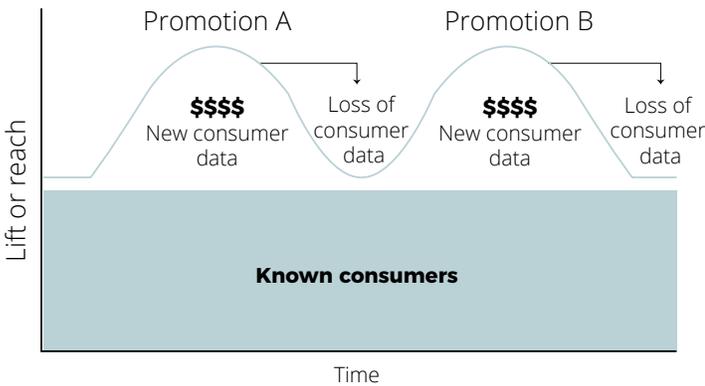
the data strategy. "We advocate that the more significant value is to view the consumer relationship as the overarching objective. Rather than a series of campaigns or programs driven by different silos in an organization, enterprise-wide marketing should help create a more valuable relationship with each consumer/customer over time." — How to Make CPG Marketing Better with a Data-Driven Approach

Partner with online retailers

Offline, retailers have traditionally owned the relationship with end-customers, and online retailers have a similar leg up in the digital world. Every visit to an ecommerce store—whether it generated a sale or not—has tremendous potential to inform CPG marketers about how to better market their products. Each search and subsequent searches can shed light on consumer preferences and provide illuminating intel about what is/isn't trending and the elusive connection between SKUs.

Some online retailers already offer some of this data to its partners (for example, Amazon's Brand/Retail Analytics data, Walmart's Retail Link portal), but the general consensus from marketers is that it is just the tip of the iceberg with regards to solving their data scarcity issues.

Outside of just trend data, tangible, anonymous tracking IDs can be used to retarget customers based on observed behavior such as what they've added to their shopping carts but never finished the purchase. CPGs like Procter & Gamble want retailers to share their valuable customer data so that it can serve more targeted ads. "We're starting to ask retailers — with our ad tech partner — to share shopper ID data," said P&G's Tom Pickford.

How to Make CPG Marketing Better with a Data-Driven Approach" (Response Media)

From the Digiday article, To help ward off Amazon, CPG advertisers are seeking data relationships with retailers:

> *"As the CPG advertisers renegotiate their agreements with retailers, everyone is trying to regain footing in what is a very volatile market," said Peter Sedlarcik, chief data officer at Havas Media Group. "Increasingly, the sharing of data is on the table as a discussion point on how each side can get value out of the relationship." Whereas cost and margin dominated those negotiations in the past, shopper data is having a larger influence on the outcome now. Demand for so-called "second-party data" in grocery is on the rise. This involves a retailer sharing its first-party data with advertisers to bolster their existing data sets."*

When it comes to consumer browsing behavior, there are certainly some hurdles to overcome based on privacy concerns and regulations, but there are ways to ensure anonymity when retargeting a consumer within an online retailer.

How to use it:
Recommendations for a best-in-class data practice

Solving data challenges are more than just getting the data. Using it in the most effective way possible is what will separate successful CPG marketers from the pack. Building a best-in-class data practice provides a foundation that will facilitate this initiative.

Based on how we've seen successful companies approach this challenge, at Skai, we believe that there are three key considerations that CPG marketers should prioritize in order to best align with the new challenges facing them.

Unify your data across an agile organization

Although the assertion in this report is that CPGs marketers "don't have the data", the reality is that there is a lot of data at CPG companies. The challenge is in bringing it all together so that Marketing—and every other department (i.e. Sales, Operations, R&D—can benefit from the combined intelligence investments or the organization.

R&D knows a lot about customers in order to develop the right product lines, features, and assortment varieties. Sales and Operations know a lot about what's happening at online retailers and their DTC programs. And, of course, Marketing has a treasure trove of

advertising data which can offer a lot of insight into consumer preferences. But it's just not all together. Connecting the dots between all of these data sources through cross-functional collaboration can allow CPG marketers to gain material competitive advantage, plan for the future, and transform into agile, value-generating enterprises for the long haul.

The Coresight Research report, 10 Trends Reshaping US CPG, explains that "An organization that is agile and lean enough has a clear structure, lean governance, and efficient core processes. McKinsey's latest research on agility shows that agile business units are 1.5 times more likely to outdo competitors on both financial and non-financial performance metrics, with frontline sales staff demonstrating 30% higher productivity.

- "In July [2019], **P&G moved to a new organization structure** by moving 60% of its corporate roles into six industry sector-based business units. The aim was to de-matrix the company and provide greater clarity on responsibilities and reporting lines in order to focus and strengthen leadership accountability. The new structure is intended to enable P&G to become a more focused, agile, and accountable organization, operating at a lower cost.
- **Colgate-Palmolive is upgrading its software systems**—which were deployed in 1994 by SAP, an enterprise resource planning software provider—to one called SAP S/4HANA. This will allow the company to consolidate its different regional SAP systems into a global one, driving simplification, efficiency and standardization. Colgate-Palmolive is also becoming more agile, operating consumer innovation centers around the world to bring new products to market more quickly.
- **Kimberly-Clark is implementing its Global Restructuring Program** to make it a simpler, leaner, and faster organization. The aim of the program is to help the company standardize manufacturing platforms to speed up the rollout of innovation.
- **Clorox is continuing to drive its "Go Lean" strategy**, which emphasizes the long-term profitability of the company's international business by driving speed and efficiency in decision-making."
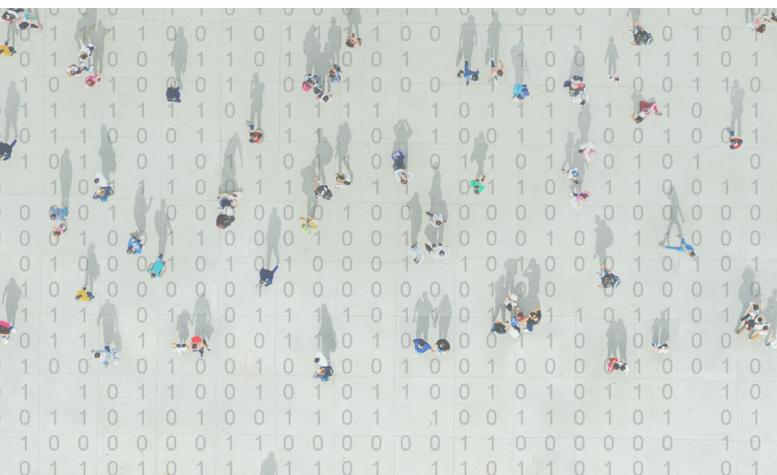
CPG marketers that don't have these capabilities in-house can tap into Skai's Strategic Consulting and our wealth of industry expertise.

Focus on the customer to guide the way to your data needs

Performance marketing, towards which CPG companies are increasing their investment, requires data to understand and engage consumers at every stage of the funnel. Some of that view can come directly from marketing results themselves, and marketers may spend a lot of time looking through campaign reports to extrapolate customer motivation and identify consumer trends, i.e. If the click-through rate on ad A is better than ad B, then consumers agree with the message in ad A and we should make more ads like that.

But, to meet the needs of today's consumers, who move fluidly between touchpoints in individual patterns and whose direct interactions with advertising may only be a piece of the puzzle, CPG marketers will have to look outside their own datasets —bringing in data from other departments and through external partners who specialize in broader market intelligence. Ultimately, a deep focus on the customer is what will guide CPG marketers to know what data they have and what data they need.

Check out Skai's suite of advertising platforms that offer deep campaign insights which can be used to fuel data-driven marketing

Rethink measurement to help you understand the value of insights

A best-in-class data practice not just streamlines the way data is gathered and stored, but how it is mined to find powerful insights. And it doesn't stop there. The value of each insight varies and understanding the value of each insight is an important consideration. Insights also have a shelf life—what may be a solid, actionable insight today could be expired and not as beneficial a week, a month, or a year from now.

Insights need to be scrutinized for their viability, and that requires a measurement approach to periodically evaluate and connect them to business value. The best way to do that is to employ a culture of "test and learn". Marketers must create a mechanism to rapidly transform insights into actionable moves in the market and see what works and doesn't work. If an insight works as expected and is beneficial to the marketing objective, then it's good, worthy of continuous monitoring, and more insights of that type should be sought. If it doesn't seem to move the needle—or even worse, negatively impact performance—then it should be tossed out.

In order to facilitate the important objective of insight "scoring", CPG marketers need to rethink and adjust their practices in a few ways:

- **An organizational mind-shift to insight monitoring rather than just performance tracking.** For many marketers, evaluating insights will be a new concept. For them, "measurement" is a rear-view mirror exercise to analyze and report on marketing initiatives that have already run. A focus on measurement to drive and score insights is a bit of a different playbook than many marketers are used to running. But, offering predictive analytics about "if we do X, we could generate more ROI" needs to be part of the role that marketers play.

- **Prioritize "Test & Learn" as a core focus.** A test & learn marketing organization can validate and calibrate which datasets drive the best and most accurate decision-making. For example, several rounds of experiments using different combinations of data each time would reveal the best data to drive a decision. Over time, it would become clear which data should be used in each situation.

- **Recognize that signals outside of the conventional marketing scope will be needed.** For many tasks, marketers can use their advertising performance data to optimize their media plans. But, for taking on the bigger task of identifying and grading insights, data from Sales, Operations, Product—and external signals—will need to be used to understand if an insight is valuable or not. Just getting a consumer to click and buy doesn't speak to important metrics like lifetime value. You may need to look at Customer data to figure out what's generating the highest lifetime value in terms of repeat sales, referrals by your biggest fans, etc. The marketer's dataset needs to grow. There are too many gaps right now to understand the down-stream impact of your programs.

Check out Skai's Impact Navigator enables marketers to run rapid Test and Learn experiments within their advertising with minimal disruption—and doesn't rely on cookies or online IDs whose tracking effectiveness has been limited to protect consumer privacy.

Future Goals for Retail/Consumer Goods Companies Worldwide, Aug 2018 % of respondents	
Better insight into customer needs and expectations	89%
Faster, more effective decision-making	79%
Improvement of process and cost efficiency	68%
Better financial analysis and performance	64%
Better risk analysis and management	53%
Improved customer acquisition and/or retention	53%
Streamlined business operations	53%
Increased speed to market	48%
The ability to monitor and analyze market conditions	48%
Analysis of current product and service usage	42%
Increased innovation	42%
Analysis of workplace and workforce productivity	41%
Identification of new product or service opportunities	41%
Improved collaboration within the enterprise	41%
Increased agility	41%
Improved collaboration with partners and suppliers	35%
Introduction of new business models	20%

Source: Harvard Business Review (HBR), "An inflection Point for the Data Driven Enterprise: sponsored by MicroStrategy, Snowflake and Wipro, Nov 29, 2018

Conclusion: If you own the data, you own the future

From managing massive marketing budgets, dramatic shifts in consumer behavior, and combatting new market competitors, CPG marketers are entering a new era and require the right data to inform data-driven decision making.

To illustrate this point, a Harvard Business Review surveyed retail and CPG companies to better understand their future goals. Better insight into customer needs and expectations, Faster, more effective decision-making, Improvement of process and cost efficiency—at the core of meeting these objectives is data.

To reach these goals and address new market challenges, CPG marketers must:

- Know what data they already have and how to best apply it
- Understand what data they don't have and prioritize solving the most important gaps
- Leverage existing relationships and new avenues to get to the data they need
- Build a best-in-class data organization to maximize the benefits data has for the organization

About Skai

Skai is the leading marketing activation and intelligence platform for brands looking to drive growth by engaging customers across digital touchpoints. Skai offers the only marketing solution that combines augmented analytics for actionable consumer and market insights with campaign orchestration and marketing measurement for success on Google, Facebook, Microsoft, Amazon, Walmart, Apple Search Ads, Pinterest, Snapchat, Instagram, Verizon Media, Instacart, Target, Yandex, Yahoo Japan, and Baidu. Skai's machine learning algorithms leverage market signals and internal data, enabling brands and agencies to predict trends and keep pace with customers. Skai has seven international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital Ventures. Please visit skai.io for more information.