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Research Report:
CPG Firms Slowly
Evolving to Analytics-
driven Organizations

Consumer packaged goods (CPG) companies realize that deep Analytics capabilities can be a key differentiator in today's competitive marketplace and are making Analytics-related investments in tools, data and systems, as well as hiring new Analytics talent to realize that promise. Yet, as discussed in our white paper *Building an Analytics-driven Organization*, many companies continue to struggle to maximize value from these investments.

At the outset of our research we hypothesized that companies could realize more value from their investments by taking an issue-to-outcome approach that ties Analytics directly to business decisions critical to CPG business performance. More specifically, we advocated that companies should:

1. Infuse Analytics into the decision-making process,
2. Take a cross-enterprise approach to organizing and governing Analytics capabilities, and
3. Evolve their Analytics talent management approach to more efficiently source, deploy and retain needed talent.

To test these hypotheses, we launched a survey with executives at 90 CPG companies that together present a credible mix of industry players (see sidebar, Survey Methodology). This report details the findings of that survey and includes the preliminary conclusions and recommendations we drew from survey data.

Key Findings

Discernible progress is evident. CPG companies continue to invest in and deepen their Analytics capabilities.

- The uptake and evolution of Analytics in the CPG industry is accelerating, which means that companies taking a 'wait and watch' approach—or spending too much time on data collection versus insight extraction—could be at a considerable disadvantage soon.
- Companies are experimenting with where Analytics should reside and identifying the right Analytics capabilities to acquire. There continues to be a reluctance to change the organization to support Analytics and agree on who should lead the Analytics capability.

- Many companies are relying on partnering strategies to access needed skills on demand and assess Analytics needs before committing to long-term investments in capability building.

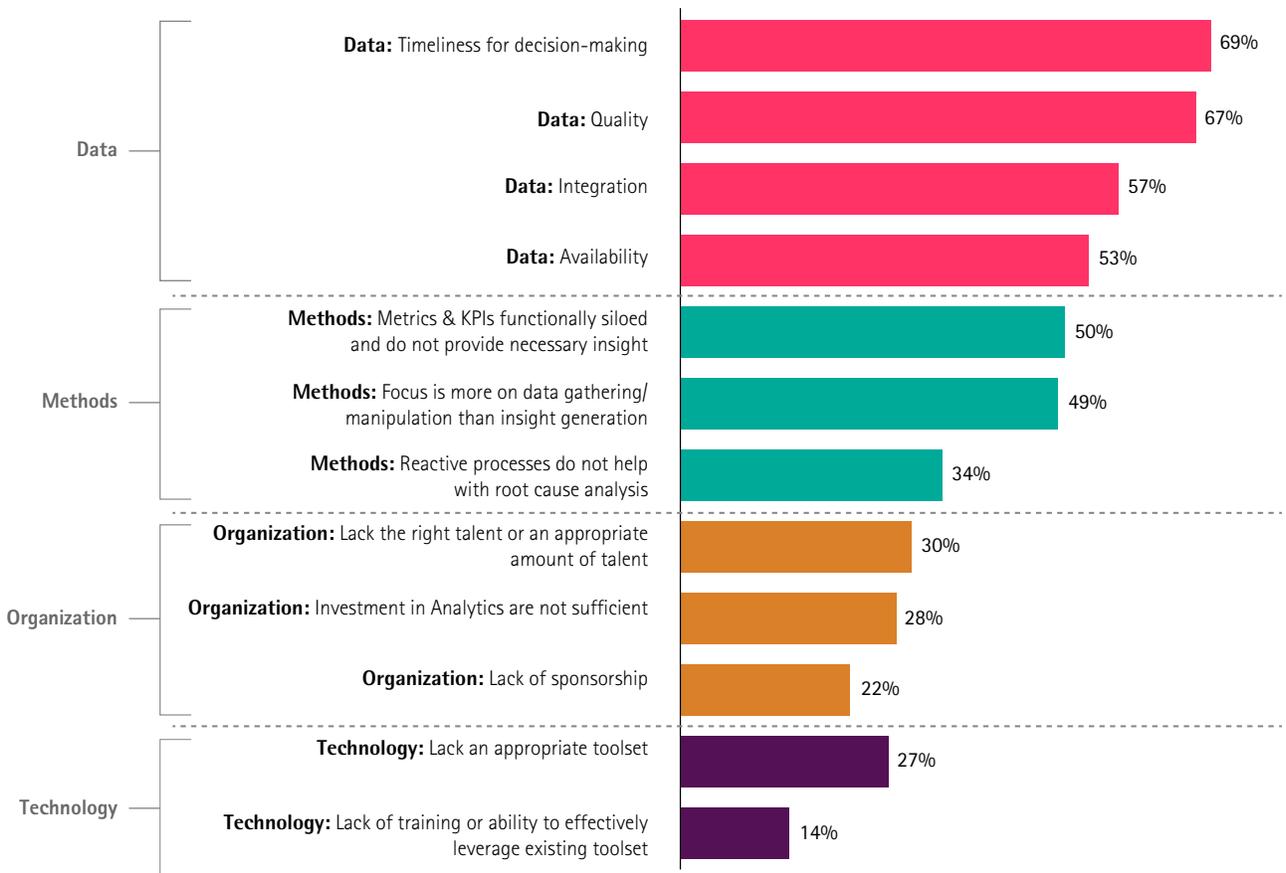
Barriers to operationalizing Analytics remain. Despite this progress, we found that a host of barriers (see Figure 1) prevent CPG companies from realizing value from Analytics, including:

1. Lack of a clear process to prioritize and target Analytics linked to issues based upon expected value and ROI.
2. Challenges in hiring talent with advanced Analytics expertise.
3. Difficulty in prioritizing business issues where Analytics could be used to drive strong business outcomes.

4. Limited consensus on appropriate technology enablement, governance and operating models.
5. Reluctance to decommission existing processes and tools that inhibit progression to next-generation predictive insights.

These finding and barriers confirm that the journey to Analytics ROI requires forethought, discipline, commitment and leadership. To succeed, companies need to clarify which business issues, processes or activities they will target to address and improve using Analytics, as well as the expected benefit. With those objectives clear, they are in a strong position to design appropriate operating processes and tools and acquire or develop the right solutions and resources.

Figure 1: Key Analytics Challenges for CPG Companies



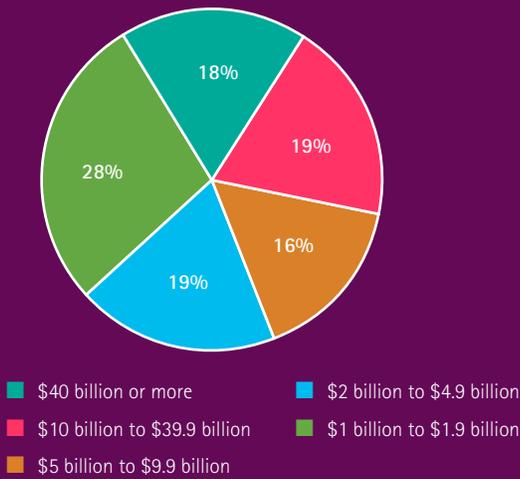
Survey Methodology and Respondent Profile

Accenture surveyed executives at more than 90 large, global CPG companies and explored three important dimensions of their journey toward building an Analytics-driven organization. Accenture's goal in conducting the survey was to understand how CPG companies around the world are structuring Analytics-driven organizations and "infusing" Analytics into the decision-making processes.

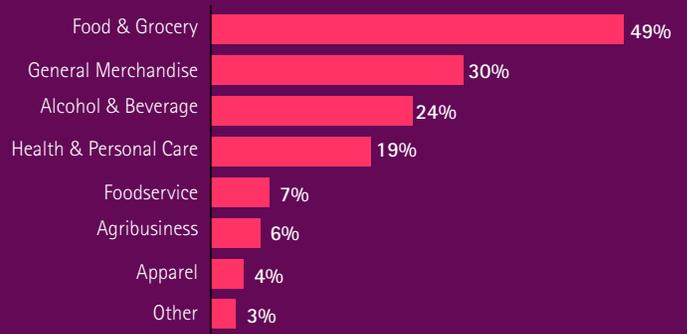
All respondents were senior leaders (director and above) experienced in the field of Analytics, and 62 percent had sole responsibility for commercial Analytics activities in their respective companies. The participants' companies operate globally (most in more than 10 countries) and are headquartered in: North America (40 percent), Europe and Latin America (30 percent) and Asia Pacific (30 percent). Most respondents are in one of two sectors: General Merchandise (30 percent) or Food and Grocery (49 percent).

Survey Respondents' Company Profile

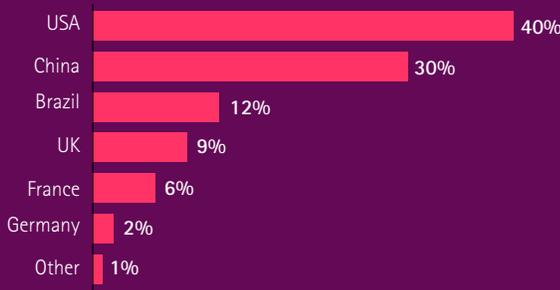
Global Revenue in the Past Fiscal Year



Industry Sector



Company Headquarters



Channels Company Competes in



Part 1: The uptake and evolution of Analytics in the CPG industry is accelerating

Most companies are early on in their Analytics journey. We found that most companies characterize their organizations as having pockets of Analytics ability or aspiring to greater, enterprise-wide ability (see Figure 2). The results also show that CPG companies are more adept and focused on descriptive rather than predictive capabilities. Consistent with this finding is that firms appear far more focused on data management activities than on things such as data visualization or predictive modeling (32 percent versus 8 percent and 9 percent, respectively).

As Analytics evolves in the CPG industry, a number of companies have specialized teams deployed to provide Analytics services across key functions. While these specialized and often separate teams may be able to cater to current Analytics needs, this model will most likely not allow these organizations to build a sustainable, enterprise-wide Analytics capability.

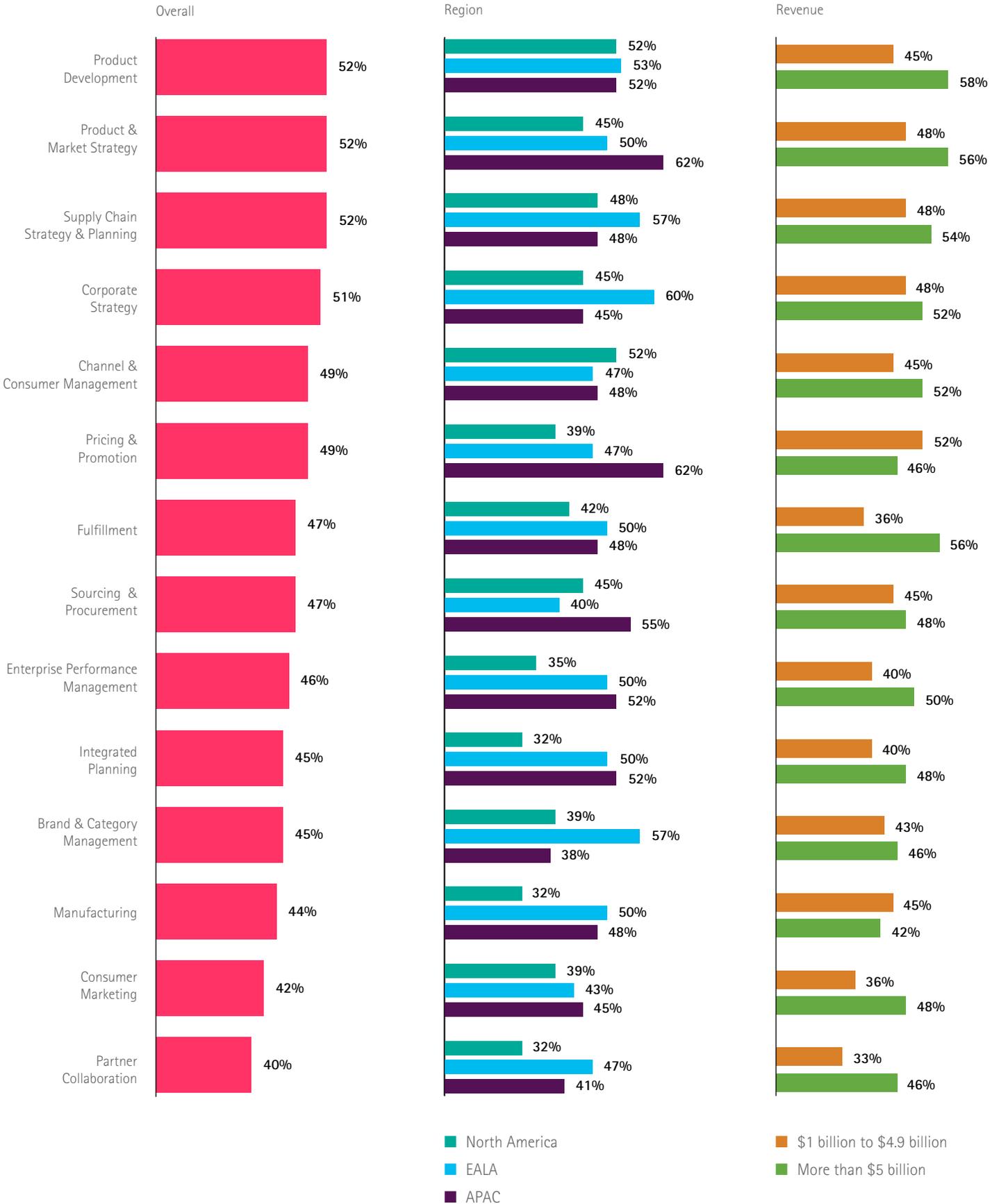
While there is a clear sense that Analytics and insight-generation skills are critical to future success, most roles today are still performing lower-value tasks. In fact, about 30 percent of the surveyed companies treat Analytics technology as a higher priority than hiring Analytics talent or extracting value-added insights.

Figure 2: Analytics Maturity Curve



<ul style="list-style-type: none"> • Inconsistent 	Data and Technology	<ul style="list-style-type: none"> • Data is strategic asset • Fully integrated processes
<ul style="list-style-type: none"> • Analytics is not strategic 	Organizational Utility	<ul style="list-style-type: none"> • Analytics drives enterprise priorities • Effective process and organization alignment to act decisively on insights
<ul style="list-style-type: none"> • Intuition-based decisions 	End-to-End Process Integration	<ul style="list-style-type: none"> • Strong leaders behaving analytically; passion for analytical competition
<ul style="list-style-type: none"> • No targeting of opportunities 	Leadership & Culture	<ul style="list-style-type: none"> • Analytics integral to the company's distinctive capability and strategy
<ul style="list-style-type: none"> • Attached to specific function 	Targets	<ul style="list-style-type: none"> • World-class professionals and cultivation of skills across the enterprise
	Analytics Talent	

Figure 3: Core Processes Most Likely to Have Integrated Advanced Analytics



Sample Base: Total Sample

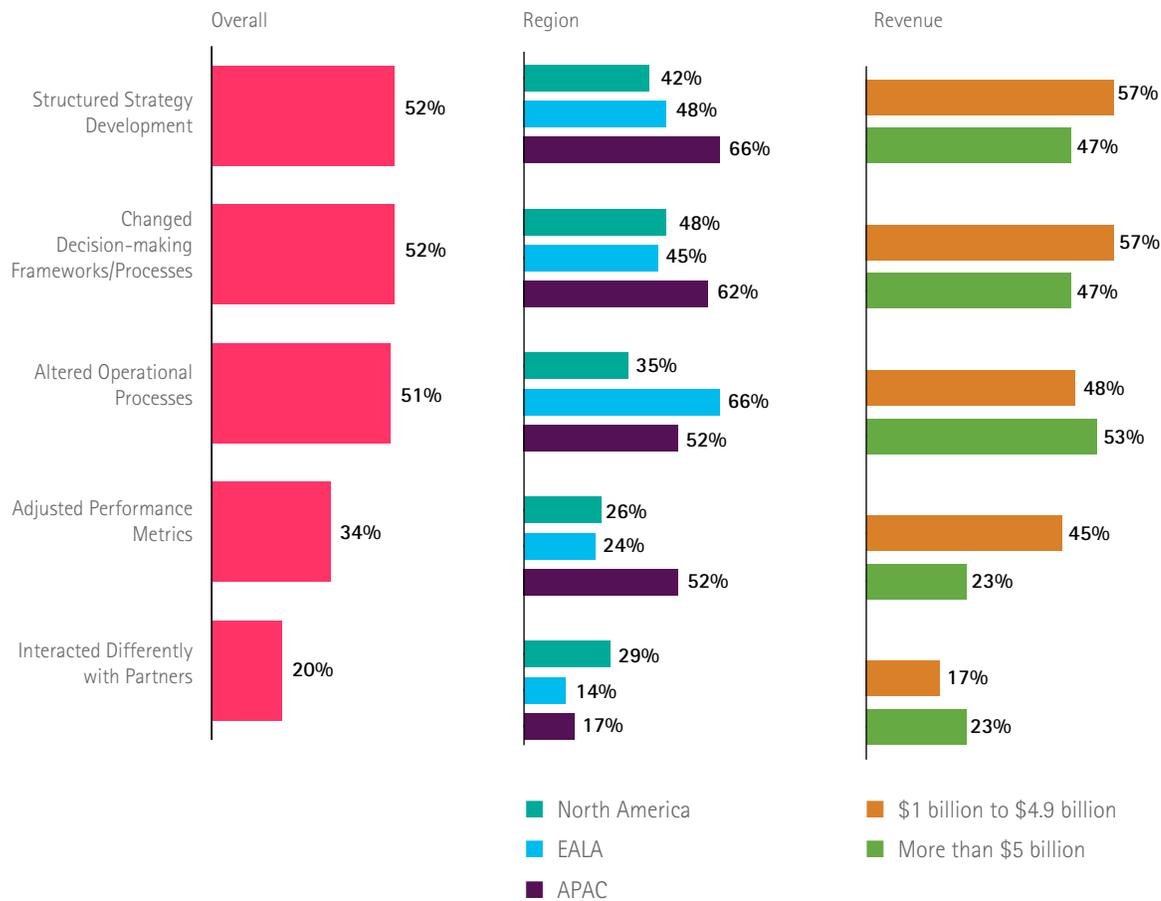
Some of the largest CPG companies (revenue more than \$5 billion) have Analytics well integrated into core processes (Figure 3), however, reflecting where they believe the most value can be generated. According to respondents, product development, product and market strategy, supply chain strategy and planning, and corporate strategy are functions where core processes use advanced Analytics extensively in decision-making.

Accenture's research shows that 50 percent of the surveyed companies have taken bold steps, as shown in Figure 4. Analytics insights have spurred companies to restructure strategy development, change decision-making frameworks and operational processes, adjust performance metrics and redefine partnerships to maximize the impact of Analytics insights on business outcomes.

Consistently infusing Analytics into everyday decision-making across the enterprise is critical to becoming an Analytics-driven organization and extracting maximum returns on investments. Our earlier research¹ shows high-performing CPG companies use Analytics to inform 85 percent of their decisions, revealing that leadership sees advanced Analytics as a "must have" rather than a "nice to have" capability.

1. <http://www.accenture.com/us-en/Pages/insight-commercial-analytics-consumer-goods.aspx>

Figure 4: Changes Made to Maximize Impact of Analytics



Part 2: Several bottlenecks to operationalizing Analytics inhibit value generation and demand attention

Despite the myriad uses for Analytics across the organization, common bottlenecks abound and are centered on issues related to structure or organization, sponsorship, leadership and governance. Not surprisingly, with these major issues yet to be resolved at many firms, we found that the vast majority of companies within CPG are still defining their Analytics operating models:

- The largest group of respondents (40 percent) said their Analytics operating models are partially defined and are working toward a centralized model.
- A full 45 percent of companies claim to have a fully defined (even if not fully implemented) operating model.
- Just 9 percent would characterize their Analytics operating model as fully implemented.
- About 30 percent of the CPG companies with revenue over \$1 billion operate with a partially defined and partially implemented Analytics Operating Model, especially the ones in North America and the Asia Pacific region.

Centralization. Analytics can be organized in several ways, ranging from wholly decentralized to centralized to functional or Center of Excellence (CoE) constructs. Organizations frequently evolve as their business needs change and their Analytics capabilities mature. We found that most surveyed companies are moving to a more centralized and coordinated approach to managing Analytics, supported by common platforms and tools to embed insights into decision-making. Although the most frequent structural approach is to house Analytics in a separate entity, close to 75 percent of companies house Analytics in separate functions, most notably sales, finance and strategy (see Figure 5).

A few of the larger surveyed companies (revenue over \$5 billion) that have a separate Analytics entity have also set up separate captive Analytics teams to serve their sales function.

Sponsorship. If a separate Analytics unit does not exist, initiatives are generally housed in a function that is a heavy Analytics user. As shown in Figure 5, sales, finance and strategy are usually the lead sponsors of Analytics initiatives.

Governance. About half of CPG companies surveyed have formal governance processes in place for managing Analytics supply and demand, measuring and tracking Analytics ROI, designing Analytics decision support processes, and defining and aligning Analytics KPIs. CPG companies in the Asia Pacific region tend more often than others to have these governance processes in place, as shown in Figure 6. Oddly, smaller companies (those with revenue less than \$5 billion) seem to have more defined governance processes than their larger competitors do.

Analytics teams have a number of choices to make regarding operating models, and there is no one right answer or playbook. While a centralized Analytics organizational unit helps streamline governance because duplication is reduced and KPIs are more easily established, it also means that leaders will need a process to prioritize requests that are made to the centralized entity. Companies will need to weigh the relative advantages of structures by how they impact speed of decision-making and clarity of focus.

Figure 5: Companies Use a Variety of Analytics Structures

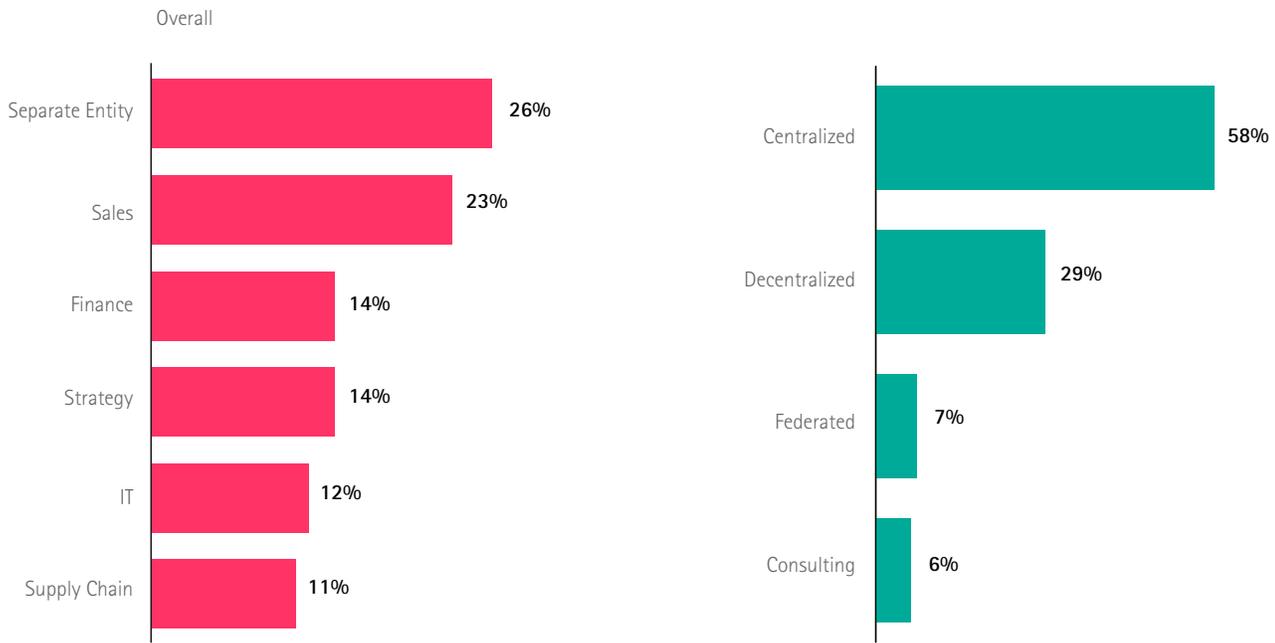
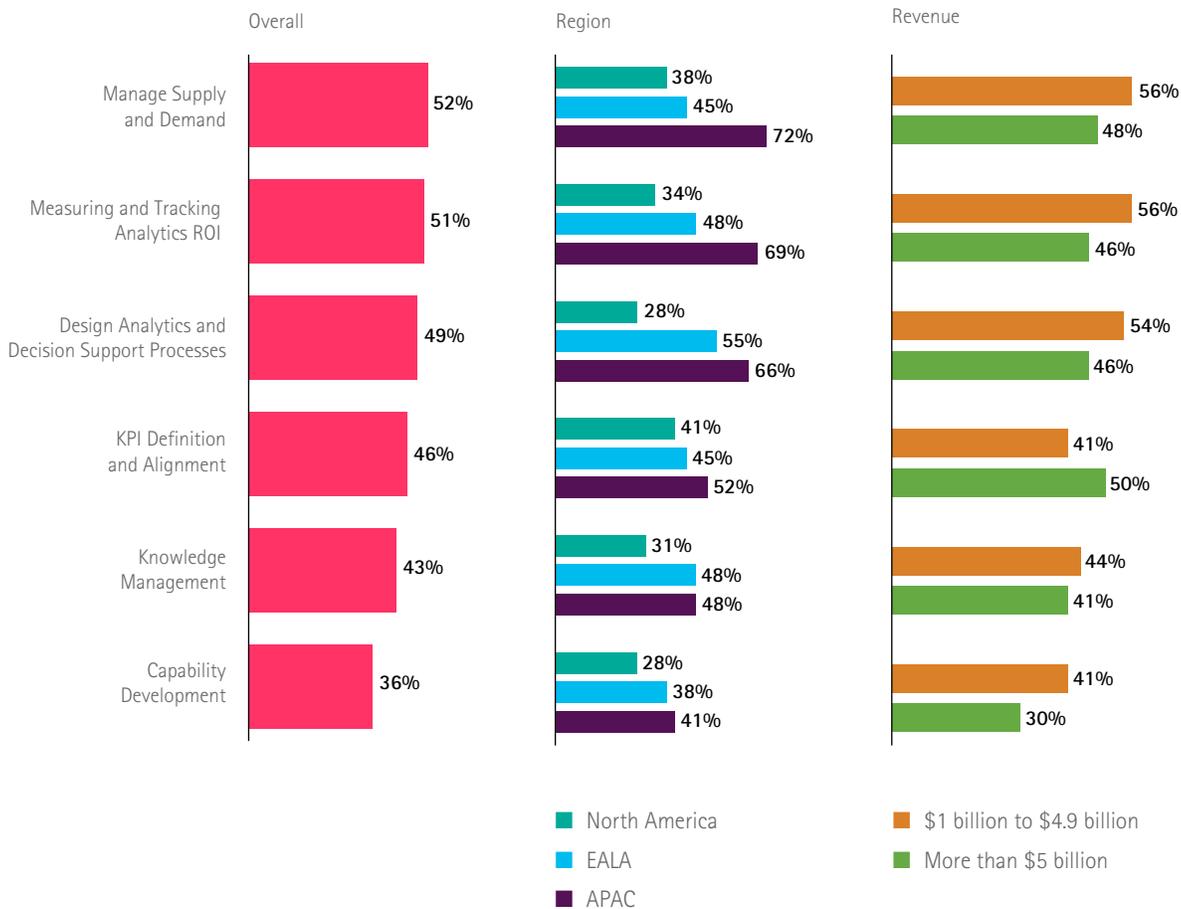


Figure 6: Analytics Areas with Formal Governance



Part 3: CPG companies need to focus on developing advanced Analytics capabilities

While stories in the popular media suggest that Analytics is an attractive and "cool" career option, Analytics talent is still a hard skill to find in the market. Analysts who have industry-specific experience, especially in a complex sector like CPG, are even harder to find, and a continued shortage could crimp many CPG firms' ability to become an Analytics-driven company. Companies with more advanced Analytics capabilities integrate industry knowledge and Analytics ability. Some executives do not see the availability of Analytics talent as a concern. First, they are more concerned about technology enablement, governance and operating model issues than they are about having the right talent to enable their objectives. Indeed, 55 percent rank talent as the least of their priorities at this stage of their Analytics journey.

Second, we found that most CPG companies see only moderate constraints and are confident in their ability to build and sustain Analytics capabilities. In particular, as shown in Figure 7, there is high confidence in capabilities around data management (44 percent) and statistical modeling (33 percent). Nonetheless, 15 to 20 percent of companies surveyed report some constraints in their ability to fill key roles, such as decision scientist.

Analytics talent is in high demand, as shown in Figure 8. Despite being somewhat unclear about their current and future Analytics needs, more than 70 percent of the CPG companies surveyed are actively looking to hire Analytics talent. Analysts with data management skills (76 percent) are in the highest demand in the current market,

yet it is also obvious that companies need managers and senior managers to round out their Analytics teams.

Data management is a necessary but basic Analytics capability; CPG companies have to build talent in areas of predictive and prescriptive insights as well. Analysts with advanced Analytics skills along with an understanding of the complex CPG network and the ability to deal with volumes of structured and unstructured data will be the key focus area for the coming years.

Accenture's experience is that most formal Analytics organizations require several analysts of various tenures across roles and skill levels. As shown in Figure 9, many companies—from 27 to 37 percent—are feeling some constraints in their ability to hire people with more advanced Analytics skills.

Figure 7: Building and Sustaining Analytics-related Capabilities
Evaluation of Analytics skill areas in terms of the ability to build and sustain capabilities without constraints



Figure 8: Hiring Analytics Talent

CPG companies actively hiring Analytics talent, indicating the type of Analytics talent hired

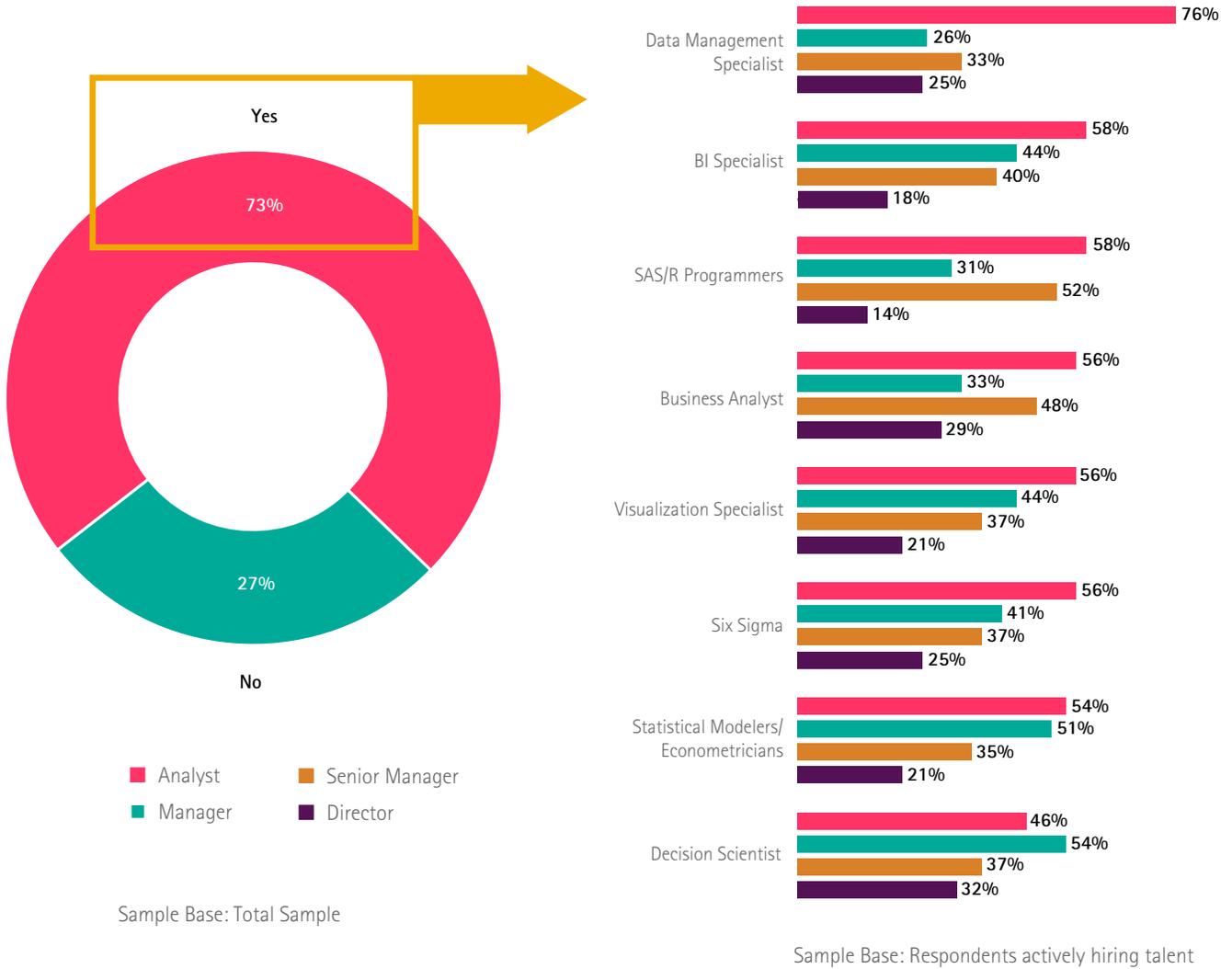
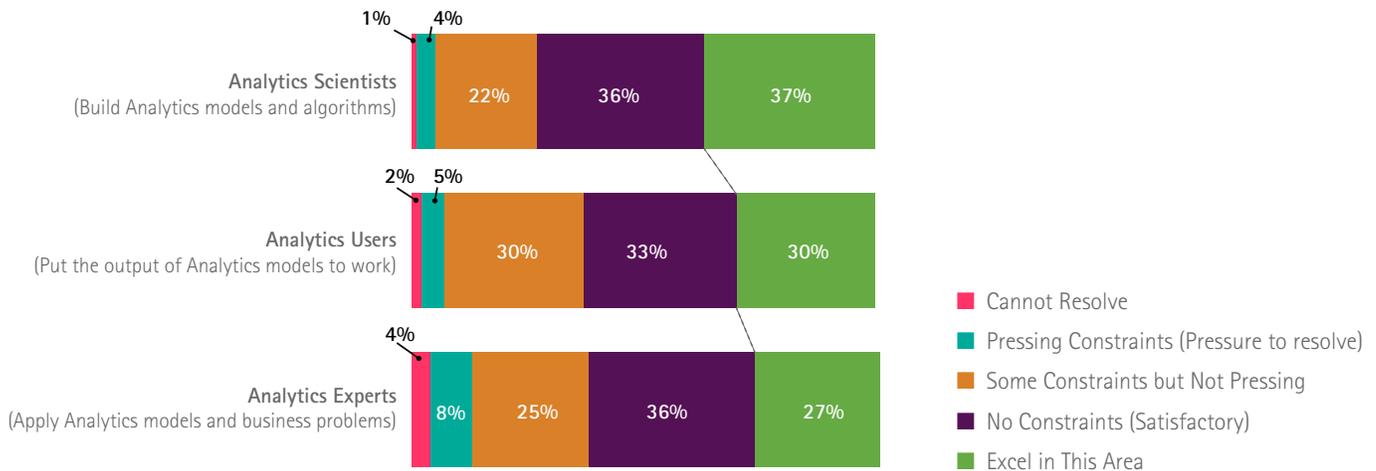


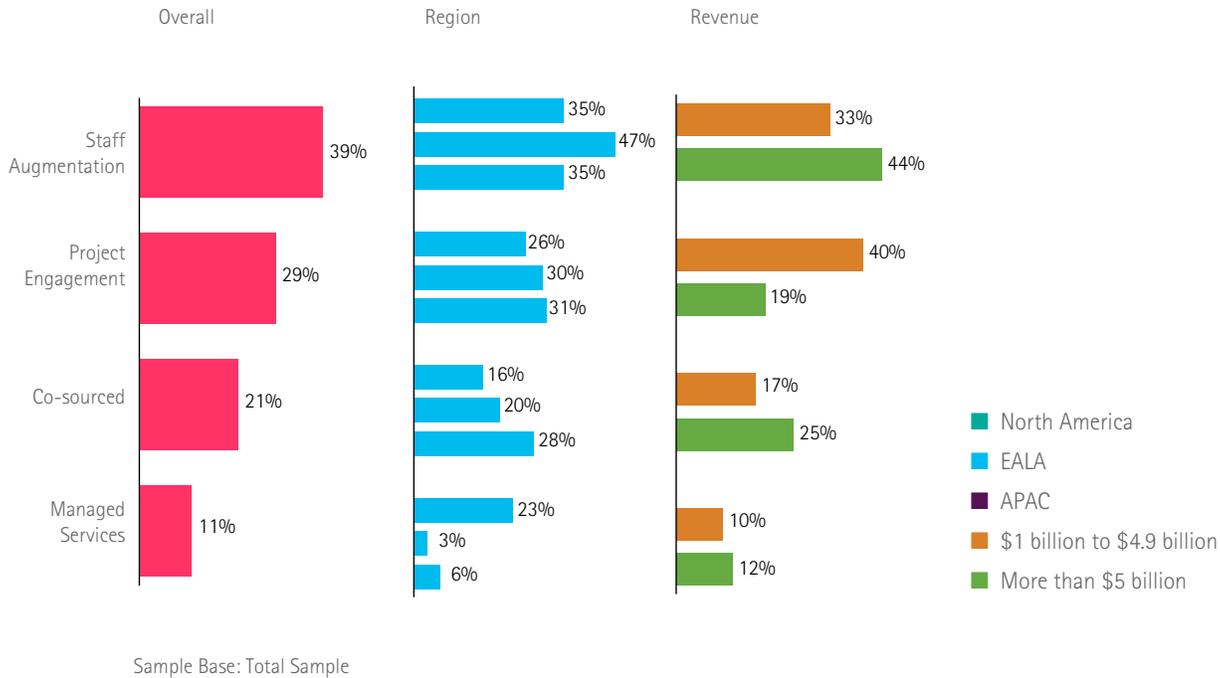
Figure 9: Advanced Analytics Talent

Evaluation of Types of Analytics Talent to Apply Advance Analytics



Source: Accenture 2013 Research Study

Figure 10: Types of Partnership Models (Preference by region)



Ideally, companies would adopt a hybrid approach that allows them to continue developing internal skills while also identifying external providers familiar with company goals who can provide support quickly and without too steep a learning curve.

While talent attraction, retention, capability development and finding the right experience have been challenges for companies over the past two to five years, CPG companies in North America and the Asia Pacific region are much ahead of Europe in addressing these needs.

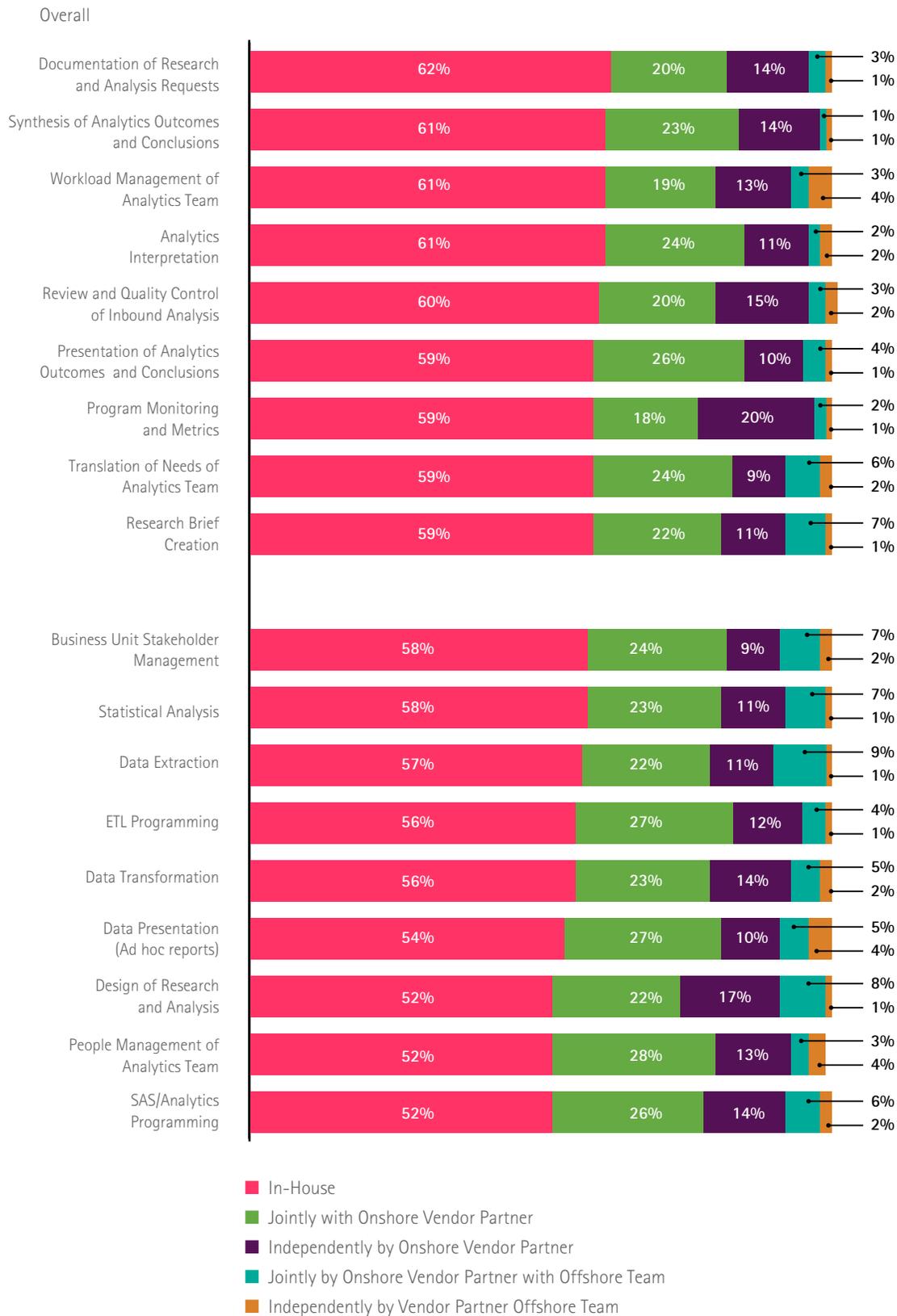
An important step that most CPG companies are taking to overcome talent shortages is to use partnerships with external service providers, either on a project or long-term basis such as under a managed service arrangement (see Figure 10). This approach has several advantages for CPG companies, including the ability to dynamically reorient Analytics initiatives toward value-creating endeavors, flexibility of talent and capacity, and lower cost compared to hiring internally or through a project.

Staff augmentation partnership models are the most common sort of external service support used on Analytics projects or initiatives—especially in Europe and Latin America. As shown in Figure 11, a large number of CPG companies have started

outsourcing, especially when the need arises for predictive Analytics or decision-making. This has helped them redeploy Analytics to speed insight generation and value capture, while the internal organization is focused on foundational data collection and management activities.

Despite the growth in partnering and outsourcing, a clear majority of Analytics work is currently executed internally. On average about 25 percent of analytical activities are performed with help from a vendor, and 12 to 15 percent are completely outsourced. Ideally, companies would adopt a hybrid approach that allows them to continue developing internal skills while also identifying external providers familiar with company goals who can provide support quickly and without too steep a learning curve.

Figure 11: Activities Performed with External Service Providers



We continue to believe that many of the challenges identified in the survey results can be resolved by taking the time to develop an enterprise-wide Analytics strategy.

Conclusion

The survey responses paint a mixed picture of promising trends and ongoing complications regarding building Analytics-driven organizations. Our overall conclusion is that capturing value from Analytics requires a more rigorous and holistic approach than what many companies apply. There appears to be a lot of money chasing the "wrong" problem or too many tools or too much data. The result: Some companies are mired in "data overload" and inconsistent approaches, limiting value generation.

Companies could benefit from simplifying their approach, taking a step back to identify where Analytics are generating value and building on those capabilities. Specifically, we recommend that companies do the following:

- **Break the data addiction.** The persistent focus on data rather than on insight is troubling. Nearly half (49 percent) of respondents said their organizations are focused on data gathering/manipulation rather than insight, and two-thirds (67 percent) cited data quality as a key challenge to deriving value from Analytics. Getting caught up in perfecting every data point detracts from the ability to use the data available to solve problems and improve business outcomes.
- **Emphasize speed to insights.** Companies also appear stymied by an inability to embed Analytics insights in daily processes and decisions. In fact, 69 percent indicated that a lack of timeliness of insights is the major challenge they face. So, while a competent Analytics capability may reside in an organization, the output is too late, and perhaps too little, to be used to maximum advantage.

- **Choose a governance structure that reflects strategic, specific needs of the business and honest assessment of skills.** There is no one right answer regarding organization and structure. Rather, the most important point is that a thoughtful approach be used to structure and govern Analytics and energy put against resolving turf wars or funding issues.
- **Commit to winning the war for (advanced) Analytics talent.** Finally, while it is understandably convenient for companies to access Analytics talent through ongoing or point-in-time partnerships with service providers, this does little to develop deep internal capability or institutional memory of what works. Analytics is too important to reside in just a few analysts, so companies need a vision for building and managing Analytics talent for the long term or risk not having the talent needed as Analytics matures in the industry.

We continue to believe that many of the challenges identified in the survey results can be resolved by taking the time to develop an enterprise-wide Analytics strategy. Further, the rollout of the strategy can be at a deliberate pace and focus Analytics support on critical performance areas first. Making and communicating conscious decisions about how the Analytics strategy will be executed through an operating model will accelerate the journey from insight to action to better business outcomes in the targeted areas.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 281,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

About Accenture Analytics

Accenture Analytics delivers insight-driven outcomes at scale to help organizations improve performance. Our extensive capabilities range from accessing and reporting on data to advanced mathematical modeling, forecasting and sophisticated statistical analysis. We draw on over 12,000 professionals with deep functional, business process and technical experience to develop innovative consulting and outsourcing services for our clients in the health, public service and private sectors. For more information about Accenture Analytics, visit www.accenture.com/analytics.

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