What’s Trending in Analytics for the Consumer Packaged Goods Industry?

The 2014 Accenture CPG Analytics European Survey Shows How Executives Are Using Analytics, and Where They Expect to Get the Most Value
What do global CPG senior executives have to say about analytics?

Executive summary

The Accenture CPG Analytics European Survey 2014 shows that CPG companies seeking to differentiate and build competitive advantage are looking to analytics. A large majority (78 percent) of our respondents claim that analytics and business intelligence is a top priority in their organizations. And more than half said there is a strong or significant commitment to adopt advanced analytics and business intelligence approaches, often in combination with big data frameworks.

Currently, CPG companies are showing high or very high frequency of analytics usage; in addition, companies are integrating analytics into decision-making processes, with only 15 percent of respondent rating integration as partial/lacking. However, leading analytics adoption is in operations and production, followed by financial management and budgeting. And while sales and marketing ranks third among areas of analytics application, over 40% of respondents are not using analytics for growth-driving activities such as product R&D, brand and market management and strategy, and business development.

The survey also reveals social media as fertile ground for analytics – an unsurprising result given the direct consumer engagement opportunities. However, while significant inroads have been made to fully exploit social media analytics, there would be more work to be done to maximize this area of opportunity.

About the Research

The global Accenture CPG Analytics European Survey 2014 is aimed at providing a better understanding of the current trends, and evaluating the benefits of analytics for consumer packaged goods (CPG) companies. Results are based on the responses of CPG senior executives from Europe.
For the purposes of this survey, Accenture defines analytics broadly to include activities aimed at the discovery and communication of meaningful patterns in data. Specifically for the CPG industry, this may include enterprise decision management, retail analytics, store assortment and stock-keeping unit optimization, marketing optimization and marketing mix analytics, web analytics, sales force sizing and optimization, price and promotion modeling, predictive science, credit risk analysis and fraud analytics.

Figure 1 shows the building blocks of a framework for analytics and business intelligence. As we progress from the bottom to the top of the pyramid, analytics and business intelligence systems offer increasingly more advanced support tools. Even roles and competencies change as we move from bottom to top. The required competencies at the bottom are most often provided by information systems specialists. Analysts and experts in mathematical and statistical models, referred to as data scientists, are responsible for the intermediate phases. Finally, decision makers are critical for setting goals and evaluating the insights extracted from the data.

Analytics and business intelligence are a set of mathematical models and analysis methodologies that systematically exploit available data to retrieve information and knowledge useful for decision-making.
The 2014 Accenture CPG Analytics European Survey also explores social media analytics, which we define broadly to include activities that use social media, social software and technology-based social networks to enable interactions between people, information and assets. These activities may be internally focused within the enterprise, or externally focused toward consumers, customers, suppliers, partners and stakeholders.

A typical social media analytics project would include collecting data from the social world and then systematically scanning them through social monitoring (see Figure 2). Conversations are then stored in big data architectures to be explored using analytics. In particular, sentiment and opinions are extracted from relevant conversations. This way, social media information can allow CPG companies to better profile consumers by integrating internal data from the CRM system with external data sources from the open web and the social world. Social insights could be used for marketing optimization and to enable deeper relationships with consumers. Marketing actions can be better tailored to consumer needs and preferences, resulting in higher redemption. Finally, new data about the results of each marketing action are collected and fed into the big data warehouse supporting analytics and business intelligence.

Figure 2. Social media analytics framework
Inroads to insights in the CPG industry

CPG companies operate in an aggressive, dynamic marketplace that requires businesses to act and react at top speed—in essence, just as fast as consumer preferences are changing. The good news is that the rise of big data has unlocked the ability to instantly collect and analyze heretofore impossible amounts of data.

The CPG industry is witnessing unforeseen fragmentation and volatility. Analytics capabilities drive visibility across the value chain, enabling a flexible and nimble enterprise. More accurate sales forecasts from distributors and retailers and real-time point-of-sale (POS) data, determine the right production volumes, distributed efficiently to the right retail outlets, with optimal pricing and promotion strategy.

A seamless feedback loop immediately informs the CPG companies with up-to-date POS information from every retail outlet, avoiding both stock-outs and excess inventory. Soft demand in a particular region can be instantly addressed with targeted promotions. Conversely, CPG companies can increase prices and reallocate production to improve profit margins in areas where demand and sales are strong.

Soaking up social

CPG companies have historically focused on achieving better visibility across the value chain. But in the digital era, they need to capture newly available consumer insights from social media and use them to inform internal processes and drive differentiation.

Today’s consumers is accustomed to being in the driver’s seat, and expects to be able to define their own experience and solutions. Companies who do not listen are in danger of being left behind. It is no longer enough to rely on retail data or surveys to understand consumers’ needs. Instead, CPG companies need to build a comprehensive and dynamic picture of the consumer’s coupling traditional sources with social media analytics – and then embedding these insights into every stage of operation, from product development through ongoing brand engagement. Social media provide countless options for CPG firms to engage directly with consumers and build intimate, one-to-one relationships in a very cost-effective way, through online fan pages, contests, games and polls about new products. CPG leaders are acting as authentic media channels capable of competing with traditional publishers for consumers’ attention.

The better informed a CPG company is with immediate and up-to-date POS information from every retail outlet, the better positioned they are to crank up production to avoid stock-outs.

Our survey explores how CPG companies are currently addressing this opportunity.
Diving into the data: What role does analytics play in CPG companies?

The aim of the survey was to better understand the role of analytics for CPG companies and, specifically, which analytics activities are most commonly adopted for decision-making. Overall, we found a widespread use of analytics. However, the focus is on operational activities and basic analytics tasks (e.g., standard reports vs. predictive modeling).

Figure 3 shows operations and production as the activity ranked highest (72 percent) when it comes to analytics adoption, followed by financial management and budgeting and sales and marketing. It’s worth noting that many of the growth-generating activities – product R&D, brand or market management and strategy – lagged in analytics adoption.

Figure 4 shows the prioritization of tasks supported by analytics. Companies responded that basic analytics tasks, such as aggregating and capturing information (88 percent and 68 percent, respectively), are more popular, particularly for corporate performance management and for sales and marketing activities. More sophisticated uses, such as extracting insights and driving short-term and long-term decision-making, are less widespread.
Standardized reporting and data visualization, which are part of basic analytics, appear to be more widespread as well, with less common advanced analytics and modeling (see Figure 5).

We also looked ahead to see how companies planned to use analytics in the future. Figure 6 shows that replenishment and merchandising optimization leads the group (100 percent), whereas digital consumer interaction, sales force effectiveness and shelf management are the next prioritized issues, almost with the same score (92 percent). Surprisingly, social media activities were ranked as lowest priorities, despite their enormous potential to drive performance. These rankings reveal that companies are still seeing each tactic as a standalone and independent channel—a perspective that does not align with the view of consumers who want, and expect, to be connected across channels.

Given the heavy focus on analytics as more operational than strategic, we are not surprised to see that analytics roles frequently reside in IT. Nearly half of the respondents indicated IT as the department in which analytics competencies and roles are concentrated (see Figure 7). Again, this corresponds to a more traditional view of analytics. Others have analytic units within departments and business units, or a centralized analytics unit at the enterprise level.
Analytics obstacles and opportunities

The survey revealed that many are using analytics to support decision-making. For most users, the frequency of analytics usage is ranked high/very high (78 percent). CPG senior executives who have been interviewed are accessing analytics with equal frequency from PCs and from mobile devices, such as smartphones and tablets. These findings confirm that the development of analytics and business intelligence solutions for mobile devices is a growing need.

Analytics appears to be fully integrated into the decision-making process, with only 15 percent of the respondents expressing a partial or lacking degree of integration. Data access also does not seem to be a challenge; a majority of respondents (75 percent) claim to easily access external data sources, with more than 50 percent seamlessly integrating with internal data.

Despite this, not all CPG companies are embracing the power of analytics, and a significant number are not using it to drive growth strategies. Figure 8 outlines some of the reasons for limited use of analytics. 68% of respondents stated a “Lack of understanding of how to use analytics to improve the business” as an obstacle. “Lack of skills internally in the line of business” was the third most cited obstacle (42%), revealing the critical need for analytics talent and skills. Culture is also a challenge. 36% of respondents ranked “Existing culture does not encourage sharing information” as a challenge. CPG companies can begin to address these cultural and skills gaps through analytics training programs.

Figure 8. Obstacles to analytics adoption

Source: 2014 Accenture CPG Analytics European Survey
Social media analytics in CPG

For those CPG companies that want to ratchet up their analytics maturity, social media analytics is a huge and untapped opportunity. While many brands have a social media presence, it is often more reactive than strategic and integrated. The survey reveals there is much more to be done to fully exploit social media analytics for CPG companies. Figure 9 portrays the rising importance of social media analytics over the next two years.

As social media analytics grows in importance, where do CPG companies expect to use it most? The survey shows marketing standing out as the primary area of application (see Figure 10). Companies also recognize the importance of using insights from social media in innovation, and may apply analytics to product development. Executives ranked customer service, operations, and strategy equally (56% respectively).

Collecting and analyzing social data generated by consumer interactions are the top-ranked analytics tasks, but they lag on integrating social data with internal systems and processes. By developing a social media strategy, CPG companies could better use social media to their advantage.
Onward with analytics

Big data and analytics create vast opportunities for CPG. Some early innovators are using the opportunity to exploit big data and analytics tools to accelerate value in their business, quickly reading the latest consumer trends, achieving seamless visibility across the value chain and nimbly moving to capture market share.

Some CPG companies are dabbling in analytics, embedding analytics in operations and production functions. However, analytics activities are relatively basic, and do not address growth generating opportunities in sales and marketing, including social media.

In a future where consumers are going to have an increasing appetite for relevant, tailored, data-driven interactions with CPG companies, adopting analytics will no longer be a business differentiator—it will be a business necessity. Companies wishing to move forward will need to consider the following:

- How can I use analytics to drive my growth strategy?
- How should I structure my analytics organization?
- How should I build or hire the internal skills to take full advantage of analytics?

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