



## **How Advanced Analytics is Helping CPG Manufacturers to Build “Direct-to-Shopper” Engagement and Drive Sales**

Shopping behaviors are changing rapidly across the US and the global marketplace. From shifts in generational buying power to the increasing influence of technology on purchasing decisions, many of the old rules for anticipating and activating shoppers no longer apply. Given these fast moving trends, it's more vital than ever for Consumer Packaged Goods (CPG) manufacturers and their retail partners to understand how shopping decisions are being made in this radically new consumer environment. Effectively managing and analyzing data are two critical strategies that CPG companies and retailers need to embrace if they want to truly understand – and then activate – today's shopper to re-ignite growth and profits.

As CPG manufacturers and retailers grapple with these far-ranging shifts in shopping behaviors, two key trends that need to be examined fully are the rise of the Millennial generation and the growing importance of targeting customers across multiple touch points.

## Millennial shoppers

Shoppers aged roughly 18-34, also known as Millennials, are quickly making their presence felt across the consumer landscape as they gain a growing percentage of America's purchasing power. The U.S. Chamber of Commerce reports that this generational group of more than 90 million consumers is now in control of \$200 billion worth of purchasing power in the US alone. Millennial buying power is bound to increase dramatically as the majority of this generation begins settling down, starting careers and families. Consequently, it's in the best interest of CPG manufacturers to better understand how Millennials are causing fundamental changes to the shopping landscape.

Millennial shopping behavior diverges from that of other generations in several ways. An important factor about Millennial shoppers is their inherent mistrust of direct advertising. When it comes to making shopping decisions, young adults today put greater value in their friends' opinions than commercial media. According to a US Chamber of Commerce study, 74 percent of Millennials said they rely on their peers when it comes to evaluating purchases. As such, driving positive "word of mouth" is more important with Millennials than when marketing to any other generation.

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Millennial shoppers are also driven by a different concept of brand loyalty than their predecessors. This new generation is much more concerned with the ethical, sustainable and societal values of the companies behind the products they purchase. With a greater intensity than their parents or even Generation X which preceded them, Millennial shoppers connect their behavior as a shopper with their behavior as a citizen. These values-based consumer attitudes and behaviors have profound implication for CPG companies and retail brands. This is especially reflected in what CPG brands say and do in social media.

Finally, as is so well documented in the press these days, Millennial shoppers are avid users of technology, especially mobile and social. They use that tech savvy in almost every aspect of the consumer experience, and that has a major impact on their shopping behaviors and habits. Research from the advertising agency Barkley explored two trends that confirm the huge changes resulting from the Millennial love of technology.

First, the study noted that 50 percent of Millennials use their smartphones to research products while they shop. Second, 60 percent of participants reported that they appreciate the convenience of researching a product in-store with a smartphone or tablet. Equally important, Millennials aren't shy about describing and sharing their experiences concerning brands and retail stores over social media. And as the old business maxim goes, negative experiences tend to be shared much more actively than positive ones.

CPG manufacturers and retailers can better connect with this rising generation by understanding these behavioral trends and building marketing programs that reflect them and meet the shopping needs and desires of Millennials.

Here is an interesting [infographic](#) on how CPG Manufacturers can engage and activate this pivotal shopper segment.



## Technology-driven shifts

The surge of technology-influenced shopping in the US is a subset of how technology has been fundamentally altering shopping behaviors around the world. For example, a study by the IBM Institute for Business Value found that nearly 60 percent of global consumers surveyed reported that social media had a large influence on their purchasing decisions.

The influence of social media on shopping behavior is not just limited to user reviews and peer comments. Many companies have had success communicating to new consumers and customers by creating an active social media presence. For CPG, building online relationships with shoppers is important because technology

has shifted not only how consumers make purchases but when and where. The Major Purchase Shopper Study conducted by GE Capital Bank revealed that over 80% of consumers conduct research online before making a purchase at a brick-and-mortar retail location.

Another shopper may end up making a purchase away from the website where he or she originally researched the product. This omni-channel approach to purchasing decisions is becoming more and more central to the average shopping experience. CPG manufacturers and retailers must continue to research and plan around new these shopping behaviors if they hope to stay relevant with the next generation of consumers.

## Strategies for CPG

CPG manufacturers and retailers can respond to changes in shopping behaviors by evolving their approach to understanding and analyzing the entire consumer experience – the shopper's journey. Companies trying to stay ahead of the curve must now account for the radically different strategies that consumers are using to research, purchase and evaluate goods, as well as the wide range of resources that shoppers now have in their toolbox thanks to the Internet and especially mobile.

### Consider a 'holistic' approach

Traditional analysis of shopping behavior has focused on what happens when the shopper enters the store. However, the next generation shopper does much more of her research and comparison "shopping" while still in the comfort of her home. CPG companies thus need a holistic view of the shopping experience if they hope to remain relevant to consumer needs and interests. But how does a CPG company take into account the modern retailer landscape and the changing shopper journey when most of the data is focused on individual stores?

The key for CPG manufacturers to effectively adapt to this new landscape is to rethink the potential for consumer data. Companies must move beyond syndicated household panel data, and instead consider collaborating with retailers to access a greater variety of transaction-level data (offline and online). Likewise, CPG firms are better served considering the influences of cross-retailer behaviors over limiting their analysis to the behavior of customers within a certain store. The end goal for a CPG marketer's data analysis is to develop an infrastructure that tracks purchasing behavior across retailers and accounts for increasingly popular omni-channel shopping strategies.

Unfortunately, barriers remain to this new, holistic view of consumer data. The first is the natural resistance of companies to share shopper data

with manufacturers and other retailers. Some industry leaders, such as Kroger and Walmart, have recognized the value of comparing notes with other companies. As a result, more CPG manufacturers and retailers have begun collaborating on data collection in order to stay competitive.

The second barrier to developing a holistic view of customer behaviors is lack of communication between retailers and manufacturers. In some cases, this is an issue of competency or capacity. Oftentimes, smaller companies lack the ability to make data available to outside sources for easy access. Others worry about potential security leaks that may occur as a result of sharing resources. Regardless, we in the industry must move past these reservations if the entire CPG sector hopes to develop smarter strategies for reaching the next generation of demanding and tech-savvy shoppers.

From a skills perspective, this means that CPG companies must become more adept at working with unstructured data, which are now growing exponentially from sources such as social media interactions, mobile communications and commerce, and ever growing website traffic. Manufacturers can begin this process by upgrading the complexity of their internal computing network. In addition, they can rely on outside sources - such as Centers of Excellence - that provide rapid action support on analytics and data management.

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Companies should also eliminate the barriers between internal departments that limit the flow of information concerning shopper behaviours. Purchasing decisions are no longer limited to traditional shopping environments, so marketing professionals analyzing online behavior can benefit from a technological perspective provided by a company's IT staff. Better internal communication and collaboration is essential to adopting a holistic view of data and the entire shopper's journey.

## Let data drive decisions

Market research that focuses only on the in-store shopping experience limits the ability of CPG companies to look forward. This is a natural disadvantage of backward-facing analysis. Administrators are often provided a summary of data related to the past six months, but this one-off report provides little help in developing a forward-thinking strategy and marketing approach. This infrastructure and approach must change if the industry hopes to activate shoppers based on current needs and behaviors. Thankfully, CPG manufacturers can address this issue by understanding and leveraging "predictive" and "prescriptive" data, which are generated through today's advanced data analytics.

Predictive analysis refers to analytics that attempt to forecast shopping behavior over a designated time span. In order to accurately predict future behavior, the analysis needs to incorporate a comprehensive understanding of what drove past behavior for the shopper. This approach is useful for helping manufacturers to pre-empt shifts in demand and retailers anticipate buying trends. While several

efforts have been made by CPG companies to get more predictive with their analysis efforts, thus far it has produced mixed results in actually influencing shopping behavior.

The next step in using data (both traditional and unstructured) to influence shopping behaviors is to start moving towards more predictive rather than "descriptive" analytics. Companies that are skilled at prescriptive analysis can use multiple prediction models, in conjunction with real time data, to get a more in-depth understanding of how certain business decisions will impact sales growth. The most important advantage of predictive, forward-looking data over traditional, backward-looking data is immediacy. The speed of business moves faster every day, so companies must remain equally dynamic in their research to keep up with today's empowered consumers..

For example, something as simple as a weekend storm can have a profound impact on the way that shoppers make their purchases. As a result, companies that can develop and use insights that

come at the speed of business are at a huge advantage. CPG manufacturers that track holistic shopping experience not only gain a better understanding of shoppers and their unique journeys, but they can also magnify those journeys in real time and activate them faster and more frequently than ever before.

## Harness new touch points

Another critical perspective that CPG manufacturers and retailers must reconsider is the basic nature of sales touch points. In the more recent past, the path toward consumption typically began at the television or the newspaper FSI/circular. Consumers who watched TV ads and studied the FSIs were spurred on by the promise of the product's features and then went to the store to make a purchase. For decades, retailers and manufacturers enjoyed a linear progression from marketing to sales. The rise of the next generation shopper has complicated this process – in many cases, drastically altered it.

It is not uncommon for a shopper's purchasing decision now to start out as a visit to a favorite blog or friend's social media post. Consumers are continuously finding new resources to inform their shopping decisions as technology provides them with additional methods for accessing information. Unfortunately, the insight infrastructure of the CPG industry is not yet designed to capture decision-making scenarios across these many touch points. This requires a concerted effort to bridge the gap between shopper and consumer insights that exist in most traditionally structured CPG organizations.

However, consumer touch point data does offer CPG manufacturers a way to organize multiple sets of structured and unstructured data. Indeed, touch points are changing and advancing at a rapid rate. The Internet age, followed closely by the mobile and social eras, has advanced dramatically

the number of marketing touch points that CPG companies now need to contend with to engage their shoppers. These vast technology and media infrastructure changes will continue to influence consumer touch points over the next decade.

CPG businesses and their retail partners must develop a level of comfort with ambiguity and experimentation as they learn to manage a rapidly evolving and increasingly holistic shopping experience. Furthermore, if companies plan to increase the complexity of their data collection, they will require equally advanced strategies for organizing and analyzing this data. For example, A relatively new technology called the Demand Signal Repository (DSR) is a powerful tool that CPG marketers can use to capture, harmonize and effectively manage mountains of consumer data, especially unstructured data.

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## Advanced analytics applications

CPG companies are well served once they are able to take full advantage of predictive analytics and approach their marketing strategies from a holistic understanding – and then activating – the total shopper's journey. The marrying of structured and unstructured data makes several analytic possibilities available that companies can use to anticipate and influence consumer purchases.

Price and promotional analytics, for example, allow CPG marketers to create an optimal price and promotional strategy across their entire portfolio as well as all the channels they are using. Such a strategy may involve using social media to communicate an in-store-only discount that may appeal directly to younger Millennial shoppers. In this case, the use of advanced analytics allows a company to connect marketing and sales in a much more dynamic and holistic way.

In addition, assortment optimization analytics provide tools for companies to define the most valuable combination of product attributes and merchandising to tailor optimal assortment offerings down to the individual store level instead of relying on a "one size fits all" assortment strategy. These data can be used by CPG companies to adjust their marketing strategy on the fly and at the rapid speed of today's consumer decision making. Likewise, marketing mix analytics show companies the most influential meshing of technology for attracting the attention of tech-loving Millennials.

All of these analytics and data management strategies and techniques provide CPG manufacturers and retailers with actionable

insights that drive many more opportunities to influence the next-generation shopper. But to realize this huge business building opportunity, manufacturers and their retail partners must meet certain implementation standards to fully benefit from advanced analytics. More importantly, CPG manufacturers must ensure that their analytics technology provides insights to decision-makers rapidly enough to impact shopper activation.

In summary, CPG marketers will benefit greatly from developing a direct-to-shopper approach for better understanding, engaging and activating today's consumers. Access to superior analytics allows CPG professionals to construct their marketing strategies around a comprehensive understanding of a shopper's drives and purchasing behavior. By leveraging predictive analytics with data management tools like Demand Signal Repositories, CPG marketers (especially in close collaboration with their retail partners) can develop programs and branding that speak directly to the shopper.

Next-generation analytics, along with a better understanding of modern consumer insights, will allow CPG companies to develop a more personalized approach to reaching shoppers. Smart manufacturers and retailers are already reaping the benefits of effectively using these advanced analytics and data management strategies and technologies to drive significant new growth opportunities and win in today's hyper competitive consumer marketing environment.



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**About Manthan**

Manthan serves as the Chief Analytics Officer for global consumer industries. Manthan's comprehensive portfolio of analytics products and services enable CPG manufacturers and their retail partners to understand and activate the shopper's journey. Architected with deep industry expertise, Manthan's solutions combine advanced predictive analytics, actionable insights and unmatched shopper knowledge to help customers identify and drive incremental growth opportunities. Manthan has provided its business-building analytics solutions to a number of retail and CPG organizations across 21 countries. Visit Manthan at [www.manthan.com](http://www.manthan.com).

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