

“I know CPG firms that say they’ve used analytics to gain a competitive advantage and there are pockets of their organization where they are succeeding. However, there are very few firms that are doing analytics well in an integrated nature across the organization where it’s driving competitive advantage.”

Rob Saker, BIS Analytics Lead for Business Transformation, MillerCoors

The Analytics Mandate: The Best Products Are Made With Insights

Recent economic conditions have encouraged higher commodity costs, price volatility and less discretionary spending. As a result, consumers have become more frugal and resourceful, often opting for private-label brands instead of more expensive national brands. These factors and an ever-increasing interest in online shopping and mobile coupon apps are forcing consumer packaged goods (CPG) companies to rethink their digital strategy.

To be successful, CPG companies must work with their retailer partners to maximize online awareness while minimizing its impact on other channels. As global consumption increases, investments must be managed in emerging markets while maintaining market share in mature markets. For CPG companies, it’s a constant balancing act and more than ever analytics is needed to gain business advantage.

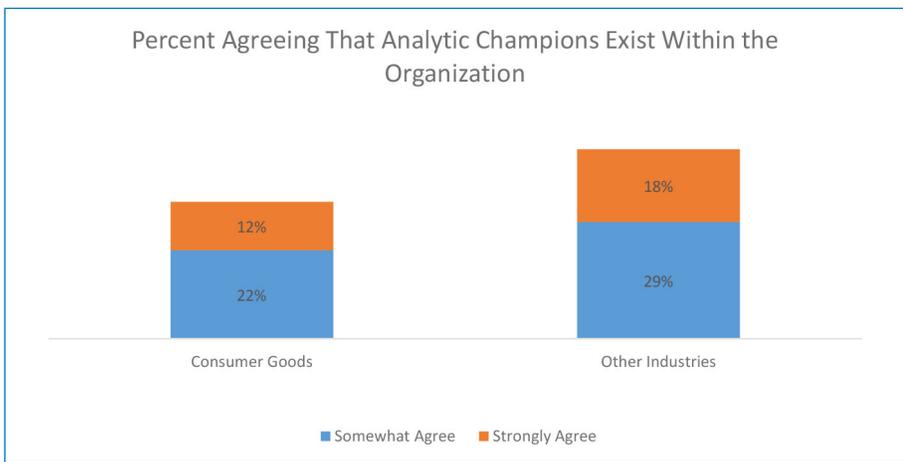
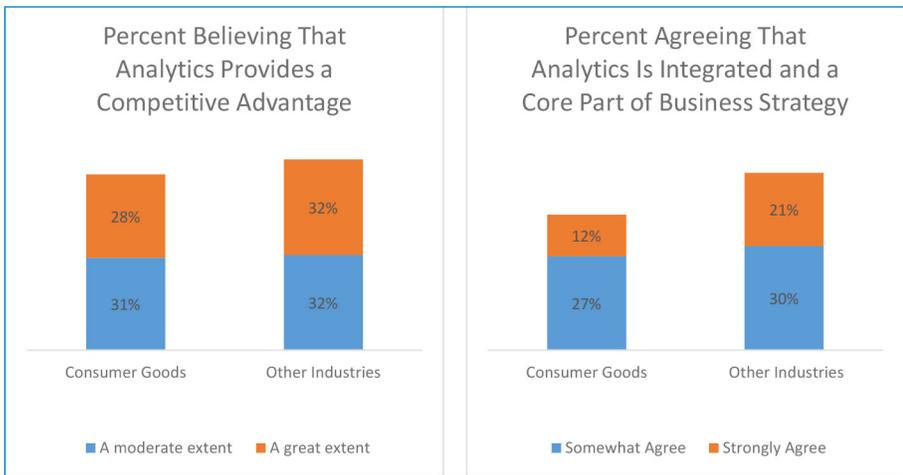
Analytics: The Competitive Advantage

Since 2007 and the publication of Tom Davenport’s book *Competing on Analytics*, the adoption and use of analytics has burgeoned across all industries as more organizations turn to their

data to gain an edge. In fact, research from MIT Sloan Management Review and SAS indicates that two-thirds of businesses believe that analytics creates a competitive advantage in their organizations, and 52 percent say that analytics has helped their organizations be innovative.

According to the research, 59 percent of the CPG companies surveyed agree with other industries that analytics provides competitive and innovative advantages. Roughly half agree that analytics has helped improve their organization’s ability to innovate. But there appears to be a gap between what CPG companies are saying and what they are actually doing. Research findings suggest that analytics usage throughout CPG companies is not as pervasive as in other industries.

For example, when asked if their company integrated information management and business analytics as part of their core business strategy and day-to-day operations, 51 percent of survey respondents from other industries reported using an integrated approach, compared to only 39 percent of CPG survey respondents.



“Part of our process is to define an analytic requirement: What question are you trying to answer? What information do you need to answer that question? And what decision does that drive? If you’re focusing on a question and the information of decisions, you know that it’s driving something meaningful.”

Rob Saker, BIS Analytics Lead for Business Transformation, MillerCoors

Source: MIT/Sloan Management Review, Data and Analytics Survey, 2014.

In addition, analytics users have a smaller voice within CPG companies. Only one-third of CPG respondents report that their organization has champions tasked with promoting analytics and publishing best practices, compared to 47 percent in other industries.

Using Analytics More Strategically

The good news is that the need to absorb analytics within daily operations appears to be on the minds of senior management. More than half of CPG respondents reveal that managers are encouraging their organizations to become more data driven and analytical. An even higher percentage - nearly all CPG respondents - acknowledge the need to increase analytics usage for decision making.

When assessing their organization’s current analytic capabilities, CPG respondents report they are effectively using data visualization (52 percent) and data analysis (62 percent).

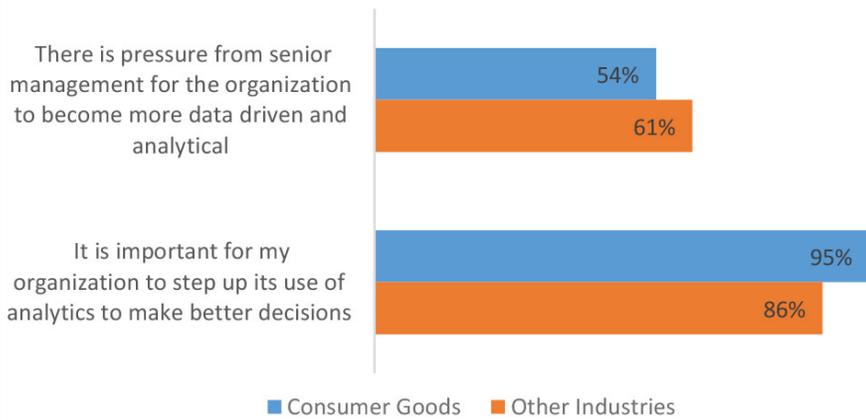
Two areas of weakness, however, are in cleaning data and disseminating analytic results. It could be because poorly integrated analytic processes are mirrored by disjointed communication regarding results. Logically, this might be compounded if analytics are predominantly being used in silos to solve a specific functional need.

Whatever the reason, CPG companies are not realizing the benefits of using analytics strategically because based on survey results, CPG companies’ effectiveness in using analytic insights to guide future strategy (43 percent) lags behind other industries (55 percent).

Making the Investment

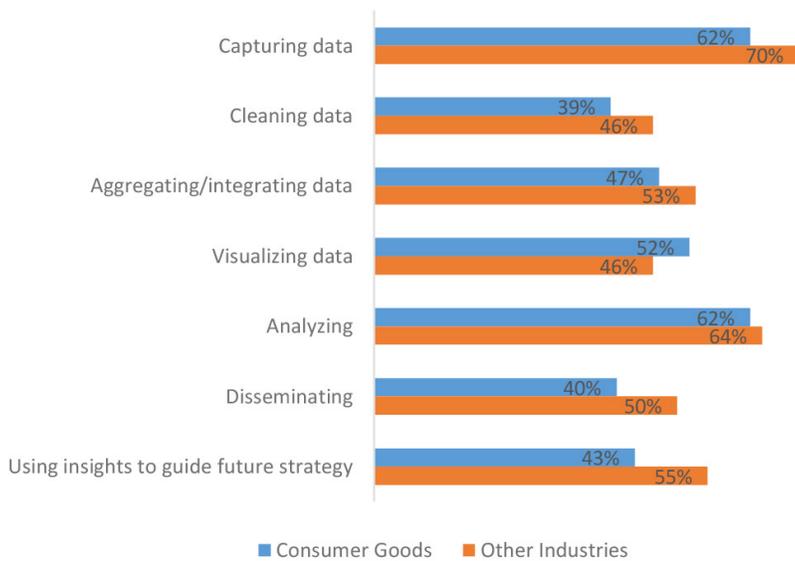
In the coming year, CPG companies plan to focus analytics investment on technology (50 percent) and to a lesser extent on training their staff (43 percent). About one-third of respondents anticipate hiring new analytic talent. Rob Saker at MillerCoors commented on how his company will be focusing less on head count and more on bringing together analytic talent in a collaborative environment to “reuse and extend” analytic methods.

Percentage of respondents who agree

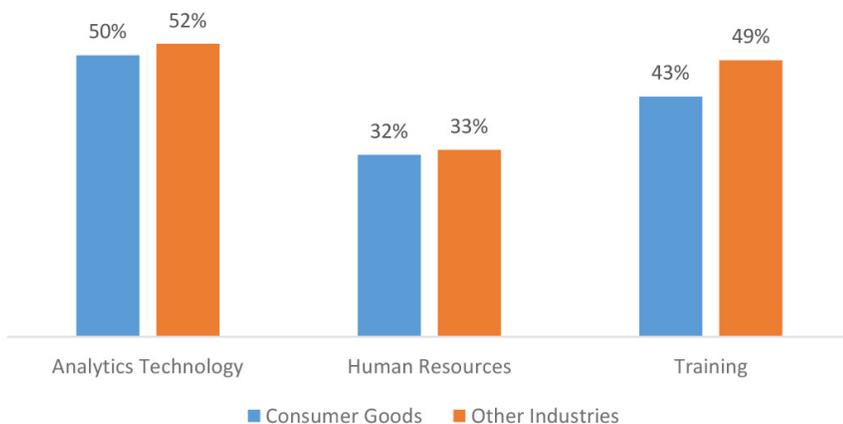


Source: MIT/Sloan Management Review, Data and Analytics Survey, 2014.

Percent Viewing Their Analytics Capabilities as Effective



Planned Analytics Investments in the Next 12 Months



The Path Forward

From identifying the right product mix for the fastest growing subcategories in an emerging market to determining the optimal combination of branded versus private-label offerings, analytics plays a critical role in the CPG industry. Senior management should continue to lead the transformation to a data-driven organization. Infusing analytics within the decision-making process will help maintain revenue growth and profitability in a complex global environment.

The Analytics Mandate Report

To read more about the transformative power of data and the characteristics of companies using analytics for innovation and competitive advantage, read the full MIT Sloan Management Review report, *The Analytics Mandate*. sas.com/en_us/whitepapers/mit-analytics-mandate-107098.html

How SAS® Can Help

SAS provides consumer goods manufacturers with the ability to unify large amounts of data from many sources, and powerful SAS Analytics provides the ability to sense market signals that predict and shape demand.

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