The Connected-Consumer Centric Supply Chain

How Data Discovery Unlocks Consumer Insights that Drive Growth

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Executive Summary

The connected-consumer generates an unprecedented amount of data. Manufacturers and retailers can then use this data to create an accurate view of consumer preferences, buying behavior and relative business share. Developing an understanding superior to that of the competition allows businesses to align every aspect of their value proposition to win in the marketplace – driving sales, profit, loyalty and market share.

What is crucial is the ability to turn data into insight. With true consumer intelligence, manufacturers and retailers can accurately predict demand, spot trends and identify opportunities. The enhanced brand experience attracts consumers by delivering improved quality, value and availability.

With manufacturers and retailers collaborating more than ever, the ability to effectively share insights becomes paramount. Yet there are many barriers that prevent this from successfully occurring. One solution to overcome these obstacles is Data Discovery i.e. using a software that lets consumer insights flow between stakeholders, creating a deeper understanding of the consumer and optimizing the supply chain for both parties.

The Connected-Consumer

The connected-consumer can be described with three words: smart, fickle and demanding. Technology platforms and devices are delivering more access to choice, while peer reviews and consumer forums are granting greater access to information. Understanding the consumer is pivotal to supply chain success, and where consumers have more access to information, so too do manufacturers and retailers. Real-time capabilities have enabled the accurate analysis of present demand and e-commerce and technology has greatly facilitated the collection of data, both in store and at a national and international level. This brings a more accurate understanding of the consumer, from detailing spending patterns and local trends to spotting areas of possible opportunity. According to Gartner, "Three key trends emerged among the leaders: deeper contextual understanding of customers, leveraging digital business as part of broader customer solutions and supply chain leading balanced growth."[1]

The Chief Supply Chain Officer Report 2014 from SCM World reported that 40% of respondents say they use social media as a source of real time customer feedback, but less than 20% say it helps to improve demand sensing and forecasting. Government data shows that e-commerce represented 8% of US and 15% of UK retail sales in 2013. Annual revenues are forecast to top $370 billion by 2017. This growth is driving changes to supply chain networks.

Success now gravitates towards what happens 'at the point of purchase', rather than in the production plant or at the distribution center. Studies have shown that 70% of the choices that consumers make about which brand to buy are made at the moment of purchase.[2] Key to success is having the right product, in the right place, at the right time. This means aligning volatile consumer demand with supply through increased consumer insight and visibility. The Value Chain 2020 commented that a retailer's production should be "synchronised with the predictive and actual demand signal from consumers."[3] And according to IDC, manufacturers can help achieve this by "first introducing more flexible capabilities and enabling a single plant to produce multiple products and variants, and secondly, by stopping considering each factory as isolated entity and seeing their factories as part of a global network of flexible production capabilities aimed at fulfilling global customer demand."[4]

Along with shorter product lifecycles, connected-consumers are demanding shorter product lead times and delivery cycles but also expect to be able to change demand without affecting lead times or costs. They expect the same shopping experience from home, mobile, storefront or phone. This is what is known as providing an omni-channel experience. It poses a great challenge for retailers who must

> The proliferation of stock-keeping units (SKUs) and the emergence of new and exciting categories gives consumers a lot of choice and makes the battle for a share of their wallets even more challenging.
>
> In other words, differentiation is becoming pivotal to success.

> The digital and mobile revolution have changed buying behavior, and supply chains need to adapt and innovate to stay current.
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> According to Gartner, "One thing is clear: future supply chains must seamlessly integrate the digital and physical worlds of customers to be competitive."
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> **The Gartner Supply Chain Top 25 for 2014, May 2014**

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[1] The Gartner Supply Chain Top 25 for 2014, May 2014
[2] Markus Stahlberg and Ville Maila, Shopper Marketing: How to Increase Purchase Decisions at the Point of Sale
[3] The Consumer Goods Forum, Future Value Chain, Building strategies for the new decade
[4] IDC, Worldwide Brand-Oriented Value Chain 2012 Top 10 Predictions

integrate real-time stock visibility, click and collect, customer reviews and same day delivery – all of which involves new systems and processes.[5] However if integrated correctly, it is an opportunity to increase customer awareness and loyalty and provide additional outlets for customer service, advertising and feedback.[6]

Manufacturers and retailers must also manage social media, which can be both an opportunity and a threat. On the one hand, consumers are giving more personal information and providing feedback which deepens the manufacturer/retailer/consumer relationship. Manufacturers and retailers can interact with the consumer for enhanced sentiment testing. For example, cosmetics company Bobbi Brown, created a Facebook campaign where fans could vote on their favorite shades of discontinued products.[7]

But it is also a potent mouthpiece for consumers to directly and publically voice their frustrations with the manufacturer or retailer, with the dangerous possibility that it could go viral. McDonald's felt the unpredictability of social media when it created the McDStories hashtag, with the vision that consumers would leave positive comments about their dining experiences. However, consumers did exactly the opposite, embarrassing the company with a stream of negative stories and remarks.[8]

> "The evolution from supply chain function serving a traditional store-bound model towards omni-channel retailing is arguably one of the primary reasons why the supply chain function has assumed an increasingly pivotal role."
>
> **Retail Week, Supply Chain: Trends and Innovations in retail 2014-2015**

Social2B stated the case clearly: "Failure to effectively implement an integrated social media strategy and tactics across the entire Value Chain could potentially lead to lower revenues (read, shareholder value), slippage in market share, increased financial exposure, risk and more."[9]

Collaboration

The tough challenges faced in serving the connected-consumer cannot be met in isolation. They require manufacturers and retailers to collaborate, pooling their thoughts, ideas and data to help create a deeper understanding of the consumer. This is a major component in maximizing supply chain efficiency.

Retailers own point of sale (POS) data, so it's no surprise that manufacturers see more benefit to receiving data from their trading partners. In fact, 72% of manufacturers request data to help them provide better insights and plans to their trading partners.[10] However, manufacturers bring significant consumer insights on category and brand purchase behavior, on changing needs, wants and consumer trends. These insights can significantly complement retailer transactional data – driving greater consumer

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[5] Deloitte, Serving the connected consumer, The multichannel opportunity
[6] Grant Thornton, Multichannel retail: More than clicks and bricks
[7] New York Times, Social media breathes life into shelved products
[8] BBC News, Are Twitter and Facebook changing the way we complain?
[9] Social2B, Social media for the enterprise; a value chain odyssey

[10] Brian Ross, Winning at Consumer Centricity: 10 tips for Retailers and Manufacturers

insights leading to more profitable marketing and merchandising decisions. Together, this collaboration can drive increased sales, profits and sustainable competitive advantage.

The Shared Strategy Report 2011 identified the top collaborative manufacturer/retailer processes as:

- Gathering and applying collective intelligence to product and assortment planning activities
- Assortment and/or planogram planning and execution
- Collaborative product development (manufacturer branded)
- Trade promotion management
- Logistics management
- Collaborative product development (private label)
- Marketing[11]

Data Discovery

Yet possessing data does not always equate to intelligence. The connected- consumer can generate massive amounts of data, but sharing it can be difficult. This problem is known as 'big data,' which is defined as the high volume of unstructured and semi-structured data a company creates which would take too much time and cost too much money to load into a relational database for analysis.

> "The use of analytics in the supply chain is also expanding to include collaborative systems that integrate marketing and merchandizing, and more closely connect retailers to their suppliers and distribution partners."
>
> **Deloitte, Analytics in retail: Going to market with a smarter approach**

The likelihood is that manufacturers and retailers will have different IT infrastructures whose operating systems are incompatible. This can still be the case within a single organization where different departments of potentially hundreds of users have different hardware and software combinations. These factors can combine to create information silos that hinder the sharing of knowledge.

However, the data itself may come in different formats and varieties that cannot be easily collated or compared. Also, data can be time sensitive. In an area of extremely short planning cycles, analysis and insight can't wait days or weeks for a costly and time consuming IT generated report. To meet these tight timescales, analysis needs to take place not only on a desktop in the office, but in the factory production line, retail floor or anywhere decisions need to be made.

The solution to these problems is agile and intuitive Data Discovery software. It must transcend the hardware and software differences, offering the same experience whether it is on a desktop, laptop or mobile device. It must be scalable over an enterprise, with ETL functionality that can pull data from multiple databases.

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[11] Shared strategy report 2011, Assessing the state of retailer/manufacturer collaboration (sourced from CGT, IDC Manufacturing Insights 2011)

Data Discovery software enables true collaboration to occur, putting intelligence rather than data into the hands of the decision-makers. However, it must not just facilitate collaboration, but also actively encourage it. At its heart, collaboration is based on social exchanges. Powerful Data Discovery software can create communities where consumer information can be easily dispersed, where users can interact in real-time with dashboards and make comments within a threaded discussion, whether it be informal or formal. Furthermore, powerful visualizations can bring data to life through a simple click, revealing previously unseen correlations which can then be speedily disseminated to stakeholders, allowing business users to make new discoveries from the data.

Conclusion

While the objectives of the manufacturer and retailer often differ, their relentless customer focus is what brings them together. Both are in a much better position to meet consumer expectations if they leverage their respective insights and align their shopper strategies more closely. This allows both sides to focus on offering the right products at the right price to better satisfy consumer needs, and gain the consumer loyalty that both parties crave.

The consumer will always be at the center of the manufacturing and retail supply chain and gathering, analyzing and interpreting the data they generate is key. However, the real value is in using the insights across the organization and developing better pricing, promotion and assortment decisions. This will be impaired if teams are not able to effectively communicate ideas over data or share intelligence.

"Building loyalty and categories needs a deep and, most importantly, actionable understanding of consumers, shoppers and brands. This requires both a collaborative mind-set between trading partners and the tools to capture, analyze and share insights; enabling stakeholders to make better decisions that drive sales, profits and market share."

David Telford, Sr. Director Global Market Development, Qlik

Data Discovery is the platform with which this can be achieved, facilitating collaboration, unlocking previously unseen associations, and revealing new consumer insights. With the increased intelligence that Data Discovery software yields, both manufacturer and retailer will enjoy a larger, clearer portrait of the consumer with the associated benefits felt across the entire supply chain.