

Are you leveraging everything at your disposal to truly know your customer?

Consumer Packaged Goods (CPG) companies who succeed in the current climate have an intimate understanding of their customers and how best to meet their needs.

The retail landscape is evolving: the traditional single path to purchase via almost exclusively retail trade customers has been replaced with a much more diverse landscape ripe with opportunity across multiple channels and markets. But extracting value from your investments in these new routes to market, while concurrently offering increased value to your core retail customers, requires an operational shift in how you approach the market and extract deeper and broader customer insights.



Are you driving an enhanced and diversified channel strategy to develop a more direct relationship with your end customer? How well do you continue to serve your core trade customers? Critical questions every leadership team should be focused on.

Get closer to the transaction

One of the more common challenges for CPG companies is that they typically do not own the relationship with the end consumer as the transaction occurs through an intermediary, in most cases this is a retailer. Consequently, data and insight limitations prevail posing a barrier to how much a brand can repeatedly learn about their customers. Given the critical nature of truly understanding your customer, it is always preferable to develop an operating model that allows your brand to play a more significant role in owning or influencing the moment of conversion.

While many good CPG organisations will understand the basics of transactional data, leading organisations are becoming increasingly sophisticated at stitching together data attributes to generate greater insights such as surfacing what adjacent brands are purchased in the same basket, which offers insights into potential mutually beneficial partnerships for driving sales. Equally it's worth considering how to use time-of-day data tags to provide actionable insight to inform distribution, marketing communications and even dynamic pricing while also protecting against unnecessary margin depletion.

Building long-term brand desirability, without sacrificing the shorter term need for sales

For as long as there has been large format grocery and pharmacy, there has been an ongoing tension for CPG companies about the level of investment in trade marketing versus consumer marketing. Many will question how much of their marketing dollars should be spent on the 'pay-to-play' aspects of keeping the brand ranged across major supermarkets, versus what is needed to increase market share and achieve the broader objectives for growth via consumer demand drivers.

Fortunately, there are many financial methodologies that leading CPG brands have at their disposal such as PFME (Product Fixed Marketing Expenditure), BDI (Brand Development Index) and CDI (Category Development Index), to help answer these questions. Armed with this analysis, CPG brands have a greater ability to negotiate their channel presence without under or over investing, achieving an outcome that benefits their organisation growth ambitions, their consumer connection and respects their channel partners' ways of working.

Sweating the data

At KPMG, we witness the world's leading CPG brands uplifting their data capabilities across almost every operational layer of their business to inform and influence their strategies.

Here are two things every CPG should have on their short to medium term roadmap, now.

1. Use a combination of both first and third-party customer data – if you don't already, strongly consider the operational benefits of creating your own data lake to store, analyse and make the data readily accessible. Significant improvements in technology, and the costs associated with infrastructure have made data lakes more common practice in modern CPG organisations. Doing this increases the speed at which data can be accessed, and ultimately speed to insight.
2. Building an inhouse capability for leveraging multiple data sources that is both simple and readily accessible - will highlight different aspects of the purchasing journey and the underlying drivers of consumption. Data that captures brand consumption across various channels, segments or markets and that provides a 360-degree view of the true cost to serve (across channel, product, supplier and production) will provide the greatest insights for strategic leaps and innovation.

Today's bold moves

- **Spend the time to build your optimal trade spend model at a product level, to ensure you don't under or over invest, not getting this right can be incredibly detrimental to your short and long term prospects.**
- **Support, inform and connect consumers to your products. Go beyond direct-to-customer to direct-to-value.**
- **Reinvent marketing models and build digital capabilities to support new sales models like Direct to Consumer trials across relevant SKU's, alongside traditional channels.**
- **Prioritise the building of a data and analytics function; democratise the data to support decision making at every level of the organisation.**

KPMG is specialised in helping CPG companies. From defining and operationalising customer driven strategies, to driving improvements and growth across end-to-end operations, we work with our clients to ensure they're able to not only respond, but thrive, in today's dynamic market.

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