

## 2010: Six Predictions for Downstream Data

by Lora Cecere

A downstream data information layer is a requirement to build outside-in or demand-driven processes. As companies accelerated their adoption of demand-driven processes in 2009, the use of downstream data increased. Although this isn't happening fast enough for application providers in today's crowded technology market, it *is* happening. Ever so slowly, the market is moving forward. It's becoming a reality.

The recent **Consumer Goods Technology (CGT)** conference showcased three case studies from leaders and signaled a change in the market. Never before has there been so much focus on downstream data case studies. Although specific results weren't shared, the general reporting was impressive, highlighting returns in months, not years. At a break, one innovator testing seven different pilots commented, "No matter which technologies I use, the use of downstream data makes forecasting, category analytics, or trade promotion management better."

"How much better?" I asked.

"Significantly better," was the response.

### The present state

The downstream data technologies deployed today can be grouped into one of three types:

- **Predictive analytics**—This includes optimization and pattern recognition software to drive insights for business decision making, such as vendor-managed inventory, category analytics, trade promotion management, demand forecasting, out-of-stock sensing, and trade promotion compliance.
- **Downstream datamarts with predefined data models**—These datamarts are for a limited persis-

tence layer (one to two terabytes) to support sales reporting for a limited number of accounts.

- **Demand signal repositories (DSRs)**—These are robust, centralized databases that store, harmonize, and normalize large volumes of demand data, including point of sale (POS), wholesale distribution information, inventory movement, promotional demographics, market demographics, third-party market content, and customer loyalty data, to support better decisions in the areas of category management, joint value creation, vendor-managed inventory, trade promotion management, supply chain management, and promotion management.

Expect 2010 to be a pivotal year for these technology segments as they take shape.

### The predictions

Here are our predictions for 2010.

#### *The market is at the tipping point*

The current technology market is approximately \$100M. Expect it to double or triple in 2010 as late adopters follow innovators into the market. It's currently taking shape in both North American and European markets.

### *Data will increase exponentially*

Data that's shared daily, with daily granularity, drives the greatest benefits. The results from the the **Food Lion** pilots with 30 consumer products (CP) companies have driven substantial returns for both parties. As a result, we believe that at least two additional North American regional players will begin to share daily data.

AMR Research also expects two brokers in the United States to begin offering data for major retailers. With the improvement in data sharing will come an increase in retailer expectations to use the data more granularly for store cluster category analytics and trade promotion offerings.

### *Software will coalesce*

Although the market has had three camps, we expect predictive analytic vendors to add a persistence layer and data warehouse providers to add a predictive analytics layer in 2010. Market applications will become more similar, with depth of the predictive analytics driving differentiation. Software as a service (SaaS) will be the preference for initial efforts. As companies gain experience with downstream data, large infrastructures evolving behind the firewall will be the solution of choice for mature clients.

### *The market will consolidate*

Today's technology market is very confusing. There are 12 small application providers competing for the hearts and minds of CP innovators. The market is too small to support the number of best-of-breed application providers.

For these reason, we forecast that one provider will be acquired within 30 days and that, in 2010, market consolidation will reduce the number of players by least 20%. By the end of 2010, **SAP** will become a player through a combination of partnerships, development, and work with consulting partners.

### *Syndicated data providers lose significance*

In the past two years, both **IRI** and **Nielsen** have launched numerous products to harness and use downstream data, all of which have largely failed. Neither the Symphony Liquid Data platform of IRI nor the Answers platforms from Nielsen have been equal to the task. The purchase of the Decisions Made Easy (DME) product in 2006 by Nielsen was seen as promising by the company's syndicated data users, but the scalability and usability issues have rendered it a non-player.

Although syndicated data providers will continue to be important as a source of channel data to calculate market share, market baskets, and shopper preferences, they've lost their chances to be major players in the downstream data technology race.

### *Digital consumer analysis will accelerate adoption*

The growing importance of digital couponing, mobile promotions, and guided shopping will increase the importance of DSR investments. As companies court the digital consumer, the use of downstream data will be used to determine success. The quick turnaround of downstream data analysis with daily data will be used to fine-tune programs and drive continuous improvement programs. The six-week latency of syndicated data won't be up to this task.

### **Soon, it's all about the data**

As companies mature, the focus will shift from getting data to using it. As this happens, data czars will emerge. The focus will be on metadata design, attribute-based models, and enrichment data. This will drive true market advantage as companies begin to compete on data strategies.

We've been following the evolution of the downstream data technology market for the last five years, and for the first time, the curtain is rising and the technology is becoming mainstream. We are approaching the tipping point. In 2010, it will no longer be about pilots and innovators. It will become the information layer for demand-driven decision making.