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# EMBRACING THE DIGITAL REVOLUTION:

## Five Digital Transformation Imperatives CPG Manufacturers and Retailers Need to Adopt and Execute Today

Insights from  
a SmartBrief  
and RSi  
webinar 2019

### EXECUTIVE SUMMARY

Significant shifts in economics, demographics and technology, combined with the rapid rise of e-commerce, are creating a highly competitive business paradigm that requires consumer packaged goods (CPG) companies and their retailer partners to reinvent themselves to succeed. A global digital transformation strategy, better data analysis, and stronger collaboration between CPG companies and retailers are key to meeting the needs of today's consumers and preparing for what lies ahead. Those were some of the key conclusions of top industry experts who took part in a webinar presented by SmartBrief and Retail Solutions, Inc. (RSi). During the webinar, entitled "[Embracing the Digital Revolution: Five Digital Transformation Imperatives CPG Manufacturers and Retailers Need to Adopt and Execute Today](#)," RSi's Jim Smits and Thom Blischok, one of the global retail industry's leading visionaries on CPG growth strategy, discussed five ways CPG companies and retailers can optimize their digital strategies.

## IMPERATIVE 1: CREATE A GLOBAL DIGITAL STRATEGY FOR EVERY FACET OF YOUR BUSINESS, FROM PRICING TO SUPPLY CHAIN

“Without question, we’re in...the fourth wave of retailing, where digital itself is redesigning the entire go-to-market strategy for most retailers and manufacturers,” Blischok said, noting that grocery is about three to four years behind most other industries that have gone digital. “What’s most important about the current transformation process is that for the first time, the shopper has basically said, ‘We will decide how we’re going to buy, and when we’re going to buy.’”

Nearly half of US consumers shop for CPG products online, according to research from the Food Marketing Institute and Nielsen, and an unclear picture of inventory can lead to out-of-stocks, particularly for in-store shoppers.

CPG companies need to consider not only the physical shelf but how to win at the virtual shelf, Blischok said.

The answer lies in more effective collaboration between retailers and CPG companies, which is facilitated by turning data into actionable insights.

“Digital itself is redesigning the entire go-to-market strategy for most retailers and manufacturers.”

– **Thom Blischok**

GLOBAL RETAIL FUTURIST



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of their time collecting and assimilating data, when this figure should be closer to **20%**.



## IMPERATIVE 2: INVEST IN DATA ANALYSIS THAT GOES BEYOND HISTORICAL VIEWS AND DELIVERS PREDICTIVE INSIGHTS THAT DRIVE PROFITABLE, FASTER ACTIONS

Many CPG companies and retailers suffer from being “data rich but knowledge poor,” Smits said. The richness, availability and granularity of data are greater than ever — to the point of being overwhelming. Harmonizing and cleansing massive volumes of data in real time is critical to making quality, bottom-line decisions, but this is no easy task. Blischok said most organizations are spending 60% to 80% of their time on the collection and assimilation of data, when really this figure should be closer to 20%. Using analytics on a prescriptive basis can help drive decisions for CPG companies and their retailer partners.

“A lot of companies that we work with struggle with ‘how do we move that knowledge piece into insight?’” Smits said.

A live poll conducted during the webinar reaffirmed this; half of the attendees who responded to the poll said they are only somewhat satisfied with their use of predictive analytics. Almost a quarter of respondents said they aren’t at all satisfied and find predictive technologies to be a major challenge.

Distilling information down into reports that have the right amount of detail based on who is viewing them is key to turning data into action, Smits said.

“RSi is building new technologies that allow the analyst to look at data in a way that helps them come to some conclusions very quickly and gives them the flexibility to drill down further into that data. Ideally, your analysts have the ability in a system to go deep, but as you move up the organization you want your data to be delivered through refined summary views,” he said, explaining that executive level reports should have clear cues based on what’s happening in the supply chain.

Concise reports tailored for certain personas allow CPG companies to shift from what Smits calls “a rearview mirror” view of the data to a predictive view that empowers them to have the right product in the right place at the right time.

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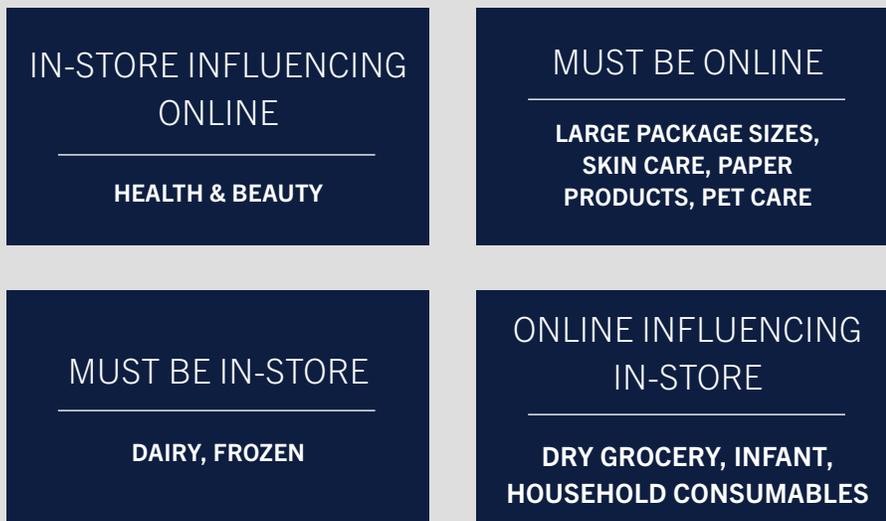
**IMPERATIVE 3: FIND A SINGLE VERSION OF THE TRUTH**

As consumers increasingly split their shopping between bricks-and-mortar stores and e-commerce, the question of what products should go where is key for both manufacturers and retailers. The issues of assortment, the virtual shelf, category segmentation and category profitability based on where the product is are very important when thinking about strategy in the emerging omnichannel environment, Blischok said.

“The manufacturers and retailers that are going to win going forward are going to manage to that objective,” he added.

Product type and package size factor into the decision about what should be online versus in-store.

OMNICHANNEL IMPORTANCE



OMNICHANNEL VALUE

The logic behind which products should go where will continue to evolve as consumers become more sophisticated and services such as auto-replenishment gain prominence.

“If you think about the core fundamentals of understanding how a retailer needs to work with their supplier, it starts with understanding the core basics of their businesses,” Smits said. “What are your best categories? What are your peak days? What are your peak demand items?”



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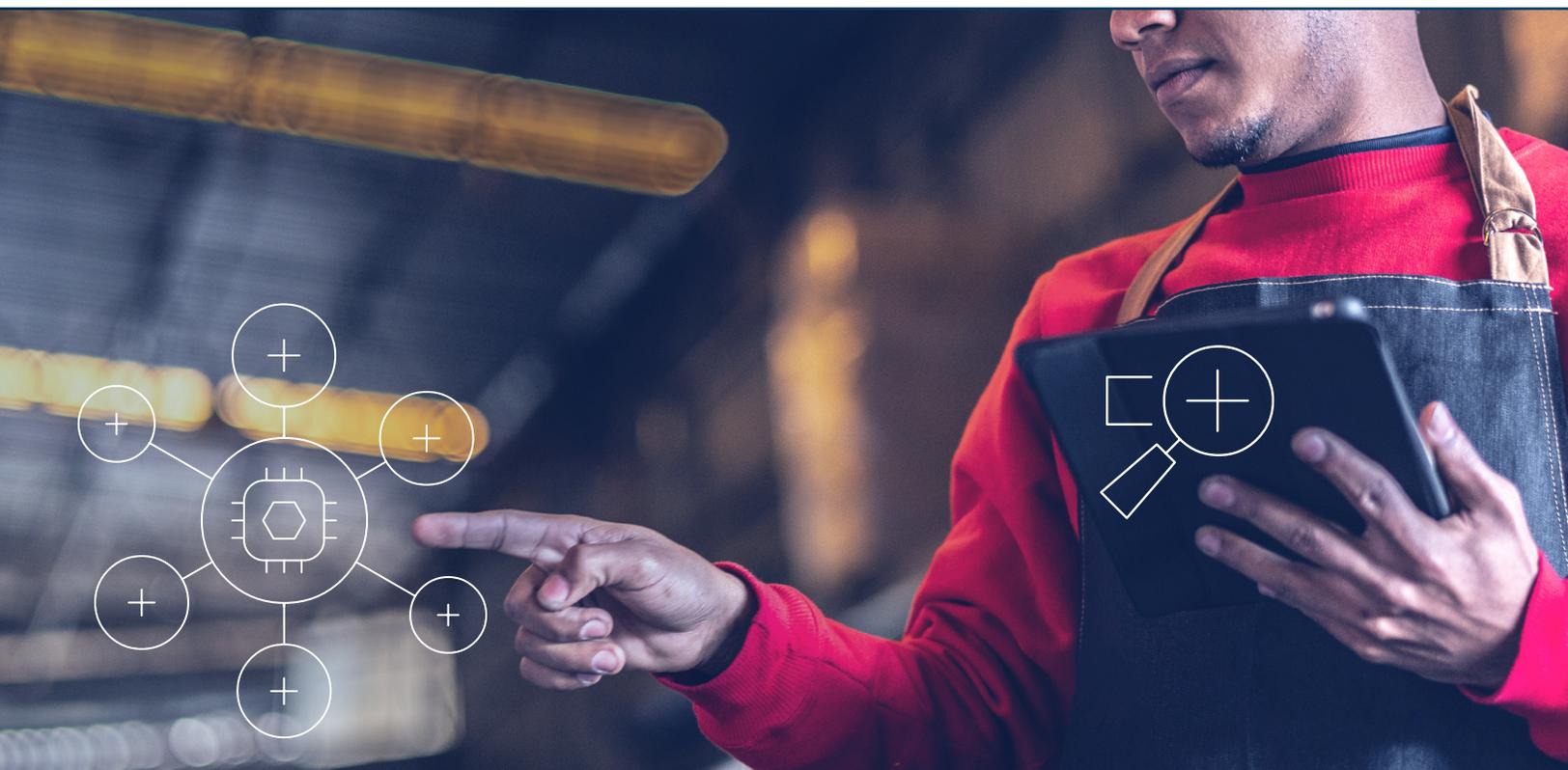
According to research from FMI and Nielsen, just **10%** of retailers and **30%** of CPG companies have the people, processes and technology in place to operate seamlessly and profitably in the omnichannel world.

Once this baseline is established, it's essential to understand where orders are being fulfilled to ensure products remain in stock at their ideal location. However, with products coming from a mix of stores and distribution centers, a breakdown in communication between manufacturers and retailers can quickly lead to out-of-stocks and a consumer experience that is far from seamless.

According to research from FMI and Nielsen, just 10% of retailers and 30% of CPG companies have the people, processes and technology in place to operate seamlessly and profitably in the omnichannel world. A retailer/manufacturer partnership is ultimately more successful when the two parties operate based on the same data.

“One version of the truth allows us to change the decision away from debate to action,” Blischok said. “We have to demystify. We have to reduce the complexity of data. We have to change the operating model. And, it starts with one version of the truth, coupled with one version of the analytics and one version of the call to action.”

Finding that single version of truth and getting on the same page as retailers are key to increased sales and higher profits for today's CPG companies.



## IMPERATIVE 4: EVALUATE YOUR APPROACH TO PROMOTIONS TO ENSURE YOUR PROMOTION INVESTMENTS DELIVER AN INCREASING ROI

Overreliance on traditional promotions is a mistake many retailers make, driven by outdated thinking and a lack of consideration for today's omnichannel reality. More than one-third of attendees polled during the webinar said they are looking for a better way to do promotions.

"The more progressive retailers are finding that promotion is important, but understanding the consumer in a much more dynamic way makes a huge difference," Smits said.

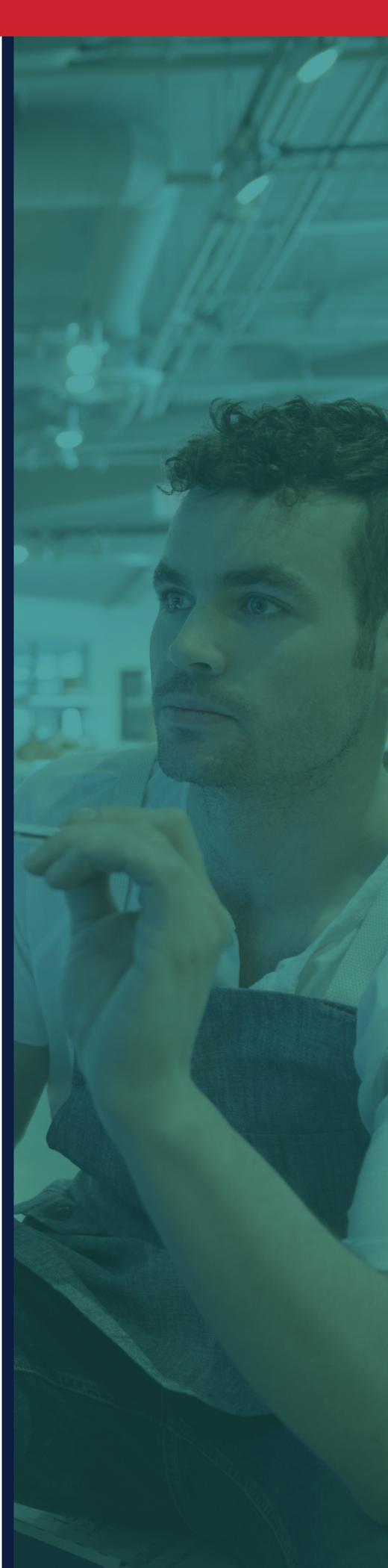
Using technologies that are available today — specifically artificial intelligence — and machine learning-enabled technologies — "you can get products to the right place at the right quantities to maximize sales, minimize markdowns and, more importantly, satisfy customers," he said.

Plugging in data such as weather forecasts or cold and flu season predictions can help manufacturers predict shopper behavior. Knowing that flu season will arrive early or that a cold snap is coming can drive a targeted strike with promotions of related items, such as cough and cold products.

"It would be fair to say that we may be at an all-time low of promotional effectiveness today, and it's because we're doing it independent of how people buy, especially in today's increasingly omnichannel world," Blischok said.

"The more progressive retailers are finding that promotion is important, but understanding the consumer in a much more dynamic way is making a huge difference."

— **Jim Smits**, VICE PRESIDENT, RETAIL DEVELOPMENT, NORTH AMERICA, RSI



Making sure that the shelf is right is probably the most important thing a retailer can do.

## IMPERATIVE 5: OPTIMIZE GO-TO-MARKET AND IN-STORE EXECUTIONAL STRATEGIES

Having the products shoppers want in stock and creating new products that serve their changing needs are critical to the future of CPG. Using digital technologies and creating productive, collaborative partnerships with retailers will be key to maintaining a competitive edge as consumer habits and the retail landscape continue to evolve.

Making sure that the shelf is right is probably the most important thing a retailer can do, Blischok said, noting that the solution isn't simply adding SKUs, it's adding the right SKUs.

"The retailers I see that are winning are the ones that start with the consumer. Everything they do is driven from the consumer's point of view," Smits said. "Don't disappoint consumers because there are too many options for them to do something other than shop at that particular store."

For retailers and manufacturers alike, the objective should be to serve the customer better, and at a lower cost, Blischok said, emphasizing the critical role of digital in achieving this goal.

"Digital technology is going to play a huge role in everything from innovation to how you promote to how you price — but more importantly, how you balance what occurs within the store," he said.

Beyond addressing and adopting these digital imperatives, success in this new retail environment will only be fully realized through active collaboration between CPG manufacturers and retailers. In retail, it truly does take two to tango, which means that CPG manufacturers need to create powerful, profitable partnerships with retailers to gain maximum benefit from these digital transformation initiatives. ■

For more insights from Blischok and Smits, [view the full one-hour webinar](#).

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### ABOUT RSi

RSi is the world's leading provider of proven digital transformation solutions that enable CPG manufacturers and retailers to grow, profit and rule — from supply chain to shelf. Twenty-seven of the world's leading CPG companies and nearly 250 of the top retailers trust RSi's unparalleled industry knowledge, best-in-class solutions, and deep data expertise to generate greater productivity and profitability. RSi's cloud-based data transformation engine is fueled by digitally enabled technologies that deliver real-time, actionable insights, seamlessly across every channel.