

CPG Sales Leaders Go Multichannel

A Guide To CPG Sales And Channel
Management In A Digital World

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Executive Summary

In order to increase consumer lifetime value and drive superior return on investment (ROI) in sales and channel management, consumer packaged goods (CPG) brands must develop the capability to collaborate digitally with retailers and distributors. This will enable them to accelerate new product introductions and improve store execution. It will also improve ROI in marketing, improve consumer service and availability, and lift sales to consumers through traditional and digital channels

By more deeply integrating sales and marketing and using appropriate digital, mobile, and social technologies, CPG brands can directly facilitate and speed the path-to-purchase.

To achieve their growth targets, CPG brands need to deliver and market a consistent, relevant consumer experience across multiple sales channels to reach target consumers around the world in a more effective manner and appeal to their anytime, anywhere shopping expectations. However, while digital channels can improve the consumer experience and amplify sales through traditional channels, CPG sales leaders are still more aware than their marketing colleagues of how a lack of internal integration can result in challenges to deliver on consumer expectations. For example, if sales and marketing do not have holistic visibility into every consumer interaction, they may not pursue the most effective engagement strategy for each consumer segment.

Digital collaboration between retailers and distributors can help to accelerate new product introductions, improve planogram accuracy and replenishment, and lift revenues while reducing markdowns and driving superior inventory turn. CPG firms should apply more digital technologies and online best practices to in-store selling and consumer engagement. Conversely, they should drive more online sales by leveraging in-store merchandising best practices, such as complementary placement and cross-selling, in their digital channels.

In May 2014, Accenture commissioned Forrester Consulting to evaluate the opportunity for CPG sales leaders to drive more profitable sales through a seamless multichannel approach that increasingly leverages digital technologies in traditional sales. Forrester developed a quantitative survey to test the assertion that brands will struggle to drive profitable sales growth in the future without a consistent, relevant, and timely consumer experience across multiple

sales channels, including digital and traditional. They will have to integrate direct-to-consumer marketing and direct-to-consumer selling, as well as traditional consumer selling, to deliver consistently relevant interactions that drive sales and loyalty. This will require greater internal integration across marketing, sales, service, supply chain, and research and development (R&D).

Results from in-depth surveys with 56 CPG heads of sales at the VP or chief sales officer level, along with 75 sales leaders at the account director level, show that sales leaders are keenly aware of the opportunities offered by digital technologies. While they expect smoother new product introductions and better coordinated promotional campaigns, they see challenges in the quality of data available and in the integration of departmental and channel initiatives.

KEY FINDINGS

Forrester's study yielded four key findings:

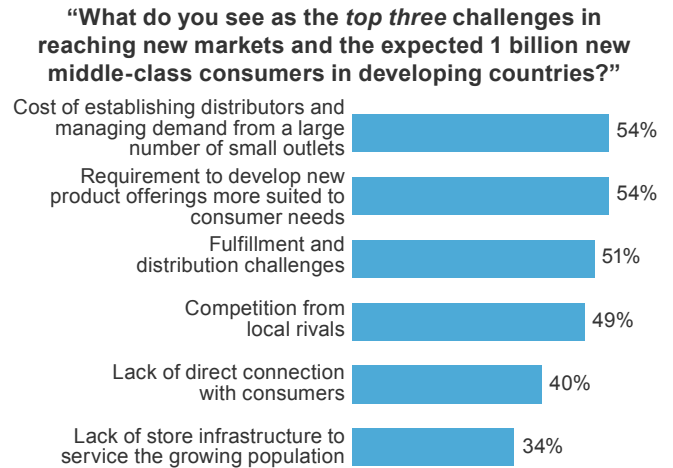
- › **Marketing and sales do not agree about barriers to cross-channel selling.** Compared with their marketing counterparts, sales leaders perceive a lack of internal integration as a barrier to success.
- › **In-store selling must adopt online engagement best practices and vice versa.** Brands must leverage online best practices to deliver a differentiating level of engagement with consumers as they execute specific trip missions. They anticipate capitalizing on the digital store experience via kiosks, shelf talkers, magic mirrors, and consumers using mobile devices in the store. In order to boost online sales, brands should adopt in-store best practices such as complementary product placement and cross-selling.
- › **Digital collaboration drives sell-through.** Brands are committed to digital collaboration with retailers and distributors to accelerate new product introductions, improve store execution and availability, and pool actionable insights to increase consumer loyalty, wallet share, and lifetime value.
- › **CPG brands use digital channels to serve new markets.** Brands believe that store infrastructure will evolve too slowly to serve the 1 billion new middle-class consumers in emerging markets and that they will reach these consumers faster through digital channels.

Digital Path-To-Purchase Offers Promise Of CPG Sales Growth

Data from the study showed that CPG heads of sales and CPG account directors are acutely aware of changes in the commercial environment that offer threats and opportunities to their present sales approach. We asked them about the factors that will encourage more intensive channel management and integration to reduce the number of clicks between CPG brand engagement or product discovery and purchase. We explored the ways in which digital can influence or amplify sales through traditional channels like stores and distributors. Forrester heard about:

- › **Expected growth in emerging markets.** Three-fifths (60%) of CPG heads of sales surveyed expect that emerging market revenues for the categories for which they are responsible will catch up with those in Europe and North America in three to five years' time.
- › **Challenges in establishing modern trade in emerging markets.** CPG heads of sales anticipate significant challenges in establishing channels to reach the 1 billion new consumers in emerging markets. They identified cost (54%), development of suitable product offerings (54%), and fulfillment challenges (51%) as being the top three greatest challenges (see Figure 1).
- › **Anticipated increase in trade funds to defend share of developed markets.** More than two-fifths (43%) of CPG sales leaders consider trade incentives to be the top challenge in defending market share in developed markets. A further two-fifths (43%) of CPG sales leaders expect that mobile engagement in emerging countries will increase frequency of purchase. CPG account directors believe the cost of trade will increase significantly, with more than half (56%) estimating that trade spend is between 6% and 10% of gross revenues (see Figure 2). Only 21% of account directors expect the proportion of trade funds to fall or remain the same in the next five years.

FIGURE 1
CPG Sales Directors Can't Easily Reach New Markets

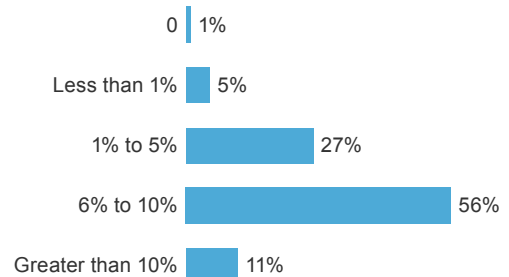


Base: 56 sales leaders at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

FIGURE 2
CPG Account Directors Expect High Trade Spend

“How much as a percentage of gross global revenues is the cost of trade promotions today? If you manage distributors, what do you estimate as the cost in margin and incentives of distribution to reach your market?”



Base: 75 account directors at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

CPG Sales Shorten The Path-To-Purchase

Our survey respondents agree that multichannel management and direct-to-consumer selling through digital channels, in addition to traditional retail, offers attractive advantages. Heads of sales and account directors told us that:

- › **Facilitating a purchase in just one or two clicks wins market share.** Three-quarters of CPG sales leaders believe that facilitating a purchase via digital or mobile channels is extremely valuable for the organization.
- › **CPG firms lack rigor in exploiting digital channels.** Most CPG firms (66%) can identify online the stores that normally stock their brands (see Figure 3). Fifty percent can even confirm current availability by store using digital channels. But only 38% use digital technologies to drive planogram compliance, and only 30% use digital technologies to drive perfect order and perfect delivery

programs with retail partners. Consumer brands need to sharpen their ability to sell directly to consumers, as well as use digital technologies to more effectively collaborate with existing channels such as retailers and distributors.

- › **Sales leaders expect economies from direct-to-consumer selling.** Of heads of sales, 51% expect that selling directly to consumers would yield a savings of between 6% and 10% in production, transportation or warehouse capacity. A further three-fifths (63%) expect a savings of between 6% and 10% in trade funds and channel incentives.

FIGURE 3
More Than Half Of CPGs Provide Location-Aware Direct Selling



Base: 56 sales leaders at global CPG organizations

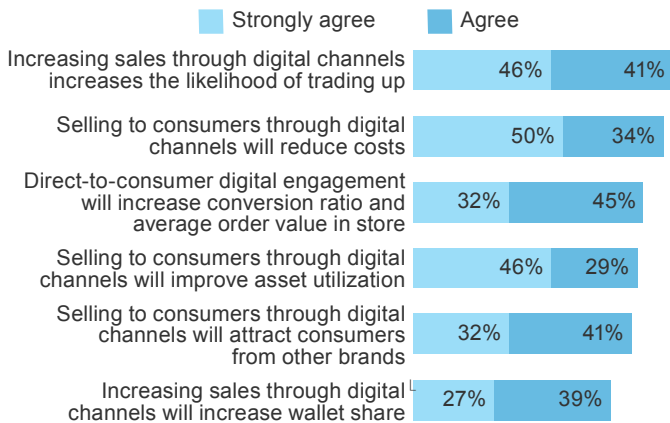
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

› **CPG sales leaders anticipate the most benefit from upsell, reduced supply cost and better asset utilization.** Half (50%) of the CPG sales leaders surveyed strongly agree that exploiting digital channels will reduce the cost of servicing customers. In addition, almost half (46%) also strongly agree that digital transformation improves the chances of consumers trading up (see Figure 4).

FIGURE 4

CPG Sales Leaders Expect Most Benefit From Upsell And Improved Asset Utilization

“To what extent do you agree with the following statements regarding the main benefits to your firm of increasing the proportion of sales through a digital channel rather than a traditional retail channel?”



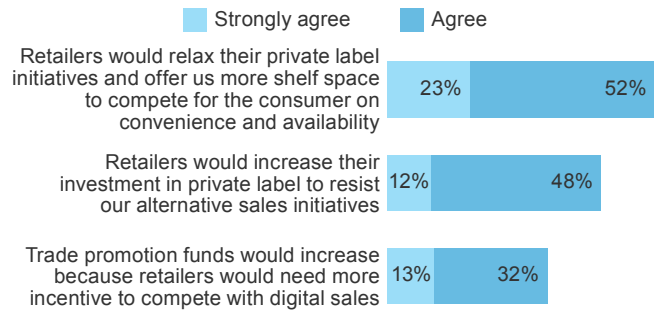
Base: 56 sales leaders at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

FIGURE 5

CPG Account Directors Expect Positive Outcome From Digital Collaboration

“If your brand could sell to consumers through digital channels, to what extent do you agree with the following statements”



Base: 75 account directors at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

› **Account directors anticipate positive impact from digital collaboration.** A majority of account directors (75%) expect digital transformation to improve collaboration with retailers and distributors, which will improve availability and make best use of shelf space and trade funds (see Figure 5). Account directors face increasing scrutiny from CPG CFOs about the effectiveness of trade funds, and they need digital evidence of collaboration driving results.

CPG Sales Must Overcome Barriers To Enjoy Digital Transformation

Sales leaders and account directors are acutely aware of the threats and opportunities of digital disruption for their brands and markets and have started to increase their focus on digital channels, media, and selling. They anticipate benefits from further investment but also perceive barriers to overcome. Almost four-fifths of CPG heads of sales (77%) strongly agree or agree that local market regulations restrict the opportunity for digital transformation, with 71% agreeing that logistical challenges and a lack of consistent shared

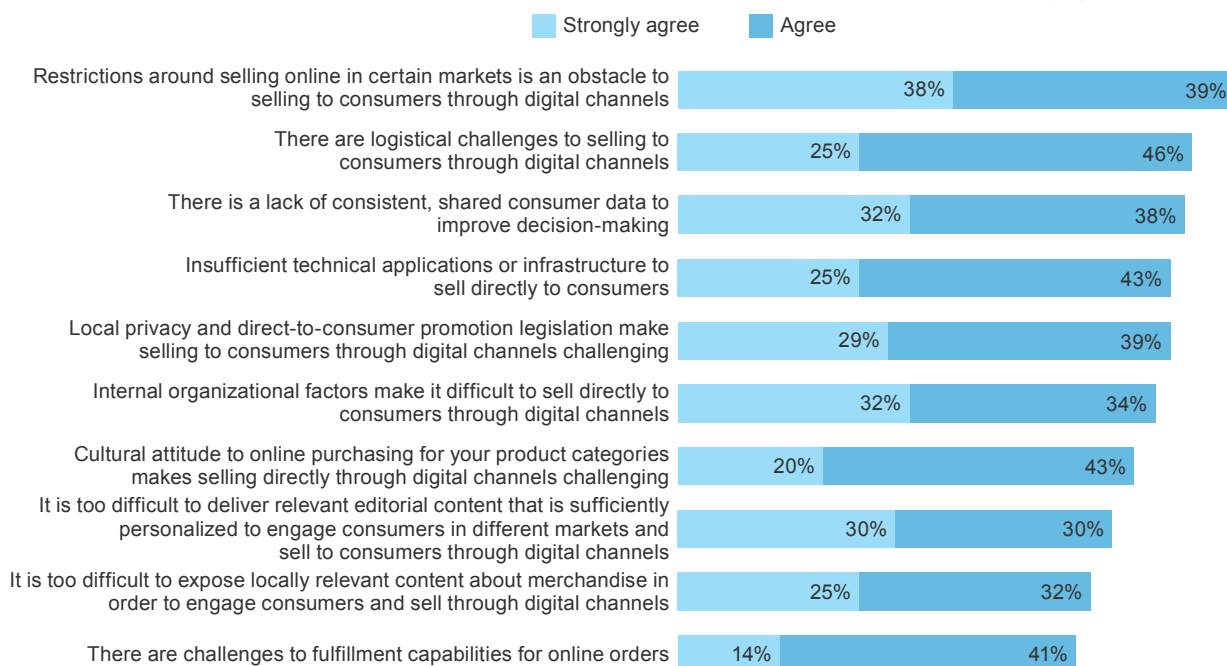
data offer a challenge to digital transformation (see Figure 6).

However, in a parallel survey of CMOs and brand managers, Forrester found that sales leaders believe more strongly than marketing that responding to the threats and opportunities of digital disruption requires greater organizational integration across functions.¹

FIGURE 6

CPG Sales Leaders Identify Local Market Regulations And Logistical And Data Barriers To Digital Transformation

“What do you see as the main obstacles to digital transformation of direct-to-consumer engagement and sales?”



Base: 56 sales leaders at global CPG organizations

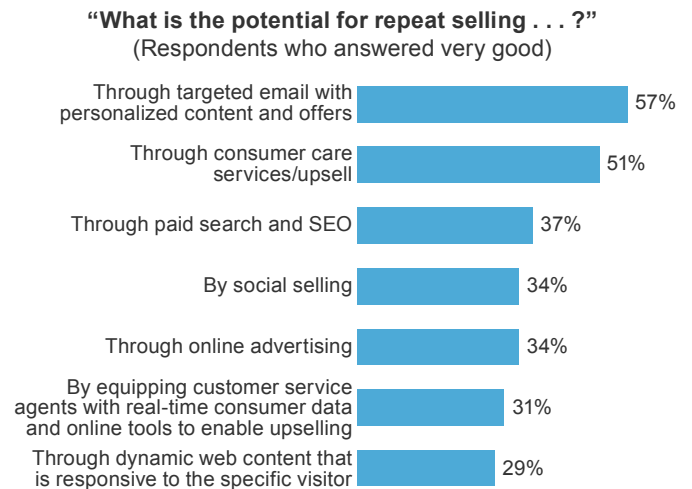
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

CPG Sales Leaders Anticipate Huge Digital Transformation Benefits

Our respondents showed acute awareness of digital disruption in CPG markets. They described their aspirations to undertake wholesale transformation of the processes that they use to manage their channels and sell products and services, and they also described in detail the barriers they must overcome. They told us that they expect to reap the benefits of digital transformation in:

- › **“Upsell” through targeted email and consumer care services.** A majority (57%) of heads of sales believe that the potential for upselling through targeted email is very good (see Figure 7). A slim majority (51%) believe that digital engagement in consumer care services offers very good scope for upselling consumers.
- › **Marketing mix optimization.** A significant majority (67%) of CPG account directors see moderate or significant potential for digital technologies to amplify sales through traditional channels, improving the allocation of marketing spend and driving mutually beneficial retail relationships and execution to improve sell-through.

FIGURE 7
CPG Sales Leaders Anticipate Most Potential Sales Uplift From Email And Consumer Care Services



Base: 56 sales leaders at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

Increase Sales And Improve Channel Management Through Digital Transformation

In order to increase consumer loyalty and lifetime value, sales, and channel management, CPG brands must develop the capability to collaborate digitally with retailers and distributors. This will enable them to accelerate new product introductions, improve store execution and ROI in marketing, improve consumer service and availability, and sell to consumers through traditional and digital channels. In order to do this, they must:

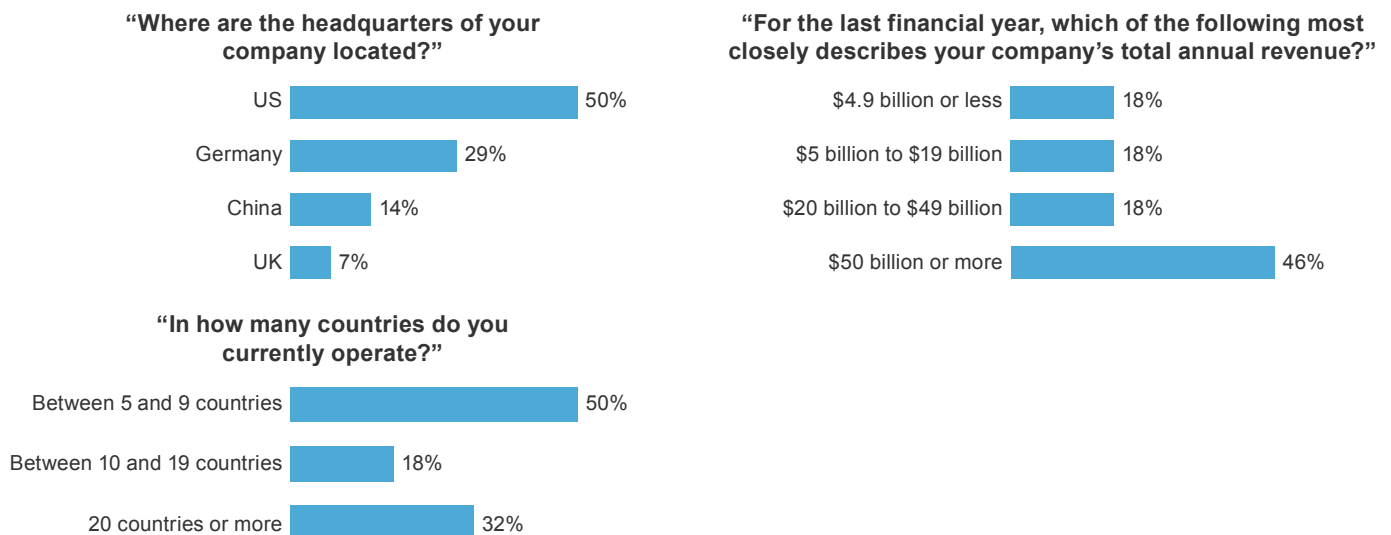
- › **Enable collaboration and quality assurance with distributors and retailers.** CPG brands need to enable secure, authenticated transactions across the public Internet, delivering scalable collaboration with retailers and distributors and delivering the practical capability to serve the 1 billion new middle-class consumers in emerging markets.
- › **Use digital technology to drive business-to-business-to-consumer (B2B2C) sales.** Brands need to implement applications that promote simple selling both directly to consumers and to consumers via established retail and distributor channels. They need an application architecture that enables them to sell through social channels — for example, invoking online sales from a microblog to complement more traditional order-to-cash processes. They need to drive high levels of digital collaboration with partners by, for example, sharing digital content for their websites or digital planograms for their store execution, and through mobile applications and kiosks deployed in-store. They need to anticipate further channel development through automated vending and the Internet of Things, and the devices that consumers have in their digital homes.
- › **Use digital channels to help enter new markets.** In developing markets that lack the store infrastructure of Europe and North America, the fastest and cheapest way for consumer brands to satisfy latent demand for their offerings is to collaborate digitally with local distributors to develop the right offerings for each market. Brands also need shared forecasting, planning, and replenishment processes to facilitate digital and mobile collaboration between distributors and local retail or fulfillment channels.
- › **Deploy capabilities appropriate for each market type.** Unique approaches to each market are unlikely to be economically sustainable. Brands need to group markets with similar characteristics. For markets with similar commercial success models, brands must identify the market archetype and exploit these markets using a common operating model.
- › **Adopt in-store best practices online and vice versa.** Where permitted by local regulations, brand sales teams should adopt in-store best practices in online offers, such as two-for-one or cobranded loyalty programs. They might also collaborate on support for local marketing, superior availability, and customer service. Equally, stores should use digital technologies to maintain engagement and enhance personalization. This will improve conversion and average order value and entice consumers to make more frequent repeat visits.
- › **Review infrastructure and security.** Brands will deploy enterprise content — images and merchandise descriptions — to consumers' mobile apps. Brands need to move their infrastructure to the cloud to manage the unpredictable fluctuations in demand on exposed services. They will also need to use cloud infrastructure to power collaborative planning between retail category managers and CPG account teams. This will allow them to find the best portfolio of merchandise across hundreds of stores and thousands of line items, the best portfolio of promotions and new product introductions, and the best assortment depth facings and adjacencies.

Appendix A: Methodology

In this study, Forrester surveyed 56 heads of sales at the VP or chief sales officer level and 75 account directors with responsibility for sales strategy and execution in global CPG manufacturers around the world. Our survey respondents were from firms with headquarters in the US, UK, Canada, China, and Germany, with most of them operating in between five and nine countries. The study began in April 2014 and was completed in May 2014.

Appendix B: Demographics

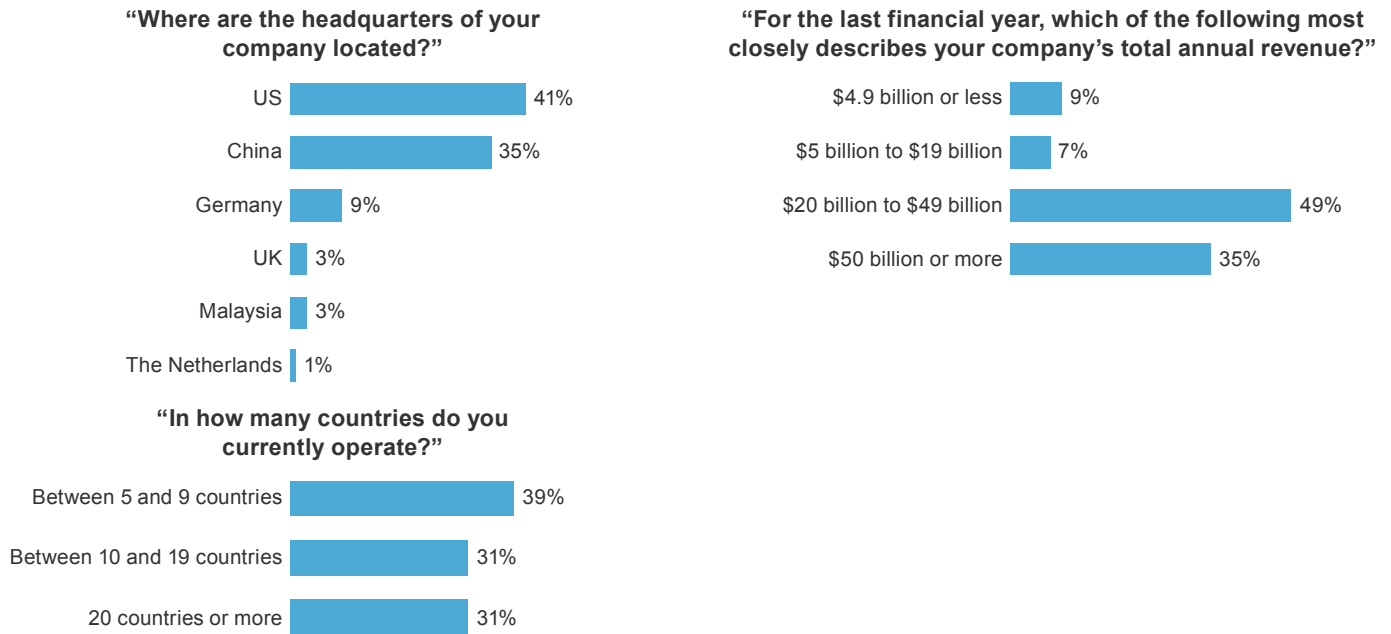
FIGURE 8
Survey Demographics — Sales Directors



Base: 56 sales leaders at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

FIGURE 9
Survey Demographics — Account Directors



Base: 75 account directors at global CPG organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, May 2014

Appendix C: Endnotes

¹ In a parallel study, Forrester surveyed, in total, 35 heads of marketing at the VP or CMO level and 95 brand managers with responsibility for marketing and digital marketing strategy in CPG firms around the world. The survey respondents were drawn mostly from firms with headquarters predominately in the US and UK, as well as firms in China, Germany, Canada, Australia, and Malaysia, with most of them operating in between five and nine countries. The study began in April 2014 and was completed in May 2014.