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# Winning in consumer packaged goods through data and analytics

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Our 2016 survey of North American companies highlights best practices in customer and channel management.

**Consumer-packaged-goods (CPG)** companies today are dealing with a host of challenges—including political and economic uncertainty, value-conscious consumers with fast-changing needs, and intensified cost pressure due to retailer consolidation and the rise of hard discounters. Against this backdrop, growth has been particularly elusive for the largest CPG players: over the past four years, large food-and-beverage manufacturers—which account for about half of total category sales—have remained stagnant, growing only 0.3 percent on average per year. By contrast, midsize companies have expanded sales by 3.8 percent and small companies by 10.2 percent.<sup>1</sup>

But irrespective of size, certain best practices set the most successful CPG companies apart from their competitors. Our latest survey of North American CPG companies, developed in partnership with the Grocery Manufacturers Association and Nielsen, brings to light the customer- and channel-management practices of “winners”—companies that outperform their peers in the categories in which they compete.<sup>2</sup>

## Five imperatives for growth

As once-average performers have upped their game, it's become harder for CPG companies to differentiate themselves. The survey results bear this out: the gap between winners and others in sales strategy, for instance, has narrowed significantly—from a difference in sales-growth performance of 5.4 percentage points in 2014 to a mere 1.1 percentage points in 2016. Yet even this small gap can be worth tens of millions of dollars in sales and is meaningful in today's slow-growth market. We have identified five imperatives for CPG companies seeking to break away from the pack.

### 1. Identify pockets of growth and align resources against them

Winning companies invest in specific capabilities. Even as they continue to build functional expertise (in shopper insights or pricing, for example), they also invest in securing exhaustive data from retailers. Our survey revealed that all winners receive full-basket and shopper-panel data from retailers; most winners also receive loyalty-card and coupon-redemption data.

<sup>1</sup> According to Nielsen data on non-private-label manufacturers. A total of 27 companies are categorized as large, approximately 400 as midsize, and about 20,000 as small.

<sup>2</sup> Since 1978, McKinsey has conducted the Customer and Channel Management Survey to understand the winning practices of consumer-packaged-goods companies. More than 250 companies in 19 countries, with combined revenues exceeding \$2 trillion, participated in the most recent global survey. The 2016 North American survey, which is the basis of this article, garnered responses from more than 30 companies.

The most forward-looking CPG companies recognize that such data will help them better understand—and expand into—high-growth areas. Today, the industry’s pockets of growth include specific channels (namely, omnichannel retailers, regional grocery chains, discounters, club stores, and dollar stores), demographic groups (millennials), and consumer segments (value-oriented consumers).

As they make assertive moves in these high-growth areas, winning companies are more likely to blur the lines between sales and marketing. Some companies have formed commercial or market-development teams that serve as “translators” or integrators; other companies have created new roles within both the sales and marketing functions to link the two more closely together.

## 2. Overinvest in ‘power partnerships’ with the most important customers

While all survey respondents said they engage in joint business planning, winners are 2.6 times more likely to dedicate resources exclusively to retailer collaboration. Winners nurture what we call “power partnerships” with their most important customers—they hold more frequent top-to-top meetings (40 percent of winners, compared with only 7 percent of others, engage in top-to-top conversations at least three times per year), they’re more likely to involve the CEO and category-management leads in these meetings, and they focus on cross-functional collaboration across the value chain.

Retailers in these power partnerships, for their part, are increasingly requesting more shopper insights. Most CPG companies are only in the early stages of using insight-based selling, but they are already sharing data with key accounts frequently: 75 percent of winners share data with key retailers every week, while the remaining 25 percent share data in real time on an as-needed basis.

## 3. Take a data-driven approach to revenue-growth management

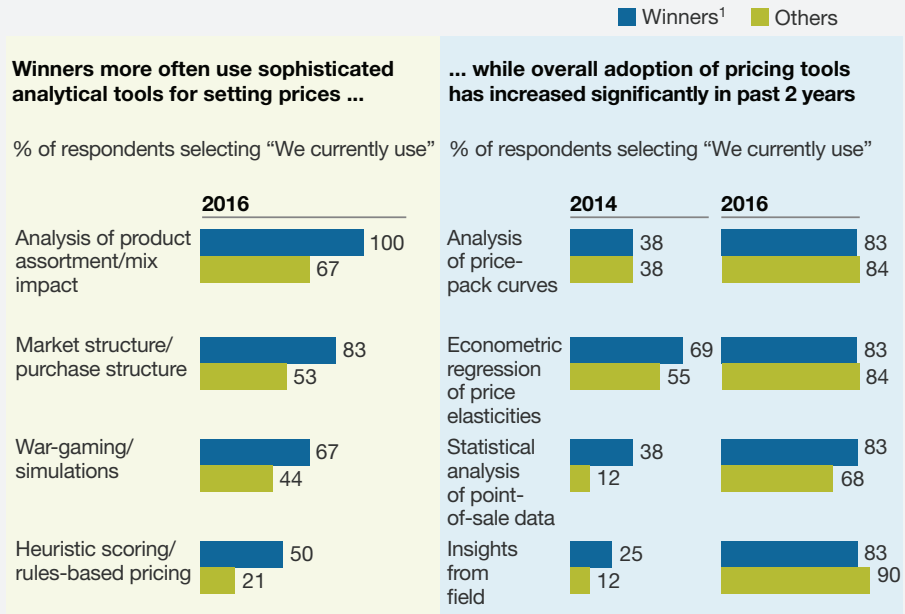
As companies increasingly integrate their decision making around pricing, trade promotion, and assortment, revenue-growth management (RGM) has become a buzzword. Companies that excel in RGM have seen margin expansion of up to five percentage points.

Winning companies tend to have invested in advanced analytics, big data, and cutting-edge RGM technologies. For instance, more winners than others use sophisticated analytical tools and techniques to set everyday shelf prices (Exhibit 1).

The winners’ approach to trade investment is similarly data driven. They differentiate trade investments using metrics that cover both outcomes (such as net sales) and activities (such as placement of promotional displays). They track a comprehensive set of key performance indicators and conduct formal reviews, paying special attention to deviations from trade-investment guidelines and imposing more stringent consequences for overspending (such

## Exhibit 1

Winning companies are more likely to use advanced analytical tools to set everyday shelf prices.



<sup>1</sup>Winners defined as companies that outperform peers in categories in which they compete.

Source: 2016 Customer and Channel Management Survey (question: When setting price strategy across recommended everyday shelf prices, what are the analytical methodologies/tools you use?)

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as withholding incentive pay from field reps or canceling planned events with the retailer). All winners use both trade-promotion-management and trade-promotion-optimization tools.

Their assortment decisions, too, are fact based. Winners make bigger and more frequent adjustments to their SKU portfolios and are more likely to weigh profitability, feedback from the customer and sales team, and supply-chain complexity in making SKU additions and deletions. When it comes to proposing assortment changes to retailers, winners are much more assertive: they consider all products, including retailers’ private-label products, within scope for proposals. By contrast, nonwinning companies propose changes that involve only their own products and, in some cases, their competitors’ branded products. Furthermore, to persuade retailers to adopt their proposed changes, all winners cite not only the financial impact for the retailer but also qualitative consumer research.

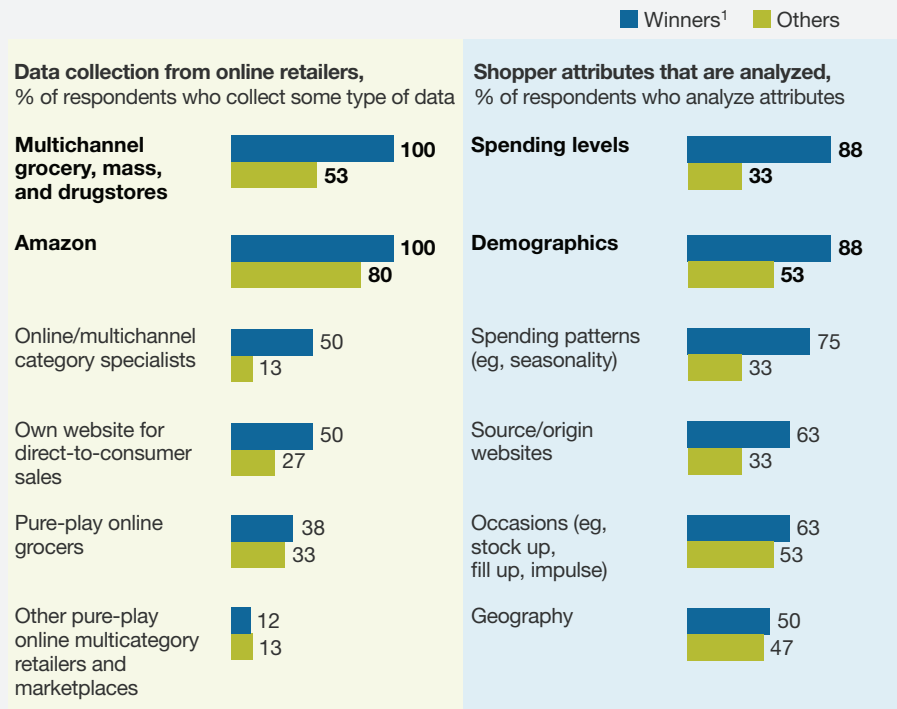
### 4. Commit to omnichannel retail

CPG companies today believe that the top driver of change over the next five years will be e-commerce—in particular, Amazon’s continued growth. (Demographic shifts, which was the top response in the 2014 survey, slipped to second place in 2016.) It’s therefore not surprising that companies are partnering closely with Amazon, with 29 percent of winners colocating account teams in Amazon’s offices. An additional 14 percent plan to do the same within two years.

That said, winners are also placing bets on sites beyond Amazon. Most winners plan to increase investment in multichannel grocery, mass, or drug retailers such as Walmart.com and Kroger.com. Half of winners—but only 7 percent of others—plan to increase investment in online or multichannel category specialists such as Diapers.com<sup>3</sup> and Sephora.com. In addition, they use their own e-commerce-enabled websites to enhance consumer experience, strengthen brand presence, collect data and develop insights, and test new products and promotions. Winners obtain and analyze more data from online retailers to better understand online shoppers (Exhibit 2), and they allocate 2.4 times more employees to online sales than others do.

## Exhibit 2

### Winners obtain and analyze more data from online retailers, helping them better understand online shoppers.



<sup>1</sup>Winners defined as companies that outperform peers in categories in which they compete.

Source: 2016 Customer and Channel Management Survey (questions: What data does your company collect from online retailers? Which of the following shopper attributes does your company analyze to better understand your online shoppers and their shopping behaviors?)

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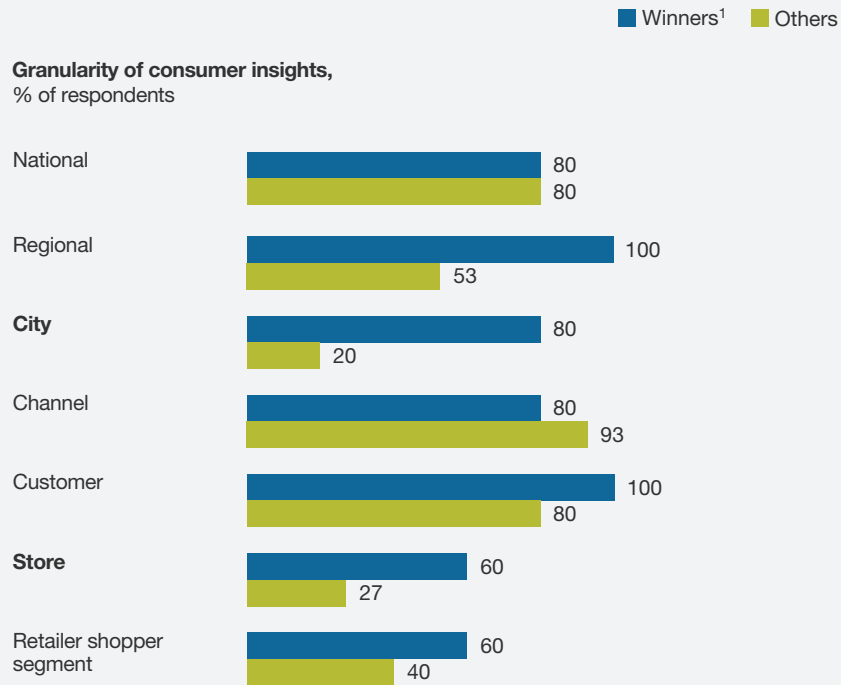
<sup>3</sup>Diapers.com is owned by Amazon but operates as an independent entity.

### 5. Develop an 'insights factory'

Executives in winning companies are twice as likely to view advanced analytics as critical to business strategy. Those companies build an “insights factory”—analytical models, tools, and processes—that can generate city-level and store-level insights, informing decisions across the commercial organization (Exhibit 3). Most winners refresh consumer or shopper insights each month.

#### Exhibit 3

Winners are significantly more likely to generate city-level and store-level shopper insights.



<sup>1</sup>Winners defined as companies that outperform peers in categories in which they compete.

Source: 2016 Customer and Channel Management Survey (question: How granular are your channel/retailer shopper insights?)

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Choices made by the sales organization can yield meaningful differences in company performance. Many of these choices will require companies to develop or acquire new skills. The five imperatives show that by leveraging big data, tools, and insights to power their customer- and channel-management strategies, CPG companies can differentiate themselves from the competition. [□](#)

[Download the full report on which this article is based, \*A tight race in consumer packaged goods: How to win with big data, tools, and insights\*, on McKinsey.com.](#)

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