

## AUTOMATED ANALYTICS

### CREATING THE 21ST CENTURY SHOPPING EXPERIENCE



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As the digital age advances, and consumer goods companies begin to utilize alternative marketing methods to reach their consumers, analytical tools and the insights born from them will become even more important to success. I recently sat down with Sunny Garga, President, Business and Consumer Insights, Information Resources Inc. (IRI), to gain his perspective on the current state of and future trends in analytics.

#### **There are many new ways for consumer packaged goods (CPG) companies to gain consumer insights. Can you identify some of the new methods and the challenges associated with leveraging them?**

**GARGA:** Today's CPG companies are looking at new, sophisticated approaches to gain a much deeper knowledge of consumers and shoppers. The consumer's ability to research products has exploded as a result of simple online research tools, blogging, social networking, mobile media and Second Life. These resources enable people to share information on everything from avocados to automobiles. CPG companies are eager to tap into the massive well spring of consumer insights and opinions that exist there.

Concurrently, CPG companies are demanding a new generation of analytical solutions to give them a holistic understanding of these consumer insights. Manufacturers want to know what information consumers are receiving and how they are receiving it. They want to know every touch point a consumer has with a product. They want a fully integrated view of how consumers are learning about a brand, how they are buying and using it, and what they are saying to each other about it. They want integrated consumer shopper intelligence. They want their brands to have a more personal relationship with their consumers.

#### **How will automated analytics help CPG companies better understand the volumes of data that they collect?**

**GARGA:** The CPG industry collects the most rich and granular data. Unfortunately, the solutions to analyze that data have lagged. We have 1970's analytics attempting to process a 21<sup>st</sup> century volume of data. Insights today are often slow, non-integrated and disconnected.

However, a new and exciting generation of analytical solutions is emerging. In many ways, these solutions are the Google of marketing information. They integrate consumer shopper information, make it available to CPG companies in formats that are easy to access, generate information in real time and enable managers to create insights on demand. This information is more complete, more integrated, more current, more local, and enables much faster, better and relevant insights.

#### **How do you envision automated analytics being utilized more holistically – moving beyond the sales and marketing functions?**

**GARGA:** Focusing on a few areas enables automated analytics to achieve many results. There are five critical components to the new wave of analytical solutions. These include providing continuous insights as the tools collect new information, reducing what IRI calls "time to insights" by 50 percent to 75 percent and incorporating much more forward-looking analyses so that managers can predict the success of future activities. New solutions will also help CPG companies understand and better leverage all touch points they have with the consumer. Finally, these new tools will allow CPG managers to quickly and easily incorporate data from disparate solutions, both traditional data and the wealth of unstructured data from blogs, chat rooms, social networking sites and similar sources.

CPG managers should think of these new analytical solutions as a 16-cylinder car with a governor that controls the speed. Not everyone is capable of driving it and not everyone needs to have one. The best of these new solutions are flexible enough for all managers. Some managers need just

basic integrated analytical solutions, just six cylinders of the car, if you will. With a few clicks they can receive the basic insights they require. Other managers need more advanced, comprehensive solutions that include guided analysis. This is the eight-cylinder solution. Finally, the most sophisticated users are able to easily generate the highly-detailed, integrated analytics they need.

When harnessed to their maximum abilities, these new solutions will enable CPG companies to enjoy a five to ten times improvement in the quality of their information and insights, with considerable time and cost savings. Think of these solutions as a 16-cylinder car that gets 100 miles to the gallon — do a lot more with a lot less.

### **What role will improved analytic capabilities play in manufacturer/retailer collaboration?**

**GARGA:** Another driver of improved analytics is the movement toward increased manufacturer/retailer collaboration. Retailers think of their business very differently from manufacturers. Manufacturers think about brands, competitors and specific categories. Retailers think about shoppers, locations, assortments and store clusters. They study the entire category, the entire aisle and the entire shopping experience — all from the shopper's standpoint.

The new generation of advanced analytics integrates data from both manufacturer and retailer databases, provides a comprehensive, integrated view of the consumer/shopper experience, includes the flexibility to provide critical information and insights to both manufacturers and retailers, and creates a “single version of the truth” with which manufacturers and retailers can effectively collaborate.

### **What is the future of insights and analytics?**

**GARGA:** The future of analytics revolves around four critical needs beginning with a much deeper understanding of consumers and shoppers — who they are, what they buy and why, evolving from a homogeneous understanding to an almost individualized understanding. With this highly-individualized information, manufacturers can design marketing messages and promotions that are significantly relevant to consumers at a local level. Once manufacturers can segment

shoppers down to a few people — no more Rogaine promotions to people who aren't bald! The only way to achieve this level of segmentation and individualized promotion is by integrating all the knowledge about the consumers and shoppers and applying the most powerful, high-speed analytics available. CPG companies can't get away with incremental innovation. They must develop breakthrough innovation and insights based on the better consumer/shopper intelligence, powered by automated analytics.

### **How can CPG companies find new product gems in a recession?**

**GARGA:** The issue of finding new product gems goes beyond simply whether the U.S. economy is entering a recession. Our economy is in a period of profound change, driven by several factors. A weakening dollar has raised the cost of foreign goods and shoppers that last year bought a premium product, may this year purchase a more affordable brand. Increasing commodity prices have rippled through an enormous range of consumer goods. As corn is increasingly diverted to ethanol production, for example, the cost of foods that include corn, corn syrup and related products, have jumped. The annual inflation rate for food and beverage products jumped to 4.9 percent in 2007 from 2.5 percent in 2006. Yet, consumers' changing preferences as prices rise are often counterintuitive. For example, IRI research reveals that in 2000 to 2006, butter and coffee demand was significantly more elastic than men's fragrance and super premium alcohol beverages.

But in today's evolving economy, the elasticity models of 2000 to 2006 won't hold, and those CPG companies that make assumptions based on that data do so at their peril. Today's new analytic tools will enable them to draw new conclusions about elasticity based on data collected just hours or days ago rather than four or five months ago when opportunities may have passed.

New analytical tools represent a tectonic shift in the value that CPG companies can generate from effective leveraging of their data assets. Armed with the most current information, CPG companies can implement much more accurate, customized strategies in less time and at significantly less cost. Analytics have finally caught up to the 21st century. **CG**