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IRI's Wadhvani Wins RCR's MR Speech of the Year

Dr. Romesh Wadhvani, Chairman of Symphony Technology Group (Palo Alto, CA), threw more than \$100 million of capital into Information Resources, Inc. (Chicago, IL) when he bought the business in December 2003. He then understandably focused many of his personal and professional resources against a goal of constructing a highly prosperous future for IRI. But it was evident to better than 800 attendees in Miami Beach at IRI's "Reinventing CPG & Retail Summit" this past February that rebuilding IRI has also captured his heart and soul.

In a mid-morning, 45-minute presentation on the first day of this annual meeting, IRI's Chairman exhibited a complete mastery of the manufacturer-retailer relationship and all its subtexts. He waxed philosophic about the complexities of the interactions between the business partners who fight each other as hard as they cooperates.

RCR was taken by the audience's reaction. There was no stirring, other than our hectic scribbling of notes. Faces were riveted on Wadhvani, who analyzed deep-seated problems, announced IRI \$350 million commitment toward its resolution and unveiled new solutions from IRI that target retailers' consensus number one nemesis. For some in the ballroom that morning, it was the most stimulating, edifying, promising and perhaps joyful three-quarters of an hour they spent in 2005. For all those reasons, this presentation earned IRI Chairman Romesh Wadhvani the *Research Conference Report* speech of the Year for 2005.

Wadhvani applauded the large manufacturers that have started integrating all their different data sources and leveraging all that information to make better decisions. He saluted the "good progress" some enterprises are making in creating a business intelligence nerve center--a place where intelligence is provided in support of marketing, sales, the supply chain, etc..

He pushed an idea he had spotlighted at the 2004 meeting, that "individual stores are the most important business unit for targeted retail execution and merchandising decisions--and (we must) drive these decisions based on real-time demand signals." He noted the need to reduce industry out-of-stock levels, improve the efficiency of trade promotion spending and vastly increase the 7% new



Romesh Wadhvani, winner of RCR's 2005 MR Presentation of the Year

product success rate. He said none had progressed in the past 12 months. "We've made progress in category management," he said, but he sighed about "slow progress" in formation of truly consumer-driven enterprises.

Wadhvani challenged the status quo's acceptance of prolonged time tables. Of all the aforementioned challenges, he said, "We need to make things happen more quickly." The industry's problems are "intractable," he continued. "They don't lend themselves to easy solutions. They require us to think of new paradigms and new strategies, and overcome discomfort and risk."

Wadhvani proposed using five enabling concepts:

1) The first was retail performance management, "a strategy to supercharge traditional retail execution." It can take retail execution down to the neighborhood level, which he called the key to future manufacturer

and retailer success. (It became the major theme in the remainder of the speech.) Wadhvani expressed a novel view--the interconnectedness of all interactions between manufacturers and retailers. "Trade promotions, new product launches, out-of-stock initiatives and the like are all interconnected. Unless we solve these interconnected problems down to the neighborhood level, we won't see dramatic improvements in retail execution," he stated.

2) Consumer-driven merchandising is "the next generation of category management--which hasn't changed much in 20 years and has become a commodity." He claimed the industry says it thinks about consumers, then fundamentally merchandises around the convenience of the retailer. "To make the consumer the center of category management, we need to understand their different kinds of trip missions--pantry stocking, quick pick up, a meal, etc--and intersect these with each consumer's loyalty and affinity for a particular store in their neighborhood."

3) Reinvention of the market information value model is essential because all traditional means (scanner data and panel data) "are useless in consumer-driven merchandising," he explained.

4) Implementing consumer-driven demand and supply management

is equally critical. “There’s absolutely nothing consumer-driven about today’s demand and supply management processes,” Wadhvani said.

5) Transforming the MR organization is vital. Wadhvani said, “There hasn’t been a dramatic or fundamental change in the MR function for several years. It’s largely measurement and insights derived from measurements. Let me suggest,” he declared, “there is a new, much larger role for the MR organization. He referred back to the business intelligence nerve center within each company’s center of excellence. It should provide up-to-date, daily market information, with deep knowledge of neighborhoods and stores, as well as deep insights into shopper behavior,” he continued. “It can cause consumers to either go to a store more often or stuff their carts more completely.”

Wadhvani described IRI’s \$350 million spending behind 20 new initiatives—“The largest investment anyone has made in our industry in memory,” he said. “These are critical to our being the thought leader and solutions leader.” He volunteered instructing his IRI team to do things differently and to set new industry standards—but in well less than the customary five years it takes to bring revolutionary things to market. Thus, one new 2005 solution is “MarketKnowledge,” which Wadhvani described as “a platform like Wal-Mart’s Retail Link, only for the entire industry and available to every manufacturer and retailer. MarketKnowledge creates a new kind of infrastructure built on a new computing approach called grid computing, the same technology Google uses as the foundation of its search capabilities. In our narrow world of market information, this is an historic moment.”

He proceeded to demonstrate dollar-and-cents insights from Market Knowledge and closed with a thought that had to rock every attendee: “Every manufacturer and retailer will have the opportunity to take advantage of our new generation of market information, strategies business intelligence and insights that will make you a more effective competitor of Wal-Mart. I predict from this day forward, over the next three or four years, we’ll find the relative progress of our industry against Wal-Mart actually accelerates compared to what it has been for the last five years.” ©

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