



Consumer goods industry eGuide.

The three Ps: your guide to production, pricing,
and promotion in the consumer packaged
goods industry

Phocas.
Got data. Get results.

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Introduction.

The consumer packaged goods (CPG) industry

From the outside, looking in, the consumer packaged goods (CPG) industry is in hyper speed with changing consumer behavior, an accelerating global economy, extensive growth coming from a variety of new geographic regions, and more intense competition coming from emerging businesses and markets.

In fact, [according to Deloitte](#):



“Global retail sales of packaged foods is expected to rise to over \$3 trillion by 2020 with emerging markets being the primary driver.”



Constant state of change.

Never has it been more important for CPG companies to “adapt, innovate and differentiate themselves in the marketplace,” in order to be successful.

[Deloitte suggests](#) that the CPG industry is in a “constant state of change,” forcing companies to develop “newer and bolder strategies,” and [PwC indicates](#) that these changes:

“are significant enough that companies will have to reexamine fundamental tenets that have in the past served them well.”

Change is happening rapidly, and it’s the reason why the CPG industry will look much different in the near future.

[John Zealley](#), senior managing director of products and growth strategy at Accenture, suggested that the speed of change is the “new normal for CPGs” because of how connected we are.

“In the connected world, the pace of change is accelerating and the effects will be felt across the spectrum. **The stakes are rising, the clock is ticking and the future is here.** The challenge for companies is that they will have to become adept at doing two things at the same time.”

In addition to global expansion and competition, limited resources along with newer technologies, regulations and government affairs are playing important roles in how CPG businesses are thinking about and planning for their futures. The time to act to these changing conditions is now. Companies that delay will miss opportunities, lose ground to more aggressive competitors, and unfortunately, fall into the all-too-common trap of making reactive emotional decisions without data points to back up their actions.

Top tip.

Read our [Consumer Goods blog articles](#) to learn more.

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Addressing pain-points with data.

In this eGuide we will focus on three of the biggest pain points for mid-market consumer goods businesses, production, pricing, and promotion; and answer these three key questions:

- 1 How can a CPG business ensure supply chain efficiency?
- 2 How can CPG businesses best price their products for their business?
- 3 How can CPG businesses ensure their promotional strategies are effective and add value?



Coincidentally, solutions to the pain points and answers to the questions can be found in the same place, your company data. Accenture's Zealley identified [10 consumer trends that will shape 2018](#) for CPG companies. Two of the 10 involved the intelligent use of data analytics.

“Business leaders chasing the 360-degree view of their business and the market in which they operate, will increasingly rely on data to speed up decision-making and innovation. In the future, the winners will be those that put predictive data science in place to inform decision making.”

Data analysis can turn raw data into actionable intelligence.

To make smart decisions, you need access to the right data at the right time. You need easy-to-understand information that is relevant to the current state of your business. Armed with the right tools and accurate data, you can address the pain points in an effective and profitable way for your business.



Managing production in volatile times.

Regardless of whether you're in the United States, the U.K. or APAC, the increased volatility of global supply chains is forcing businesses to make some difficult strategic decisions.

Areas of the world are specializing in commodities, and CPG companies have become increasingly more dependent on these regions for those specific goods.

Shortages of these goods caused by demand, weather, political situations or other crises could create unwanted production challenges for your business.

For example, a shortage of sugar in Brazil, caused by the lack of investment in replanting cane fields and dry weather in recent years resulted in a global deficit and higher prices. More recently, the U.S. government issued new steel (25%) and aluminum (10%) tariffs that have raised prices for some manufacturers and construction companies, and could have a ripple effect across a variety of industries. These challenges combined with the general and seasonal fluctuations of the CPG business only add more complexity to companies trying to establish supply chain efficiencies.

To more effectively manage your production and supply chain during these volatile times, it's critical to have access to company data. As stated by world-leading consulting firm [McKinsey](#):

“CPG companies should take a more data-driven approach to understanding how competitors will grow in each market, and how their own strategic positions will change as a result. They will then be able to predict critical inflection points for particular products in particular cities and regions.”

Among the Key Performance Indicators (KPIs) to track are the following:

1 Managing stock levels

Given the volatility of international supply chains, either carrying too much stock or too little can be catastrophic to your business.

You need to know stock on hand, and rather than managing inventory in Excel spreadsheets, business intelligence software such as Phocas can aggregate your data into dashboards that allow you to quickly and easily see exactly how much you have.

By comparing historical sales trends with current stock on hand, you can avoid overstock and know when you should run sales and marketing promotions to keep the product from becoming dead stock. Equally challenging to your business is when you do not have enough product in stock, or understock. If you know a product has a long lead time, or if something is selling quickly, you need the ability to track inventory to determine when to place an order so you can continue to serve your customers' demand. BI solutions eliminate the need to do complicated calculations or track multiple spreadsheets. You have the information you need at your fingertips to make more strategic inventory decisions.



Seasol

For nearly 40 years, [Seasol](#) has been delivering outstanding results as a plant health tonic and soil conditioner. Seasol supplies its range of home garden care products to more than 35 retail partners in over 2,000 locations across Australia. The nature of Seasol's product range means it is heavily affected by seasonal fluctuations. Sales can grow by 400% in a short period of time-based on weather conditions, putting Phocas to the test

“We can be selling 9 units of fertilizer per week, and all of a sudden the sun comes out and bang, we're selling 100 units. Phocas gives us the power to quickly see what stock is low by product segment, territory, and by store and then act.”

Rohan Butler, GM home garden division, Seasol

2 Analyzing suppliers

Supply chain volatility is caused by a variety of factors, and while you may not be able to control all of them, you can track your supplier performance across a variety of metrics to determine if it's time for a change or time to strengthen the relationship.

With real-time data analysis, you can track how well suppliers are delivering in full on time (DIFOT), ordering lead-time and on-time, percentage of damaged goods, and variances in product pricing, among other KPIs. If a supplier is underperforming, you have the information you need to renegotiate contracts or the justification to end the relationship.

3 Agile forecasting of inventory

Based on what we know of the volatile global supply chain, you must remain agile.

The ability to use data to more accurately forecast potential inventory needs may save you time and money while helping you maintain loyal, happy customers.

Ensuring supply chain efficiency starts with aggregating and analyzing accurate data in a central location that provides access and flexibility. Armed with the greater intelligence means you can make more informed business decision about everything from inventory to suppliers, while being better positioned to respond to any emerging trends or potential threats before they adversely affect your business.



Establishing sustainable pricing programs.

A variety of factors go into determining pricing strategies, from brand positioning and competition to inventory levels, desired profit margins and changing customer buying patterns.

Unfortunately, many businesses do not have an accurate idea of their actual profitability.

Among the causes are data analytics using spreadsheets, complicated rebate programs and inconsistent product pricing from sales rep-to-sales rep or from customer-to-customer and region-to-region.

The go-to tracking solution for many financial professionals is a spreadsheet. While they may be effective for doing simple calculations, they have a number of limitations that make them inefficient and risky to your business. Spreadsheets are susceptible to human error and don't show real-time data, meaning that your analysis can only be taken as a snapshot in time.

Manipulating data across multiple fields and turning raw data into easy-to-interpret actionable intelligence is difficult. And as important as understanding what is happening with your business to create effective pricing strategies, understanding what is not happening is equally important. Spreadsheets aren't able to show what products customers have stopped buying over time, or what customers have simply [stopped buying](#) altogether.

Among the many processes traditionally managed with spreadsheets are [payable](#) and [receivable](#) rebates programs. Manufacturers and suppliers use rebates to drive sell-through of specific products while providing incentives to value-oriented customers. [Rebates programs](#) have also evolved from an attempt to quickly boost sales to more long-term tactics focused on driving customer loyalty and brand affinity. The large number of SKUs, customers, suppliers and transactions in CPG businesses is only made more complicated when you throw in pricing strategies and rebate programs.



Phocas demo

Click here to watch a demo of Phocas for consumer goods.

1 Missing the big picture

For businesses that manage rebate programs using spreadsheets, email and other disjointed solutions, they are missing the big picture, and knowing their true profit margin is nearly impossible.

When companies can't see the 'big picture' about customers, products or rebates programs, they may fail to tailor pricing models and service-delivery mechanisms to match customer demand.

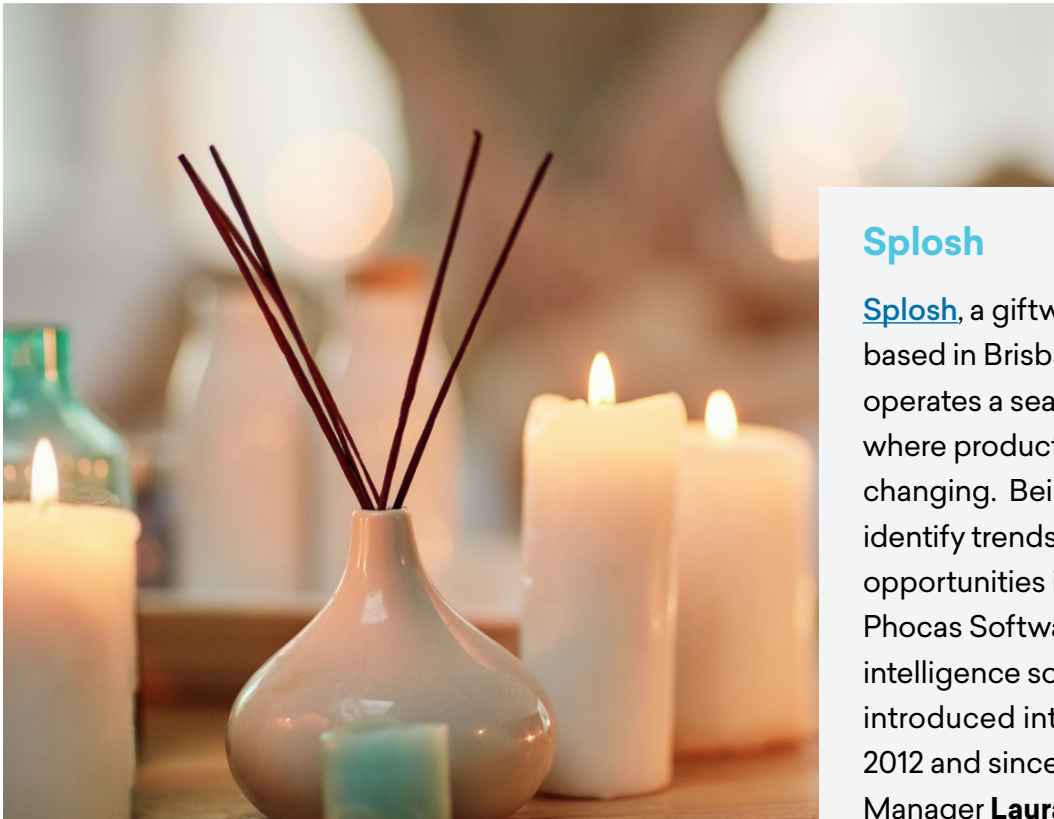
Profit margin is a KPI that answers how effective your business is at generating profit on every dollar that you generate. More sales and higher revenues don't always equal better results. If your profit margins are dropping, it could be sign of an unhealthy business or pricing strategies that are too generous for your customers.

In addition to seeing the big picture, or the overall profit margin of your business, it's important to look at margins across individual products, product lines, customers and lines of business. Monitoring profit margin regularly across these areas will make it easier to adjust pricing as needed.



Additional metrics to consider when developing a pricing strategy:

- **Sales revenue vs. forecast** – determines what is possible based on expectations. Are you meeting your financial goals? Is your pricing strategy in line with forecasts?
- **Profit per customer** – represents the financial relationship with a customer. Will your pricing structure contribute to a profit or loss for a specific customer?



Splosh

[Splosh](#), a giftware company based in Brisbane, Australia, operates a seasonal business where products are regularly changing. Being able to identify trends and find opportunities is crucial. Phocas Software's business intelligence solution was introduced into Splosh in 2012 and since then, General Manager **Laura Kendall** and the team have been able to get better insights into their business.

“**I am a big user of Phocas.** I regularly look at reports on sales and feed these metrics to our National Sales Manager. The sales team has got their monthly budget in there and they have a report showing which of their customers have the biggest spend variance. If a customer spent \$6,000 at the same time last year and only \$500 this year, I'm going to see if there are opportunities there.”

2 Creating a profitable product mix

With business intelligence, you can convert your raw data into actionable insights.

BI solutions enable quick and easy access to data collected from the various systems and silos across your business. They can also help identify what products have the greatest profit margins, making it easier to decide which products to bundle to benefit both your customers and increase your margins.

Your sales reps will have a better idea of what high-margin products to combine with low-margin products to create the most profitable product mix. BI can give you a clear understanding of your overall business performance, which will make it easier to price your products appropriately. With convenient access to accurate data, you can steer your company in the right direction, find opportunities to grow and increase your chance of financial success.



Phocas free demo

**Click to [book a free demo](#) of
Phocas for consumer goods.**

Effective promotional strategies.

For many CPG businesses, marketing and promotion is likely to be a major expense.

When done correctly, the return on your investment should exceed campaign costs through customer acquisition and sales, and continue to pay dividends for your business over time.

It's critical to understand where to best allocate your marketing dollars, and in order to know that, you need a clear picture of your business operations and performance. You need to know what your customers are buying, and what inventory is moving or at risk of becoming dead stock. And you need to know your current product mix so you can identify additional opportunities to cross-sell and upsell to customers.

So, if marketing is so important to your CPG business, how can you ensure your promotional strategies are effective and beneficial?

The simple answer is, “collect good data,” and then analyze that data alongside your other customer and product information. As you connect the dots between campaigns, customers, and products; and aggregate and analyze your information, you can better determine the effectiveness of your marketing efforts. You will have the information you need to further tailor future sales and marketing strategies to specific customer needs, buying patterns and trends. You will also have the insights you need to enhance and improve your future marketing efforts.

Top tip.

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1 What should you measure and or track?

When it comes to marketing, the metrics vary based on what you are trying to accomplish.

If you want to enhance the effectiveness of your marketing campaigns, perhaps you need to understand customer value, or how much a particular customer is worth to your business.

With this knowledge, you can develop more targeted campaigns that can strengthen customer relationships or attract new prospects similar to your most profitable customers.

If you are looking to avoid dead stock issues, you may sell product for lesser profit, or a smaller loss, so that you can avoid having to dispose of the product. After all, selling it for something is better than throwing it out and gaining nothing in return. This can happen if there is a newer competing offer on the market, or if the product is perishable and you have overstock.

Your marketing and promotion campaigns will also be more effective if you can tie them into sales trends or consumer buying habits. Seasonality, influencers, weather and other factors can drive the demand for specific products, which can help you identify what to promote and to whom.

If customers are buying certain products, you can offer the same product to other customers in the same type of business or industry. As you track customer purchases, you can identify complementary products to feature in follow-up marketing campaigns. With advances in artificial intelligence in end-user software, there [will soon be solutions](#) that will suggest cross-selling opportunities based on past purchases. These insights will be incredibly beneficial to your marketing efforts, taking the guesswork out of campaign creation.

Finally, effective marketing and promotions can help you to [avoid losing customers](#). With BI, you can track customer sales, and identify declining customer purchases. This data will help you to react quickly and proactively to develop and launch marketing campaigns, which can help increase sales opportunities and strengthen your customer relationships.

With Phocas BI, you can monitor how much your customers have purchased on a daily, weekly, monthly or annual basis to identify their purchasing habits and determine their value to your business. Armed with this intelligence, you can develop and/or strengthen your promotion efforts to help reverse downward purchasing trends, and avoid losing revenues should customers gradually purchase less from your business. BI can provide you the insights so you can reach out before it's too late.



Baylis & Harding

Baylis & Harding is a wholesale distributor that specializes in world-class toiletries and gift sets that can be found in all major and independent resellers. For the past eight years, Baylis & Harding has used Phocas to create reports and dashboards that allow managers and executives to see important information and key performance indicators at a glance.

With this information, the company has gained considerable visibility into its business performance.

Andy Taylor, IT Manager for Baylis & Harding, said:



“Phocas allows us to be proactive and influence the business rather than having to react after the fact when it’s too late. For example, by using reports and dashboards to monitor their sales into individual accounts, we can track sales reps’ performance in meeting various objectives, and if necessary take corrective actions. We can also use this data to upsell and cross sell products.”



Phocas demo

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2 Selecting the right Business Intelligence solution

In today's volatile business climate, you need the ability to respond to changing business conditions, and to address the challenges with production, pricing and promotions.

Managing, monitoring and analyzing all of the KPIs mentioned in this eGuide may have been a daunting task in the past, requiring more time and resources than you can dedicate.

What you need is more complete and accurate data about your business and a centralized data analytics solution that allows you to quickly and easily track and analyze all the KPIs.

As you are evaluating what BI solution is the right one for your business, consider the following questions:

Q Does it meet your business needs?

Write down the features you are looking for in a BI solution, and evaluate your current infrastructure, from your ERP and CRM to the volume and variety of data producing and hosting technologies within your network. Consider your staff and their capabilities, your data security needs, as well as your current and future scalability needs.

Q Does the solution address your pain points?

Once you have determined your business needs, do your research on the different vendors and their solutions. Make sure the BI provider you select understands your business and has positive user experiences within your industry.

Q What do users have to say about the software?

Check out customer reviews, independent research reports, and testimonials from third-party review sites.

Q Does the company stand behind its product?

Ask about support for the technology and if there is any cost associated with that support. If they don't have a support system that meets your needs, provide a simple method to find answers to your questions, or if it costs too much to use, perhaps it's not the right solution for you.

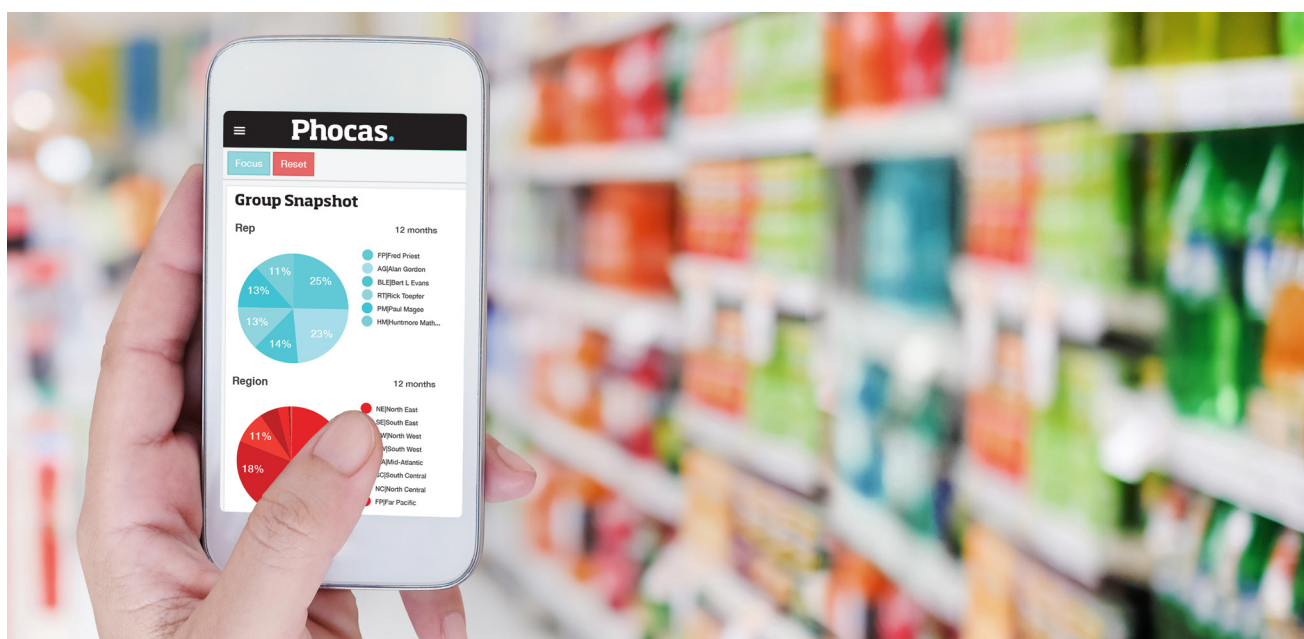
Why Phocas for production, pricing and promotion?

Phocas is a BI solution that makes it easy for you to access and analyze all of your business data to form a single source of truth.

Phocas Dashboards make it easy to understand complex raw data by converting it into visual charts and graphs that allow you to dive deeper into the numbers. Phocas aggregates information from across your company as well as your KPIs and targets, so that you can quickly track the performance of your products, people, customers and company.

With Phocas, you can monitor inventory, compare revenues with forecasts, optimize profit margins, track customers' buying habits across a variety of variants, review sales revenues and forecasts and manage and improve promotions. When data is visible to you and other decision makers, you can give more attention to improving your production, pricing and promotions.

Phocas provides the statistical evidence that you and your executive team need to guide your business strategies. Phocas also delivers a clear and comprehensive picture of your business performance, as well as key insights into individual areas of the business from supply chain, to finance and marketing. As you use Phocas to aggregate and analyze your data to find opportunities and challenges within your business and the CPG industry, you will be better prepared to make strategic decisions that keep your team focused and on track to drive your business forward.



Get in touch.

Learn how Phocas can help you achieve your business goals.

Contact us for a free demo.

Email us directly:

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For more information:

Visit our website: phocassoftware.com

Want to know more?



Want to understand how our customers use Phocas to increase sales?

See customer testimonials [here](#).

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