

THE TOP 10 KEYS TO DEMAND SIGNAL REPOSITORY EXCELLENCE

The case for building a Demand Driven Value Network (DDVN) is clear: it enables consumer goods companies to leverage external demand data to realize powerful improvements across the enterprise. Early adopters report reduced out-of-stocks and reduced costs, driving significant revenue increases.

According to Gartner, "Becoming demand driven matters. Based on Gartner research, the most advanced demand-driven companies hold one-third less inventory, have 20% better perfect order performance and have lower supply chain costs equal to 5% of revenue. DDVN CP leaders enjoy accelerated revenue, lower inventories and return on assets of +53%, or 1.5 times the consumer products industry average," analyst Steve Steutermann states in Gartner's *Supply Chain Strategy for Consumer Products: The Handbook for Becoming Demand Driven*, November 2010. "In 2005, we reported that only 1% of companies used customer data as the basis for supply chain planning processes, and that less than 2% of companies had segmented customers based on profitability. Today, progress is not much more evolved, with only 7% to 8% of CP companies exploiting any capability to connect customer data to planning."

Demand-driven companies also start to see benefits well beyond managing inventory, including improved promotions and new product introductions along with stronger relationships with retailers.

But the path to attaining those benefits is less clear and can include significant challenges. The fact is, to reap the maximum benefit from a true DDVN takes commitment and a well-conceived plan which requires a best-in-class Demand Signal Repository (DSR) at the core. Consider these 10 insights for a successful implementation.

PRODUCED BY

CGT
CONSUMER GOODS TECHNOLOGY

SPONSORED BY

Microsoft® **VELOCITY**®
www.RetailVelocity.com

KEYS TO DDVN AND DSR SUCCESS

1) THINK LONG-TERM. Many DDVN projects start off in pilot mode with a point solution for one or two account teams or departments and no vision of corporate integration. Then one of two things happens: the project's champions move on, and interest dwindles. Or, the point solution succeeds, but the application is permanently isolated to that particular department and/or account team, with the data forever siloed along with it. Both stand in the way of attaining the cascading benefits of an enterprise-wide approach, in which each department uses a shared tool in its own way, working from a single source of data.

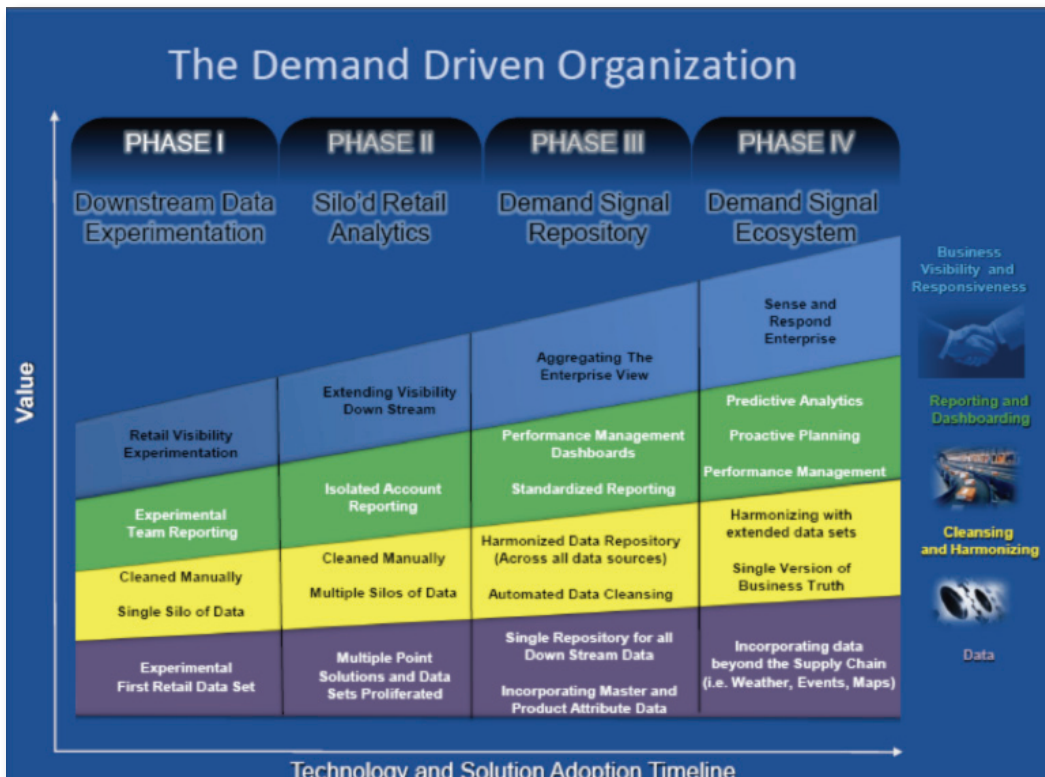
Instead, consumer goods companies working toward a consumption-driven enterprise strategy should approach DSR projects with the end-goal in mind. It's a good idea to start in one department or account team, but when that succeeds, the platform should have the capability to extend and integrate throughout the organization, focusing heavily on S&OP process integration, to create

a centralized insights and analytics center. This holistic approach brings all of your retailer data to one place to create a single source of truth, so all of your line of business practitioners are on the same page for critical decision-making with a cross-retailer perspective.

Applica Consumer Products, which markets under the Black & Decker brand as well as several owned brands, started its DDVN project with its Wal-Mart account team, then began adding other major retailer account teams. With this staged approach, Applica realized a 5% incremental sales increase by using the solution to make inventory recommendations to retailers for specific stores based on previous events.

In the Microsoft white paper *Getting the Intelligence to Build Demand-Driven Supply Networks*, the authors outline a four-phase approach to building a demand-driven organization, reflected in the chart below. Moving from siloed to aggregated data is a critical step in the process. As the white paper notes, "companies that most successfully implement this strategy are those that view

THE DEMAND DRIVEN ORGANIZATION



THE TOP 10 KEYS TO DEMAND SIGNAL REPOSITORY EXCELLENCE

their DSR investment as a business transformation project with a technological component.”

2) EXPECT A CHALLENGING CULTURE CHANGE. Brand management grew up with a focus on shipment and syndicated data because virtually real-time, actionable consumption data simply wasn't readily available. Implementing a Demand Signal Repository is often the final major step in a slow transition from a shipment focus, to a blend of shipment data with bits and pieces of siloed purchase data to one where consumption is the main driver of decisions. Taking this next step requires big process changes and buy-in from the top, driven through the commitment and advocacy of those in the c-suite.

Cultural change is an issue for many projects of this scale, but DDVN implementations bring added challenge because they're not just internal. Stakeholders not only have to believe the changes will benefit their own organizations; they also must perceive the project as benefitting their external customers — retailers, distributors and brokers — in order to gain access to the data required to support a consumption-driven culture.

3) INVOLVE RETAILERS. Because a consumption-driven focus is so reliant upon the cooperation of external parties — retailers, distributors and brokers — it's essential to consider their point of view in designing and implementing a successful DDVN. Understanding the challenges these customers face in managing inventory helps consumer goods companies design solutions that solve retailer problems right into the DSR configuration.

For example, often retail buyers can only find the time to look at category-level data, not store-level. Store-level out-of-stocks are not on their radar. When a consumer goods supplier can deliver tools such as dashboards, exception reports and alerts that highlight opportunity costs associated with out-of-stocks without adding work or cost to the retailer's processes, that's a win for everyone.

Retailers are cautious about sharing demand data: In the *CGT/IRIS Shared Data Study 2010*, 44% of retailers say suppliers are leveraging shared data effectively, but some retailers still don't see data sharing as a process that is good for both suppliers and themselves. Retailers vary in what they want and how they want it. Ensuring that the DDVN and the associated DSR is configured to meet the needs of each retailer, and then helping retailers understand the

myriad benefits and return on investment they can reap by sharing demand data, leads to a more collaborative relationship.

4) WORK AS AN ENTERPRISE. DDVN projects are often driven by a few key stakeholders. But the truth is, many functions in the enterprise improve when they're based on timely, accurate demand data. Often, DSR sponsors are reluctant to invite other departments into their project teams, but when they do, they find strong interest across sales, supply chain/customer logistics, finance, category management, marketing and merchandising.

For example, marketing might use the data to study the sales lift from a particular promotion by zip code, or the impact of a social media effort, such as Groupon or Facebook advertising, in a specific region. A robust DSR tool enables each of these departments to extract and use data in its own way, using standardized and ad hoc reporting.

An industry leading housewares manufacturer, for example, leverages its DDVN solution, Velocity from Vendor Managed Technologies, Inc., to facilitate a single view of its customers across a broad range of departments including category management, finance, marketing, sales and demand planning.

The need for a centralized insights and analytics center can easily be seen at monthly meetings of the consumer goods company's executives. When they lack a DSR, typically analysts in multiple departments spend a great deal of time compiling data in advance of these events, using their own department-specific tools. But when they get to the meeting, data doesn't line up with other departments' reports. It's hard to make good decisions when you can't even agree on an accurate and consistent data set.

5) DEAL WITH DATA CAREFULLY. With all of the energy it can take to secure a flow of retailer data, it's easy to feel that once you get a yes, the battle is done. But the truth is that data can't just be dropped into the DSR. Every retailer organizes its data differently and the discrepancies must be normalized before data becomes a part of the DSR.

For example:

- Many retailers employ the EDI 852 to share data. But each interprets the standard differently. One may include returns in the net sales field, for example,

while another does not.

- Some retailers report all store and item inventory, while others only report inventory at a store when there is a sale.
- It's not just an external problem. Sometimes consumer goods companies maintain two item codes for one UPC code. That might be useful internally, but the distinction between items gets lost at the retail checkout. When you shift from relying on shipment data to demand data, such practices may need to be adjusted.

In addition, the depth, timeliness and delivery method of demand data can vary widely among retailers, and DSRs must also be tuned to handle third party data, such as syndicated data, demographics, weather and many other rich data sources. Integrating internal master data with retailer and third party data is an art form; managing item data is an intricate process. External data must be scrubbed to be consistent and accurate to drive benefits.

6) SELECT AN EXPERIENCED PARTNER. DDVN and DSR projects often start out as homegrown efforts, with IT devoting a great deal of time and money to developing a system to quickly and accurately take in and store retailer data. But with so many different data formats coming from so many places, and internal user needs continuously evolving, it quickly becomes unmanageable for those unable to devote 100% of their resources to maintaining the application.

An experienced DSR partner brings decades of experience to accommodating so many variables, plus they can "coach" their clients on the data sources that are available in order to expand the business teams' capabilities. They can share best practices and processes that are common across internal and external stakeholders, while still providing flexible and user configurable solutions to enable customer facing teams to be more proactive with their retailer customers. They also maintain a library of retail-specific adaptors and comprehensive retail data sets that open up new opportunities to additional insights from data.

Consumer goods companies that have tested the waters with DSRs and DDVNs typically have a few top retailers that they are managing with their silo or homegrown systems. Many times, they don't realize that retailers provide more measures or higher granularity than the data they are currently receiving. Experienced DSR providers, like

Vendor Managed Technologies (VMT), often educate their clients not only on new data feeds, but also expanded data feeds within currently in-production retailers. For instance, prior to their implementation, many of VMT's clients had been manually pulling data from Target's PartnersOnline portal to obtain basic sales information. What the clients didn't realize is that they could also access weekly "pushes" of store/item level data and also receive daily sales movement via EDI. For more information on these insights, VMT has setup a retail data knowledge center at <http://retailvelocity.com/retailers/listing.php>.

7) TAKE THE TIME TO DO IT RIGHT. The potential for DDVN implementations to deliver substantial returns means consumer goods companies are often understandably eager to start seeing benefits. But rushing implementation inevitably means missing steps that will ultimately lead to far greater returns. For example, a solution that includes only sales data, not forecasts, means the organization may miss valuable insights gleaned from identifying gaps between actual and forecasted sales. The fact is successful implementations take time. It's important to be patient and thorough with your measurement, and to deploy quality control methodology and standard processes with the data to insure the data is accurate and robust for users. Similar quality control processes are required for the exception alerts to insure your replenishment at each retailer is working smoothly.

8) START WITH CLEAR OBJECTIVES AND DEFINITIONS OF SUCCESS. DDVNs can deliver many benefits. But a project that aims to attain all of them in the near term is far less likely to attain any with complete success. Target simple objectives that will garner the highest user adoption rate. A best practice is to determine the organization's needs, then prioritize goals and start with those at the top. Is it to increase incremental sales? Or is it better to define trade promotion management placement and measure the success of those efforts?

You've heard this a million times, but it's true: you can't achieve what you can't measure. Define needs up-front and measure them consistently and continuously; DSR solutions are great measuring systems.

9) GET TACTICAL. Shifting from a shipment-driven to a demand-driven organization is a significant, long-term

THE TOP 10 KEYS TO DEMAND SIGNAL REPOSITORY EXCELLENCE

strategy. But it's also important to set the playing field for action that creates immediate results. Explore and develop strategies and approaches to applying downstream data to some of your toughest supply chain challenges first that could affect the success of your marketing investments.

For example, one tactical use of a DDVN is to develop out-of-stock /inventory optimization applications that can predict and prevent product shortfalls from spoiling the profitability of your trade promotion events. That logic can be cemented into your replenishment processes by transforming your push-based replenishment into a demand-driven one. Procter & Gamble, for example, realized topline sales growth of 8% by micro-managing retailers' replenishment systems effectively through standardized exception reporting and processes.

10) EXPECT "UNLIMITED DEMAND" FOR DEMAND DATA. Once you have easy access to sales information

down to the store-level in virtual real-time, opportunities will arise in abundance. Those not involved in the initial project will soon be knocking at your door looking for access to that data. Those already involved will discover even more uses for it.

WORTH DOING RIGHT

Deploying a DSR has the potential to deliver markedly improved insights into the end consumer and a more collaborative relationship with your customers. No question, transitioning to a demand-driven culture is a significant undertaking, and best practices for implementing a successful Demand Signal Repository are not always intuitive. Heeding these 10 steps — truly embracing them as a part of your project planning and implementation — will go a long way to attaining DSR's full potential. As the expression goes, anything worth doing is worth doing right. ●



ABOUT VENDOR MANAGED TECHNOLOGIES, INC.

Through its flagship Velocity® Solution Suite, VMT enables consumer goods manufacturers to become consumer-centric in their category management, sales, marketing, finance, merchandising, trade promotion, demand planning and replenishment strategies.

For over 17 years, VMT has equipped consumer goods manufacturers with best-in-class demand signal repository (DSR) and business intelligence solutions in tandem with targeted consulting that focuses on improving sell-through. With Velocity's expert cleansing and harmonizing algorithms, consumer goods manufacturers are able to seamlessly integrate store-level POS with third-party and internal data to provide end users with a true end-to-end view of their products' performance. Velocity provides built-in best practice analytics and processes geared towards maximizing sell-through and profitability across over 250 retailers and distributors covering all classes of trades and geographies.

For more information, please visit www.retailvelocity.com.



ABOUT MICROSOFT

"Connected Experiences for Consumer Goods," captures and conveys the Microsoft vision for helping consumer goods companies deliver great experiences across the value chain by improving operations, increasing partner-and-supplier collaboration, and delivering business value across the extended value chain. Connected Experiences enable faster reactions to changing customer preferences, on-shelf availability, market conditions, and material supply. Working in collaboration with our global ecosystem of partners we provide innovative, cost-effective solutions and capabilities that help companies stay agile in an ever-changing market and stay connected with shoppers and consumers to sustain rich, lasting relationships. Connected Experiences also help drive innovation and optimize the supply chain by facilitating collaboration among all business partners, regardless of time, geography, or organizational boundaries. They drive improved operations through better integration, security, and systems management, and they help companies gain insight into customer preferences and attitudes.

©Copyright 2011 Vendor Managed Technologies, Inc. All Rights Reserved.

THE AUTHORS

Jennifer Beckett, VP Sales and Marketing, Vendor Managed Technologies, Inc., Jennifer.Beckett@VMTSoftware.com

Dave Kane, Consumer Goods Industry Director at Microsoft Corporation, dkane@microsoft.com

Lisa Terry, Consumer Goods Technology magazine, LDTerry@aol.com

The information contained in this document represents the current view of Microsoft Corporation on the issues discussed as of the date of publication. Because Microsoft must respond to changing market conditions, it should not be interpreted to be a commitment on the part of Microsoft, and Microsoft cannot guarantee the accuracy of any information presented after the date of publication. This White Paper is for informational purposes only. MICROSOFT MAKES NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO THE INFORMATION IN THIS DOCUMENT. Complying with all applicable copyright laws is the responsibility of the user. Without limiting the rights under copyright, no part of this document may be reproduced, stored in or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise), or for any purpose, without the express written permission of Microsoft Corporation. Microsoft may have patents, patent applications, trademarks, copyrights, or other intellectual property rights covering subject matter in this document. Except as expressly provided in any written license agreement from Microsoft, the furnishing of this document does not give you any license to these patents, trademarks, copyrights, or other intellectual property. © 2009 Microsoft Corporation. All rights reserved.

Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.