

Channel Collaboration for Distribution Intensive CPG Markets

Abstract

Platforms for collaboration are critical when CPG organizations work with partners such as marketing agencies, distributors, and retailers to create and execute shared initiatives. As these channel partners bring processes, data, and people together and realize value across the chain, they find common ground in areas such as out of stock reduction, promotion compliance, brand standards, joint business planning, and downstream data. However, with no mature solution or process, CPG organizations and their partners find it challenging to work together. This paper outlines the context of these collaboration initiatives, and explores a holistic approach to realize shared goals.

Introduction

CPG organizations and their partners are redefining operating models and processes by leveraging next generation tools and platforms. As they adopt these tools to transform the workplace, encourage internal collaboration, and break up functional silos, they need to do the same with external vendors, customers, and consumers. Collaboration initiatives by CPG organizations with distributors can have gaps unless all partners are aligned to the same goals. The challenges span:

- **Sales**

Lack of visibility into real time POS data, inventory affects evaluation of promotional campaign effectiveness, stock availability, and service levels.

- **Marketing**

Brand messaging often gets lost in the multiple tiers of distribution and ownership.

- **Finance**

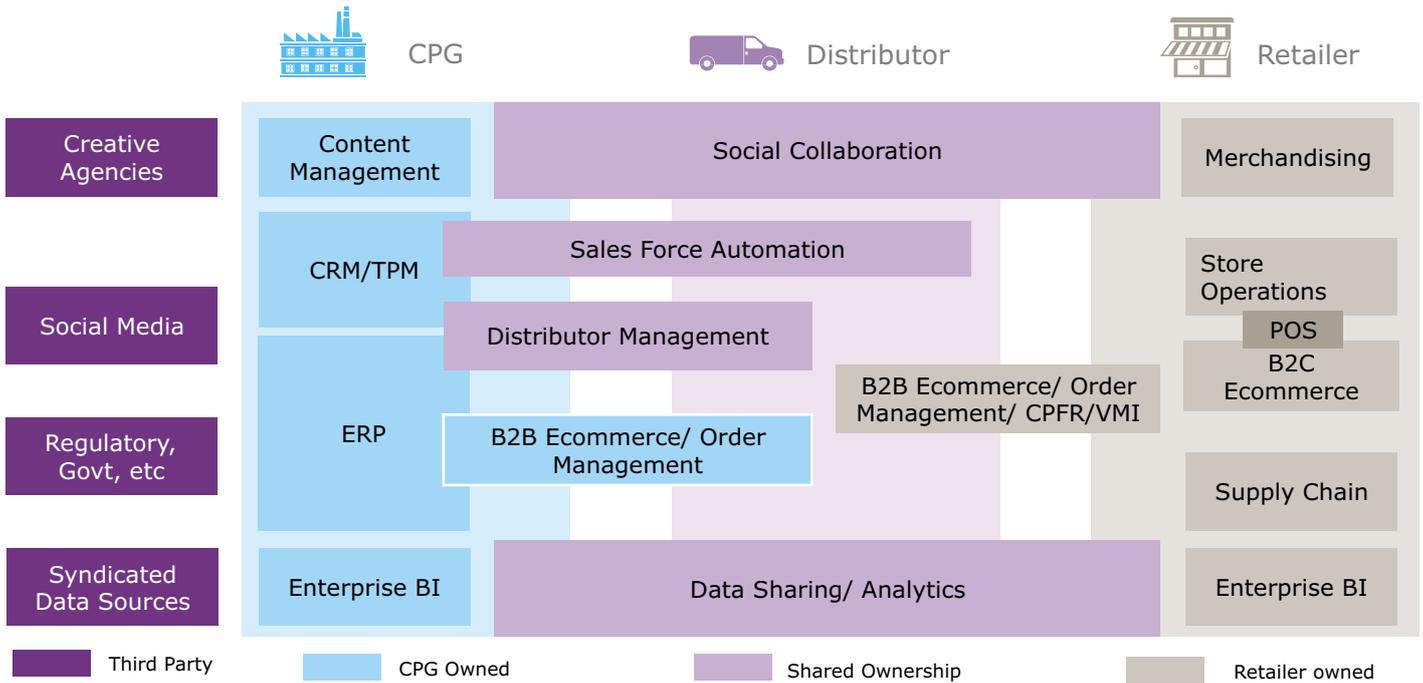
Matching claims to appropriate funds to ensure adequate traceability and prompt disbursement.

- **Operations**

Ensuring the right routing of tasks and having an accurate view of logistics and service operations.

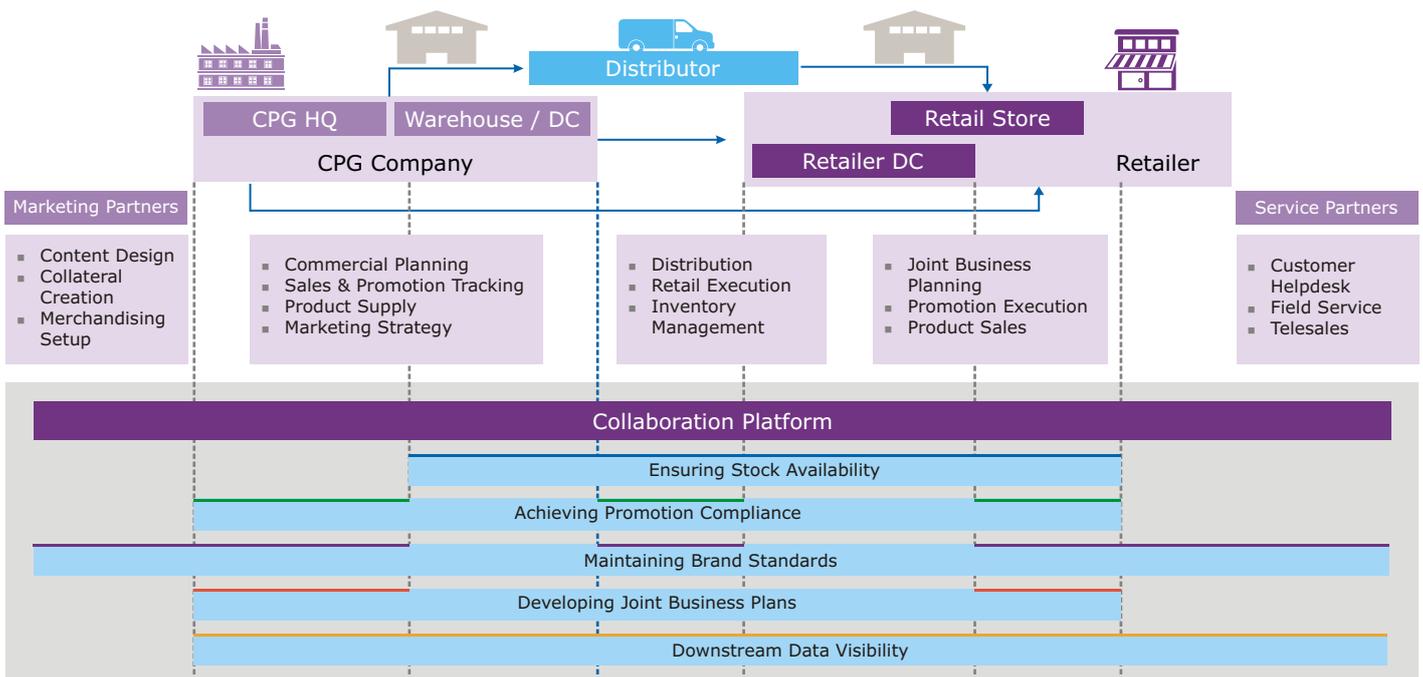
Overcoming Challenges through Collaboration

For any collaboration initiative to succeed, these needs of marketing, distribution, service partners, and retailers need to be considered. A traditional three-tier distribution channel ecosystem utilizes a foundation of legacy applications such as SharePoint and other content management systems, BI Tools, and B2B commerce solutions.



Typical channel collaboration ecosystem

Typical collaboration platforms provide only generic collaboration capabilities such as groups, content repositories, access control, and add on enhancements, but lack CPG-specific functionalities and need a certain amount of customization. Opportunities exist in Joint distribution, promotion execution, planning and data sharing, and correspondingly, most initiatives aim to reduce these gaps by focusing on themes such as



Collaboration initiatives and their Value Chain Coverage

Ensuring Stock Availability

To achieve proper stock availability, current CPFR systems which rely on retailer shipments to track demand need to be enhanced with a realistic view of demand using POS data and survey data with minimal latencies to provide a near real time Demand signal, which can then be used for replenishment. Data sharing, integration and platform ownership have been stumbling blocks in such initiatives both between partners, and within CPG functions.

Collaboration platform vendors, Retailer- CPG organization alliances, Regulatory bodies have all explored different models of data governance and ownership. Utilizing a joint governing body for ownership, as opposed to a single function, can help identify and balance the needs and opportunities for utilizing the data arising from different functions and partners.

Achieving Promotion Compliance

OOS reduction initiatives may not be enough to ensure that adequate stocks are available on the shelf. Hence CPG organizations execute trade promotion campaigns to incentivize retailers to display their merchandise, and conduct surveys and audits to monitor promotion compliance. While CPG sales teams would prefer detailed survey results at frequent intervals, they need to balance the time needed from the Salesforce to capture this data with time which could have been used with customers for Sales and Service.

Newer tools utilize advanced analytics techniques, image recognition and crowdsourcing. While these are early in their maturity curves, they enable store audits and promotional intelligence to be gathered by anyone using a digital handheld—retailers, consumers, CPG employees from other functions, or even crowd sourced manpower platforms. Image recognition algorithms extract the face, visibility, and product information to generate promotional insights which are then used to enhance the available internal view of promotion execution and compliance.

Maintaining Brand Standards

While CPG organizations spend large volumes of time and money to ensure visibility of promotions at the retailer level, gaps often exist in the messaging and execution of brand campaigns, as they get transmitted through various layers of execution. Traditionally, brand standards, selling tools and guidelines documents are shared and managed using email or

content management systems. Often, the lack of personalization of the guidelines for specific retailers based on their size or demographics means that the results may not be relevant to the target consumer base.

Modern collaboration platforms build on traditional content management systems by enabling automated generation of targeted and customer-relevant content, rich content types, social features to enable sharing and discussion, and communities to dynamically create groups for sharing and discussing best practices and learning. They can also allow CPG organizations to be involved throughout the entire brand execution journey, ensuring that the messaging stays intact from ideation to execution.

Developing Joint Promotional Plans

To go beyond tactical optimization of promotions and inventory, CPG companies and retailers can create joint business plans to define financial, promotional, and sales goals and objectives. While Retailers, Distributors and CPG organizations share the goal of collaboration for driving growth and execution, the key lies in ensuring that the objectives of all the players are aligned. CPG organizations, from their part, need to demonstrate value generated through the joint promotional campaigns in terms of lift or else, pay the price in terms of trade discounts.

To reduce these costs, CPG organizations are building analytical capabilities to provide relevant product and promotion insights, which can be used to demonstrate promotional effectiveness to retailers and justify trade investments and relative contributions. However, challenges remain in the areas of integrating third party, retailer, and CPG internal data to provide meaningful shared insights, building accurate statistical models, and leveraging intuitive visualization tools on mobiles.

Downstream Data Visibility

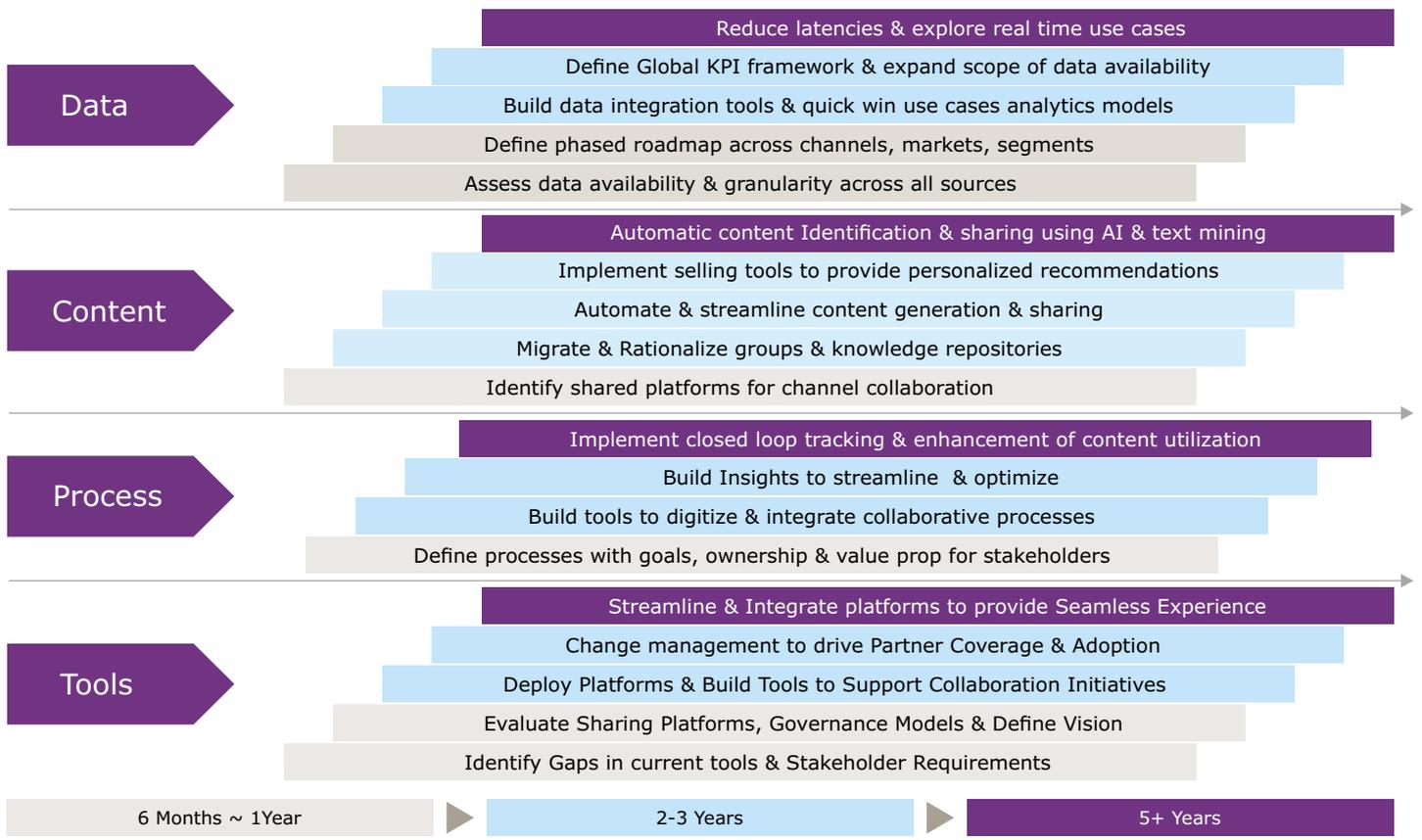
All collaboration initiatives demand transparency and visibility between channel partners to ensure optimization of the entire value chain, as opposed to individual stages. CPG organizations often step on to fill this gap, and offer systems that distributors can utilize for this purpose, however, this often leads to a fragmented distributor ecosystem, where most large distributors may have to deal with multiple systems for different brands and categories.

As with OOS reduction Initiatives, Data, platform and process ownership remains a stumbling block. Most CPG organizations are still coming to terms utilizing their internal data to derive insights from different sources find integrating data from different sources a unique challenge due to the massive amounts of effort, data volumes, latencies and investments needed. Traditionally handled manually or through custom tools, newer Big Data tools and machine learning algorithms have had some amount of success tackling the challenges posed by the volume, scale and complexity of data, but this remains the largest obstacle.

A single collaboration platform across partners and players – though still an ideal scenario, would significantly reduce the effort. The larger the scope of the value chain covered by the platform, greater the returns. However, as most players still continue to view value chain gains as a zero sum game, defining a vision with gains for all parties is key.

A Roadmap for Collaboration

To execute collaboration initiatives, CPG organizations and their partners need to invest in building capabilities in terms of technology, data, infrastructure, processes, and knowledge management platforms with a view to achieving the overall vision. Broadly, a foundation for collaboration rests on the pillars of shared data and content as well as processes and systems. CPG organizations need to think ahead and look at emerging tools to build futuristic solutions, operational models, and adapt to new channels to differentiate themselves.



Collaboration roadmap

Conclusion

With the growing adoption of collaboration initiatives, silos within and across CPG organizations are being broken down, enabling savings proportional to the degree of collaboration. With the current transactional approach taken by Companies towards Collaboration, gains have been limited. The focus should be on the big picture and key challenges faced by channels such as replenishment cycle reduction. With seamless execution of brand communication, downstream data visibility such as real time shelf off take, better planning and enhanced service levels are being achieved. As collaboration initiatives expand from two party initiatives, enabling more parties in the channel ecosystem, this will not only enable an integrated view from a data and collaboration point of view, but also generate both operational and transformation opportunities for all parties.

About The Author

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Auster Mascarenhas is a Domain Consultant with the Consumer Packaged Goods business unit in TCS. He has over seven years of experience in business analysis, process consulting, and IT quality management, and has worked with CPG and retail organizations in the area of sales and operations.

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