# Digital Transformation with Next-gen O2O Strategy in CPG

CPG AND DISTRIBUTION

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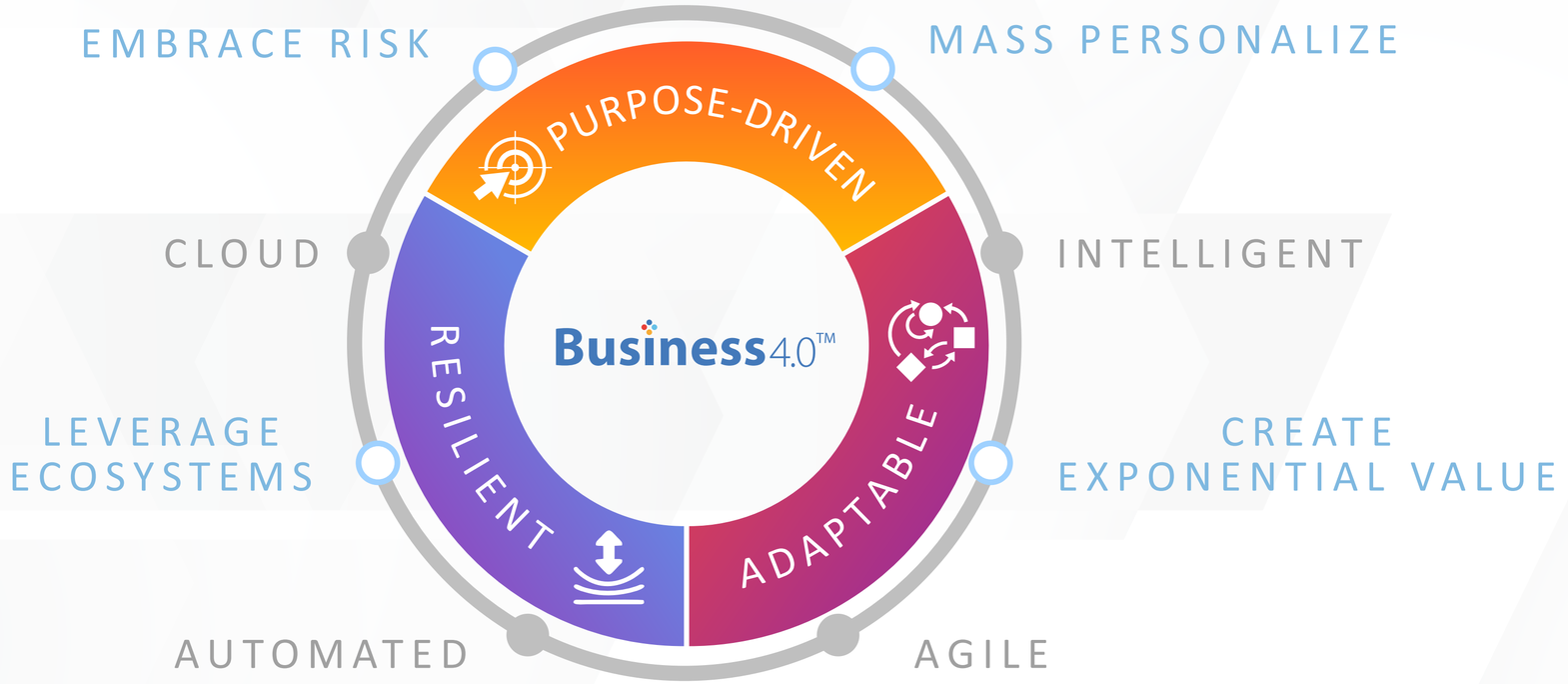

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# Executive Summary

The COVID-19 pandemic has upended businesses across the world and the Consumer Packaged Goods (CPG) industry is no exception. Stay at home mandates have indicated tectonic shifts in consumer preferences and brands are showing resilience as they rapidly adapting to the fast-changing trends.

A need that has come to the fore in the post COVID-19 world is for CPG companies to build an ecosystem of retail partners, third party service providers and consumers. In this paper we attempt to elucidate on the core principles of next-gen Online to Offline (O2O) business model strategy and place consumers at the center of the brands' strategic priorities. We also focus on how to capitalize on the abundant data available in the ecosystem for a frictionless consumer experience.

# The New Reality

Some of the most visible changes in our day-to-day lives on account of the novel coronavirus pandemic is increased screen time. Far more consumers are shopping online now as compared to the pre-COVID era. The new reality consists of lockdowns and the possibility of consumers continuing to practice social distancing and self-isolation even as restrictions ease. Also, consumers are no longer fussy about brands, paving way for private labels to penetrate[1].

In order to cope with changing consumer demands, CPG companies are going back to the drawing board to rethink their product and SKU mix. An imperative need in the post-COVID world for CPG companies is the ability to deliver products at the right place and time. It requires brands to revisit their supply chain strategies. Also, given the increased screen time of consumers and increased competitive intensity from digital channels including the growing influence of social media[1], brand marketers need to revisit their marketing strategies.

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[1]Redefining value and affordability in retail's next normal, June 2020, Retrieved on July 2020
*https://www.mckinsey.com/industries/retail/our-insights/redefining-value-and-affordability-in-retails-next-normal*

- Facebook has made its entry into the ecommerce market in India via WhatsApp shopping integration by collaborating with Reliance Jio[2]
- Local Chinese brands have responded to COVID-19 by establishing social commerce infrastructure such as live streaming and ecommerce capabilities in WeChat[3]
- Facebook launched Facebook Shops, which make it easy for businesses to set up a single online store for customers to access on both Facebook and Instagram[4]
- Amazon India has announced the launch of local shops on Amazon. This program will use the ecommerce giant's technology, enablement capabilities, and training to power local shops across India to sell online[5]
- JioMart has started making waves by aggregating the corner shops and allowing consumers to order from the one nearest to them[6]

Hence, CPG companies must be cognizant of these emerging trends and focus on delivering an outstanding purchase experience to consumers. It requires adopting consumer-led, insights-driven, fast, connected and disruptive strategies. This can be achieved by moving towards a consumer obsessed model.

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[2]Mukesh Ambani's Facebook partnership is a 'Jio' moment for India's $1 trillion *e-commerce arena, Apr 2020, Retrieved on July 2020 https://www.livemint.com/industry/retail/mukesh-ambani-s-facebook-partnership-is-a-jio-moment-for-india-s-1-trillion-e-commerce-11588231897578.html*

[3]Cautiously optimistic :Chinese consumer behavior post-covid19, Mar 2020, Retrieved on July 2020 *https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/cautiously-optimistic-chinese-consumer-behavior-post-covid-19*

[4]Introducing Facebook Shops: Helping Small Businesses Sell Online, May 2020, Retrieved on July 2020 *https://about.fb.com/news/2020/05/introducing-facebook-shops/*

[5]Amazon to help local shops, kirana stores sell online, Apr 2020, Retrieved on July 2020 *https://www.businesstoday.in/current/corporate/amazon-to-help-local-shops-kirana-stores-to-sell-online/story/401882.html*

[6]RIL's JioMart to convert kirana stores into self-service stores, July 2020, Retrieved on July 2020 *https://www.livemint.com/companies/news/ril-s-jiomart-to-convert-kirana-stores-into-self-service-stores-11594805969131.html*

**Awareness (social commerce)**

Enable growth through popular social messaging platforms

**Explore product range**

Onboard flagship stores / convenience stores to the ecommerce platform and showcase combined inventory

**Add to cart and avail promotions**

- Hyper personalized promotion, loyalty coupons to consumers
- Responsible marketing

**Order online**

- Direct to consumers
- Delivery from the nearest store owned/ convenience store

**Online Experience**

**In Store Experience**

- Algorithmic Planogram
- Assortment Optimization
- Omni Channel Promotions

**360⁰ Consumer view orchestrated by advanced analytics**

AI/ ML-driven Hyper Personalization | Social Listening | Consumer Segmentation | Trend Forecasting

Figure 1: Next-gen O2O Process Flow

# Building the O2O Mindset

The model facilitates a common consumer-centric ecosystem of convenience stores, social media applications, brand owned outlets and logistic partners to ensure an immersive consumer experience across all touch points. Besides it also fuels companies with plentitude of consumer order data.

The basics of driving a unified brand experience involves every aspect of the business to come together. It starts from discovery, encompasses consumer touchpoints to purchase, delivery and feedback to complete the loop.

**Discovery:** Ensure uniform messaging across all touch points-- popular messaging applications, social media, flyers and coupons.

**Customer touchpoints:** Brands can be present on their own website or on a product catalog on a third-party website or at the nearest convenience store or a brand-owned flagship store. Consumers need to be enabled with real-time inventory visibility across these different channels.

**Purchase journey:** Enable delivery options such as buy online, pickup in store (BOPIS), reserve online pickup in store, and home delivery. This convenience can be powered by proximity commerce capabilities which allows for order fulfillment to take place from the nearest convenience and flagship store, assuring rapid delivery.

**Post purchase:** Collect the feedback to derive insights.

# Embracing a Segment Centric Approach

While embarking on the O2O journey, CPG companies need to adapt their strategy to the segments in which their organization operates.

For instance, a premium cosmetics/beauty brand can collaborate with niche outlets, service partners such as premium salons and spas as well as logistics partners. While a luxury brand with a direct to consumer (D2C) presence can display real time inventory of the nearest stores allowing consumers to reserve online and try at store or opt for online delivery using logistic partners. Companies supplying baking/garnishing products can partner with bakeries and allow consumers to order from the nearest outlet. Whereas, confectionary manufacturers can collaborate with food aggregators for a wider reach.

CPG companies need to take a slightly different approach when it comes to driving adoption among retail partners. Apart from traditional bulk order discounts and trade promotions, it is pivotal for CPG companies to make retailers realize the importance of consumer data gathered by this model and educate them on how it could drive exponential growth. It is imperative for brand marketers to ensure that the partnerships they pursue with brand aggregators and retailers includes consumer data sharing policies apart from the revenue, display and pricing guidelines.

# Orchestrating a $360^0$ Consumer View

The basis of the O2O model is leveraging the abundant consumer data and is centered on the digital first game plan. The collaborations will enhance the data gathered by the company and it will be an imperative need to possess robust IT capabilities. Advanced data analytics system will help brands to provide hyper personalized products, promotions and loyalty coupons to their consumers.

The integrated O2O strategy will also include consumer engagement and amplification plan across the brand's website, partner sites and mobile channels. It will focus on optimizing marketing spends and building trust with consumers.

Further, companies can analyze the order data to forecast trends, predict demand patterns, segment consumers etc. These would not only help brands to micro target consumers for campaigns and product launches but also help brands to build a resilient supply chain.

As companies look at a $360^0$ view of their consumers they will also require to realign their D2C systems and embrace a mobile first approach in order to reap long-term benefits.

# Conclusion

Given the uncertainties of the post-COVID world, a next-gen O2O strategy enables CPG brands to maximize the business value by leveraging technology, partner networks and ensuring customer-centricity. The strategy will help brands to stay ahead of the competition and to reap long-term, sustainable benefits. The role of a chief digital officer (CDO) will be pivotal in driving this transformation. It requires the CDO to be a catalyst by aligning this model to the organization's strategic priorities and evaluating partner ecosystems, IT readiness and data governance as organizations can no longer afford to work in silos. The O2O strategy is a chance for CPG companies to be the disruptors rather than being the disrupted.

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For more information on TCS' Consumer Packaged Goods and Distribution Services, please visit https://www.tcs.com/consumer-goods-and-distribution

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