



Mu Sigma

## Know your Industry - CPG

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# **We are here to get a bird's eye view of the Industry, its pain points and opportunities**

- ▶ Introductions – 3min
- ▶ What falls under the realm of CPG – 3min
- ▶ Industry Leaders and Mu Sigma's clientele – 3 min
- ▶ Challenges – 15min (10min + 5min for a walkthrough of revenue and spends through an Annual Report)
- ▶ Key Areas – 16min
- ▶ Open forum – 20min

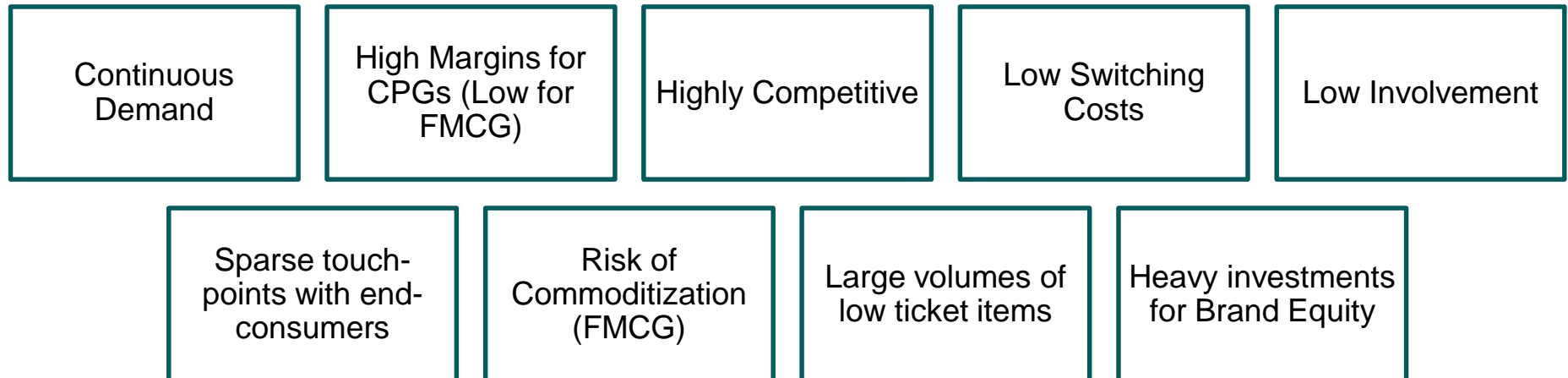


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# Consumer Packaged Goods deals with products bought and consumed frequently

- ▶ Consumer packaged goods (CPG) - used daily by consumers, that require routine replacement or replenishment such as chips, dips and drinks
  - FMCG – Fast Moving Consumer Goods are those with even shorter shelf life – such as milk and eggs
- ▶ NOT Consumer Durables - like Washing machines and Grinders
- ▶ NOT Consumer Electronics – like Television and Computers





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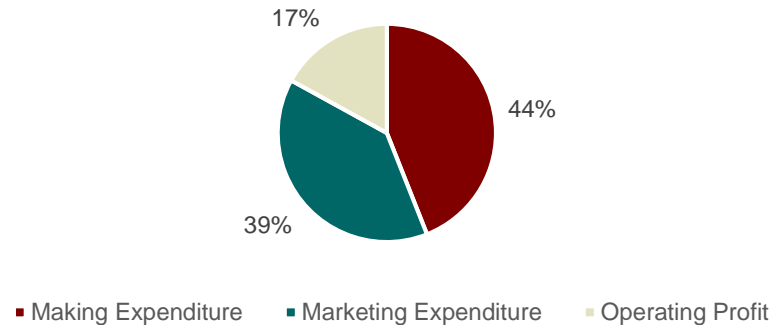
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# CPG companies often spend almost as much on promoting their products as they do on making them

	PepsiCo	FLNA	NAB	QFNA	LATAM	AMENA	ESSA
Net revenue	\$ 63,525	\$ 15,798	\$ 20,936	\$ 2,503	\$ 7,208	\$ 6,030	\$ 11,050
Cost of goods sold	\$ 28,785	\$ 7,159	\$ 9,487	\$ 1,134	\$ 3,266	\$ 2,732	\$ 5,007
SG&A	\$ 24,231	\$ 6,026	\$ 7,986	\$ 955	\$ 2,749	\$ 2,300	\$ 4,215
R&D	\$ 737						
Sales Discounts	\$ 262						
<b>Advertisements</b>	\$ 2,400						
<b>Other Marketing Initiatives</b>	\$ 1,700						
<b>Distribution</b>	\$ 9,900						
Total Cost	\$ 53,016	\$ 13,185	\$ 17,473	\$ 2,089	\$ 6,016	\$ 5,032	\$ 9,222
Operating profit	\$ 10,509	\$ 4,823	\$ 2,707	\$ 642	\$ 908	\$ 1,073	\$ 1,354
Corporate Unallocated	\$ (998)						

Split as a Percentage of Revenue





# CPG organizations need to sense the market despite several challenges including no consumer intimacy!

Private Labels!!

Bull-whips of Supply chain in a M2S world

Changing Consumer Preferences



Market share erosion by a multitude of niche and seasonal players

Structural Shifts in Channels

Pricing Ambiguities

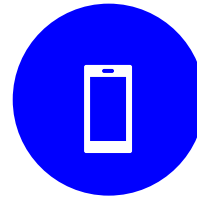
All things aside, it's all about **availability** and **desirability** !!

# Our understanding of the challenges & opportunities disrupting CPG Industry



## Consumer Centricity is key

- Product Portfolio Optimization through demand sensing of emerging trends that drive make/buy decisions
- Data-driven precision consumer targeting



## Digital Channels are taking over

- Measured channels saw a volume decline of 0.2% in 2017; First time in the last 5 years
- Time spent in brick & mortar stores is decreasing YoY with discovery being increasingly driven by E-Trade
- CPG items accounted for 41% of Amazon's private label sales in H1 2018



## Next Gen Category Management for better customer negotiations

- Retail teams look for category planning solutions and not just brand planning
- White-box solutions which harness brand interactions- pricing; promotion planning; assortment decisions etc for easy negotiations



## Increasing need for decisions at the edges

- Convenience Channels for PepsiCo have seen an uptick of ~5% – much of this is not tracked and intelligence is not available
- Device driven ecosystems can drive data collection and help better decisions at the edges



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## We've solved a variety of problems in CPG

Functional Area	Accounts
Revenue Management TPO, CPO	Coke (CPO), Pepsi (TPO), Mars (SRM), ABI (TPO), Campbells
Go To Market New Product Design, Concept Testing, Market Assessment	Pepsi (Trendspotting and New Product Forecasting), J&J (Trendspotting and New Product Forecasting) Mars (KIND)
Sales Force Effectiveness Salesforce Benchmarking and Incentives recommendation	Pepsi (Performance Pay)
Fulfillment Production, Inventory, Distribution, Transportation	Mars (Thailand and Canada Projects)
Consumer Marketing Insights Brand Perception Measurement, Consumer Behavior studies	ABI (Frodo), Mars (Trust Sensing), Coke (CMI based on Bayesian Networks), Diageo
Data Engineering	Pepsi (CUBE), Mars (CPR), Data fusion (Coke)



**Thank you!**

▶ <https://mulearn.mu-sigma.com/courses/cpg-level-1/>