

# Impact < Insights < Data

**How consumer products organizations can leverage insights-based decisioning to create competitive advantage and drive business outcomes**



The consumer products (CP) business landscape is virtually unrecognizable from that of just two decades ago. But for many CP companies it is still business as usual, as established brands continue to rely on the tactics that brought them success in the past: prioritizing stores and B2B channels, engaging in mass marketing campaigns, and eliminating unprofitable niche products.

Many traditional CP companies expect these tried-and-true methods of the past to continue to yield the same results in the future. And, in a controlled environment, they just might. But the world today is anything but controlled. Between the rise of digital, the entrance of challenger brands, and rapidly changing consumer preferences, a considerable number of established CP companies are struggling to remain relevant.

This new environment calls for a radically new approach – one that is pragmatic yet innovative, rigorous but efficient, swift and sustainable. Insights-based decisioning, which leverages data analytics to improve organizational decision-making, holds great promise for helping businesses more accurately anticipate market shifts, better understand business dynamics, predict customer behaviors, and manage risk. For many CP organizations, insights-based decisioning provides the missing link between data and outcomes – and the key to creating lasting business impact.

*“Insights-based decisioning goes beyond technical and tactical point solutions and fragmented pockets of excellence to unite the organization on a single, common journey.”*

– **Kees Jacobs**, Vice President, Global CPRD, Capgemini

## Insights-based decisioning: An operating model for the modern world

Over the past several years, data has taken on a reverential or even mystical quality in board rooms around the world. With the right information, executives believe they can see the future and perhaps even rewrite the past. The trouble, of course, is that the answers are buried in any combination of internal and external, structured and unstructured data sources. Finding the right information at the right time is not unlike finding the proverbial needle in a haystack.

Enter technology. Advanced applications, such as artificial intelligence (AI) and machine learning (ML), have been presented as one way for companies to harness the power of data. With these tools, it is possible for organizations to gather, analyze, and distil vast amounts of data into digestible observations. Indeed, many CP companies that have begun experimenting with AI and ML have uncovered interesting findings about the landscape, their customers, and their business.

There is a difference between an interesting finding and a useful one. Data on its own has no real value to the business. Neither do analytic tools and technologies such as AI and ML, the likes of which have been around for decades. In fact, there is no meaningful link between investments in AI technology alone and business success. There is, however, a strong link between defining business needs and determining what AI can do to help.

*“There is, however, a strong link between understanding business needs through data and market needs and determining what AI can do to support; prioritisation of investments and bringing people on this exciting journey are key.”*

– **Nick Darby**, Managing Consultant – Retail & CP, Capgemini Consulting

Leveraging data and technology in the business without adopting true insights-based decisioning is like treating the symptoms of a disease without understanding the root cause of the illness. While the former approach can yield short-term improvements, the gains are often superficial and largely unsustainable. To create real, lasting results, one must have a deep understanding of the underlying issue, as well as the various treatment options and their likelihood of success.

The same concept is true in business. Whereas data can shed light on the competitive landscape, consumer behavior and business operations, this information alone does not create value. Insights-based decisioning, on the other hand, goes beyond technical and tactical point-solutions and fragmented pockets of excellence to unite the organization in a single, common journey. This approach identifies the opportunities that are likely to yield the greatest impact and organizes each function and market around a common goal. For these reasons, we think of the shift to insights-based decisioning not as a capability but as a new operating model – one that has the power to transform every CP organization.

## Insights-based decisioning: The fastest way forward

In the current business landscape, organizations are expected to deliver shareholder value each and every quarter. As such, it can be difficult for executives to advocate for any change that does not generate immediate return. Perhaps the most important aspect of adopting an insights-based decisioning model isn't just that it can yield meaningful results, but that it can do so quickly and with great accuracy.

*“The ability to create change within the organization doesn't start with implementing an AI platform, it begins with identifying real, actionable business insights about the market, customer behavior, or business operations leveraging AI capabilities.”*

– **Daan Landkroon**, Managing Consultant Insights & Data, Capgemini

An insights-based decisioning model is predictive – it uses data to foretell the future rather than to explain the past. While many CP organizations are capable of tracking fluctuations in customer purchasing, they are often unable to pinpoint which variables influence these changes and, more critically, when such shifts may occur in the future. By considering a more robust set of data inputs and leveraging AI technology to analyze these disparate sources, it is possible for organizations to generate truly actionable insights about the market, customer behavior, or business operations.

For example, our recent work in the grocery category revealed some interesting correlations between inclement weather and shopper behavior. By analyzing weather forecasts and in-store transactions, we realized that a

national weather alarm for frost or snow results in a 10–15% decline in typical store transactions. At the same time, however, it triggers an uptick in business at convenience stores. To a CP brand, this insight has the power to improve virtually every aspect of the value chain, enabling it to meet the consumer when and where they shop while minimizing manual labor and automatically rebalancing inventory. Again, the value of this process isn't just that organizations have a better understanding of purchasing patterns, but also that they can respond to variables in real time. With an insights-based model, CP organizations can identify opportunity in anything from snowstorms to sporting events, heat waves to holiday celebrations.

Another example of the value of insights-based decisioning is dynamic pricing. By leveraging advanced technology, such as AI or ML, brands can track and analyze the price points of tens of thousands of products across various competitors over the course of several years. As a result, brands can predict how and when competitors are likely to change their pricing strategy. This information can be used to trigger active price changes from the competition and to reduce outliers, as well as calculate the organization's own volume, sales, and margin figures. Given that these changes depend in large part on consumer behavior, the model constantly monitors market response and adjusts the pricing model accordingly. In this way, the brand takes a timely and proactive approach to pricing and enjoys more control over how and when to change its strategy.

## The urgency of insights-based decisioning

Most businesses have accepted that the shift to insights-based decision-making is an outright necessity. However, there is far less agreement among CP organizations on when the journey should begin. While many businesses have begun to experiment with AI and ML, the vast majority have yet to adopt a business model that moves insights-based decisioning to the center of the organization. Many hesitate to make an investment until the market absolutely requires it – which is another way of saying, when it is too late.

*“The real value of insights-based decisioning won't come from simply implementing this new operating model, but from ensuring it is fully adopted and accepted by the organization as a whole, before its competitors.”*

– **Joanne Peplow**, UK AI COE Lead, Managing Consultant – Insights & Data, Capgemini

For many organizations, the window for creating true competitive advantage from insights-based decisioning appears to be closing. For example, our recent research about cross-functional application of AI reveals that more than a quarter (28%) of Top 250 retailers, including those in the beauty and personal care, pharmacy and food, and grocery categories, deployed AI in 2018 – a 600% increase from 2016. That number is even higher (41%) among Top 100 retailers. Meanwhile, the vast majority of activity is focused on consumer-facing applications, with only 26% of retailers taking advantage of AI for operations.

While this research is specific to the retail industry, it has clear implications for CP organizations. First, it demonstrates the robust interest in and rapid adoption of AI among large retailers, which is arguably the most important distribution channel for established CP organizations. To remain relevant with these partners, CP organizations must keep pace, demonstrating that they too understand the changing nature of shelf space, promotions, bundles, and partnerships in a digital world. Second, this research highlights the opportunity to use analytics to improve operations, an area where organizations have more control and greater predictability than customer-facing applications. While digital consumers are notoriously fickle and their reactions difficult to predict, it is somewhat easier for organizations to determine the outcomes for AI applications that pertain to supply chain management, risk and fraud detection, compliance, packaging materials, and returns processes. Starting the journey in the operations arena may be less daunting and yield greater returns for CP companies as they begin their journey into insights-based decisioning.

Our research estimated that retailers alone can save up to \$340 billion annually by implementing AI across operations, with one of the most lucrative areas being supply chain optimization – an opportunity that likely exists among CP organizations as well. This figure is important to keep in mind, since one of the main barriers to AI adoption is cost. The headline for executives, many of whom are focused on creating shareholder value from one year to the next, is that the shift to insights-based decisioning is expensive and time consuming. In actuality, it is perhaps the soundest and most efficient investment the company can make. If done properly and with the right partner and the right approach, it will deliver returns, even within the quarterly earnings timeframe.

*“Many CP organizations remain stuck in the world of pilots and pocket initiatives, preventing true innovation. They are investing in projects that will never deliver a return.”*

– **Joakim Anker-Sletholt**, Sector Lead for Consumer Products & Retail, Capgemini Invent

# Capgemini OutPerform: Start with a defined purpose, align on the desired outcome, understand the necessary insights, and access the needed data

## Capgemini OutPerform: Driving outcomes for CP organizations

Capgemini's OutPerform helps CP companies accelerate their journey to insights-driven decision-making. Our approach uses end-customer data across every touchpoint to solve business problems, produce tangible business outcomes, and uncover new opportunities – often within a matter of weeks.

OutPerform is not a simple tool or technology – it is a journey-based approach, meaning that it is embedded in the organization and unites the business across all markets and functions. OutPerform focuses on speed and momentum, delivering a battery of “quick wins” to help build confidence throughout the business and spur adoption and engagement throughout the enterprise.

*“For most organizations, adoption of technology itself is not an issue. Instead, it is a cultural and structural issue wherein data and IT have been happening on the periphery. Brands need to reorganize the business and modify their cultures to be more data-driven.”*

– **Achim Himmelreich**, Global Head Consumer Engagement CPR, Capgemini

### OutPerform: Driving outcomes and delivering value

OutPerform is not a typical business consulting method, nor is it a typical IT deployment. Rather, it is an entirely new operating model; one that takes a pragmatic and holistic approach to today's ever-evolving landscape. Here we review OutPerform's key differentiators:

**Purpose.** OutPerform is designed for impact, taking vast quantities of internal and external data from both structured and unstructured sources and turning them into true insights about the business, the competitive landscape, and the customer. It is a journey-based approach aimed at delivering meaningful results, as opposed to interesting findings.

**Speed.** OutPerform accelerates the release of benefits, generating meaningful insights from day one and demonstrating return in just two to four weeks. Organizations can deploy OutPerform as a service, meaning that they do not need to make significant upfront investments in talent or build IT capabilities in order to begin their journey.

**Integration.** With OutPerform, technology-based insights are infused into every function of the business, across all markets and geographies. Our early release of benefits demonstrates value, building confidence in the approach and speeding adoption and embrace across the organization.

*“The shift to data-based insights isn't an event – it's a process. You take data sources and find new insights, the very nature of which should then spur the organization to consider new data sources that will reveal new insights.”*

– **Marion Gardais**, Expert in Digital Customer Experience, Digital Transformation for Manufacturing and CP, Capgemini

**Flexibility.** OutPerform can be implemented in any number of ways: as a stand-alone system, a bolt-on to existing programs, or as a services overlay. Capgemini takes a customized approach to each engagement, focusing on the unique needs of each organization. This is especially critical as companies around the world are at different stages of digital maturity, often in direct response to the digital maturity of their customers.

**Sustainability.** OutPerform is designed to deliver long-term benefits and value. Our team invests in research and development, staying on the cutting edge of technology, capabilities, and talent, to give our clients the competitive advantage they need. Over time, we work with our clients to build these capabilities in house so that they can become self-sufficient.

**OutPerform can help CP organizations:**

- Identify opportunities for product bundles
- Create personalized product recommendations
- Provide real-time customer support and service
- Refine the returns process
- Optimize marketing and advertising spend
- Increase supply chain efficiency
- Streamline AP/AR
- Automate portions of regulatory/compliance and fraud/risk-assessment processes
- Refine logistics and delivery processes
- Reconsider packaging materials.

**Case study: OutPerform in action**

For years, a premium ice cream brand with distribution in more than 33 countries operated under several long-held market assumptions:

- People ate more ice cream during hot and sunny weather
- Promotions damage brand equity by driving conversations around price
- Consumers purchase the product as a treat and make their purchase close to the weekend.

After engaging Capgemini and adopting our market-leading OutPerform approach, the brand leveraged advanced analytics and social listening capabilities to generate an accurate sense of customer behavior and brand perceptions. Capgemini then overlaid these findings with sales and weather data and extracted data-driven insights to see how, when, and why people bought ice cream.

The results were stunning. Outperform determined that people consumed this particular ice cream brand independently of weather. Promotions were viewed as a retailer initiative, and therefore were not damaging to brand equity. Finally, consumers saw the product as an everyday purchase as opposed to a treat.

With this knowledge, the brand was able to move its media buys to earlier in the week, when advertising rates tend to be lower, resulting in significant savings. In addition, the insights provided by OutPerform prompted the brand to reconsider its approach to promotions, as well as seasonal marketing. Finally, the approach gave the organization some critical insights into its customer base, motivations, and perceptions – all of which are invaluable for building loyalty over time.

**Capgemini OutPerform CP domain applications**

**Capgemini CP OutPerform for Marketing**



Capgemini insights to engage with consumers and shoppers, building mutually valuable relationships that deliver reach and penetration and tangibly drive path to purchase.

**Capgemini CP OutPerform for Commerce**



Capgemini insights to develop and run an effective channel strategy and optimize the route to market, driving customer collaboration, and putting powerful tools/ insights in the hands of sales teams.

**Capgemini CP OutPerform for Operations**



Capgemini insights to build smart manufacturing capabilities and supply networks that can meet changing consumer needs and distribution dynamics through greater speed, agility, and efficiency.

**OutPerform supports the insight-driven journey across three key layers**

**Purposeful outcomes**

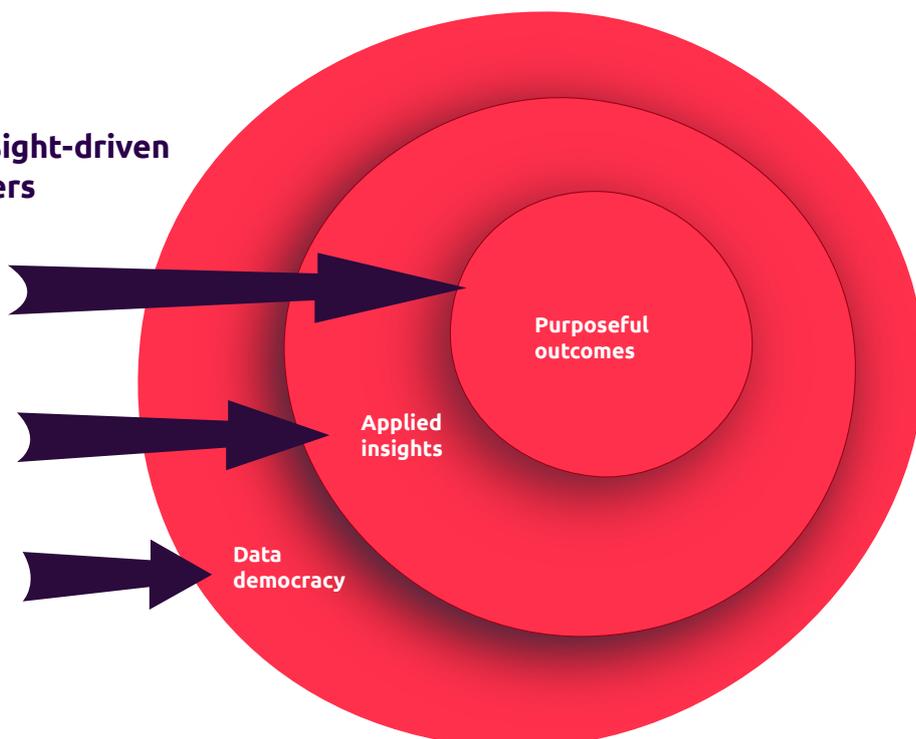
Sustainable value through culture, organizational agility, and partnerships

**Applied insights**

Decision support delivered at the point of need in an actionable way

**Data democracy**

Secure and compliant data used as the fuel of the modern organization



## Conclusion

Today's business landscape prizes speed and efficiency. It rewards those who take risks. One of the most important aspects of adopting an insights-based decisioning model is that it helps organizations reap the rewards of this fast-paced and uncertain environment while assuming relatively little risk. By mining data, leveraging cutting-edge analytics, and partnering with a proven leader in this field, it is possible for CP brands to identify the opportunities that will deliver the most value to the business. For many, this approach isn't just a sound strategy – it's the fastest way forward.

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## About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

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**People matter, results count.**

