

Consumer Insights: Finding and Guarding the Treasure Trove



Executive Summary

Consumer Product (CP) companies operate in an industry where the fundamental rules of the game are changing. The growth of e-commerce, the ability to bypass retailers, the rise of private labels, and the advent of niche CP startups are just some of the trends that are reshaping the sector.

But one significant change that stands out in particular is the direct connection that CP companies today have to the needs and aspirations – the ‘pulse’ – of consumers. This is, to a large extent, thanks to the rise of digital channels. With the growth in channel data on consumers, our new research shows that consumer insights is a core part of the strategic agenda for over 80% of CP companies. Companies are using consumer insights to enhance the effectiveness of marketing campaigns, to roll out new products and refine existing ones, and obtain cost savings and efficiencies in operations.

However, extracting value from consumer insights is proving to be a tough proposition for many. Our research demonstrates a clear gap between those who are using insights to gain a competitive edge (the Front-Runners) and those who are struggling to keep up (the Slow-Starters). Our research shows that Front-Runners:

- Make higher investments than slow-starters – a strategy that is paying off
- Maintain an edge through committed leadership
- Build close alignment between producers and consumers of insight, i.e. between the consumer insights teams and marketing, sales or supply chain organizations
- Improve their decision-making process through consumer insights
- Work with the right data and have built or secured the requisite skills

With consumer data being a defining trend in the sector, there is a massive challenge that will hit all CP companies, leaders and laggards alike – the protection and use of consumer data. We found that an overwhelming 90% of companies have faced a data breach and nearly one in two companies do not comply with industry regulations. This concern is amplified by the fact that the EU’s new regulations on privacy (GDPR) are not too far away from coming into force. In fact, our analysis shows that hypothetically, if GDPR were to be implemented today, the global CP industry could face penalties of up to \$323 billion, in a worst case scenario.

Getting consumer insights right is not an impossible task, but it requires a structured approach. CP companies need to fix their governance structures for insights, develop the right capabilities and establish the role of a chief privacy officer. The benefits of consumer insights are there for everyone to see, but sustaining value over the long term will require CP companies to focus on privacy issues as a matter of urgency.

Consumer Insights are Paying Off for the Consumer Products Industry

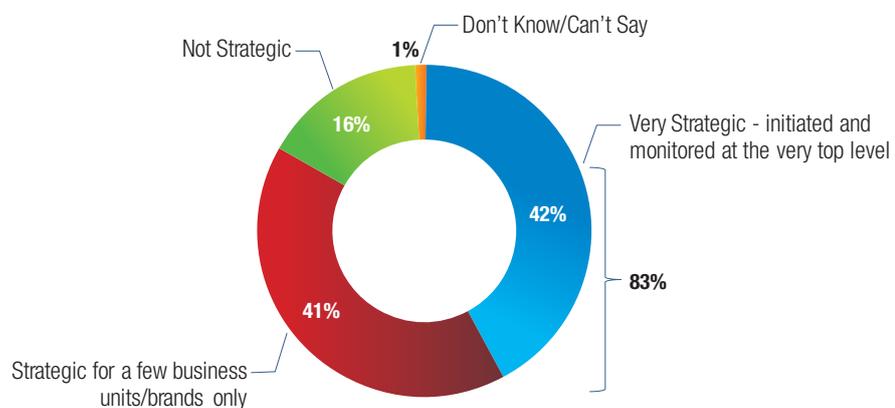
The times are changing fast for the consumer products industry. CP firms today have a direct hotline to consumers. The emergence of social media, and the proliferation of data from across channels, give consumer products companies an unprecedented opportunity to tap into a treasure trove of data. For instance, P&G today maintains over 1,500 websites with more than a billion visitors, 500 different customer relationship management programs touching more than 100 million customers,

around 800 opt-in statements, and receiving over 1.2 billion emails per year¹.

Consumer insights has moved from being a supporting input for product and marketing tactical needs to being a core part of the strategic agenda at consumer products firms. Our new research shows that consumer insights is now a key priority for over 80% of executives of large consumer products organizations (see Figure 1).

1.2 billion
The number of emails P&G receives per year

Figure 1: Consumer Insights has Established Itself as a Strategic Initiative at Consumer Products Organizations



N=300. Percentages indicate share of industry professionals in our survey who selected one of these options.

Source: Consumer Insights Survey, Capgemini Consulting

83%
Executives of large consumer products organizations who consider consumer insights as strategic to their business

We refer to “consumer insights” as the function or group in consumer products organizations whose key objective is to analyze consumer data and produce actionable insights to empower business decisions in organizational units such as sales, marketing and supply chain. The Institute of Direct and Digital Marketing defines the idea behind consumer insight as: “A non-obvious understanding about your customers, which if acted upon, has the potential to change their behaviour for mutual benefit.”^a

^a The Institute of Direct and Digital Marketing, “The 4 essential elements of true customer insight”, January 2015

The strategic importance of consumer insights is clear at large consumer products organizations. Companies such as Unilever have recognized the potential of consumer data and have gone full steam ahead. As Unilever’s ex-VP of analytics told us, “To date, retailers know everything about a customer shopping in-store... But, e-commerce helps us understand what goes on outside the store. All of a sudden, the balance of power between us

and the retailers is shifting. That is the impact of e-commerce².” Unilever has established people data centers in five key markets to provide real-time insights into consumer-related questions, combining a variety of live data sources such as social media channels. They listen to over 220,000 conversations per day in ten languages³. Unilever was able to identify savings of over €4 million in digital marketing and e-commerce in six months.

90% of CP organizations have been successful in using consumer insights in inventory planning

CP companies are right to bet big on consumer insights. Our analysis across CP functions reveals that consumer insights create benefits across marketing, sales and supply chain (see insert on “Consumer Insights Create Benefits across CP Firms’ Marketing, Sales and Supply Chain”).

Insights Enhance Effectiveness of Marketing Campaigns.

Over 54% of companies in our survey leverage consumer insights to support marketing campaign design and execution and 86% achieved moderate to high success. Shawn O’Neal, Unilever’s ex-VP of Analytics explains, for example, how ice cream brand Ben & Jerry’s exploits insights. “About 80% of all Ben & Jerry’s gets sold on Saturday. [...] However, we observed that most of the conversations on social media happen on Thursday and Friday, not on Saturday [...] which means they are open to digital influence on that day. Therefore, why run ads on a Monday or Tuesday, when probably 99% of impressions are wasted? But on Thursday and Friday, the value of impressions may go up 5% or 10%. That is a dramatic difference on the same level of advertising spend⁵.”

Insights Help Roll Out New Products and Refine Existing Ones.

Sixty-one percent of companies leverage consumer insights in new product development and 76% report that they have experienced moderate to high levels of success.

- At Pepsico, the insights team continually surveys the market to understand popular products. They monitor consumer sentiment that can directly impact product R&D, as happened with the removal of aspartame from Diet Pepsi products⁶.

- Harry’s, which took on the twin giants of Gillette and Schick in the US razor market, offered their products through a subscription-based model with a free trial option, enabling customers to test their razor before committing to a specific shaving system. Jeffrey Raider⁷, co-founder/co-CEO of Harry’s says, “At Harry’s, we bought our own factory in order to incorporate customers’ feedback directly into the product development process. We proactively reach out to every customer to let them know that we’re here for them and that we’re listening to them, and we use that feedback to drive our business.”

Insights Offer Cost Savings and Efficiencies in Supply Chain Operations.

Supply chain operations represent a high impact area for consumer insights. For instance, 57% of companies have employed consumer insights in inventory planning, with 90% of them reporting that they have achieved moderate to high level of success in it. Similarly, 54% of companies have utilized consumer insights to optimize their organizations’ supply chain networks, with 87% experiencing moderate to high success. Our experience of working with large global CP companies confirms how the optimum use of insights can drive significant benefits. For a major global beverage manufacturer, we created a continuously learning neural net forecast algorithm that incorporated over 300 factors including retailer POS data, retailer pricing, cross-retailer sales interactions and seasonality among others. The results are telling. We were able to get to a ~90% demand accuracy forecasting at store level⁸. In another client engagement, we identified stock-keeping units that were slow-moving, unpopular with consumers, and also low-margin. These units impacted the total cost of carrying inventory and by rationalizing 60% of them, we found potential for an 11% reduction of total inventory.

Consumer Insights Create Benefits across Marketing, Sales and Supply Chain in Consumer Products

A detailed analysis of the business activities enabled by consumer insights, and the success that results, reveals that consumer insights create benefits across marketing, sales and supply chain (see Figure 2). This analysis can help CP companies compare the level of success across different activities and adopt learning and best practices from the processes that have been more successful.

Figure 2: In Which Activities do Consumer Products Companies Realize Benefits from Consumer Insights?



Vertical axis represents the share of companies where a particular activity is enabled by consumer insights, while the horizontal axis represents the average level of success experienced by companies in leveraging consumer insights for that activity.

Source: Consumer Insights Survey, Capgemini Consulting

- 58% of companies leverage consumer insights in marketing and product development, specifically in activities such as customer engagement, brand pricing, and marketing campaigns. Companies have experienced low to moderate levels of success from the use of consumer insights in these activities. A major reason behind this could be the inherent distance between marketing and sales in complex organizations, making it harder to measure and tailor marketing to drive specific business outcomes such as customer loyalty, new revenues and promotions. For instance, a Nielsen estimate suggests that 59% of trade promotions from consumer product companies fail to break even and eliminating 22% of promotions would in fact increase sales revenue^a. The explosion of new channels, such as Web, mobile and social media, creates further challenges for marketing.
- 53% leverage consumer insights in sales and trade marketing activities. However, they appear to have enjoyed greater success. This indicates that it is a high potential area that needs to be supported and exploited.
- 57% have deployed consumer insights in operations activities related to the supply chain and manufacturing. Success is more pronounced in operations than it is in marketing or sales.

^a Nielsen, "Trade Promotion Doesn't Have to be a Guessing Game", December 2014

Digital-First Brands are Using Data to Disrupt Incumbents

Digital-first brands are increasingly using data to disrupt traditional consumer products companies. Small and midsize firms took 1.6 share points, or nearly \$10 billion in sales, from the larger consumer products companies from 2009 to 2012. There are dedicated VC funds, crowdfunding platforms and accelerators that help these digital startups. CircleUp, an equity crowdfunding platform for consumer goods startups, has helped investors put \$140 million into 120 companies. Many of these startups have come up with a direct-to-consumer model, or have relied on social networks such as Facebook to reach the long tail of their target audience. And, as in other sectors, disruption causes competitive friction. There are ongoing legal disputes between Gillette and Dollar Shave Club, and between Unilever and Hampton Creek.

Sources:

1. Adage, "How Tiny Startups Like Hello and 800Razors Are Stealing Share From CPG Giants", October 2013
2. Fortune, "Where The Next Ben & Jerry's Can Find Investors", November 2015

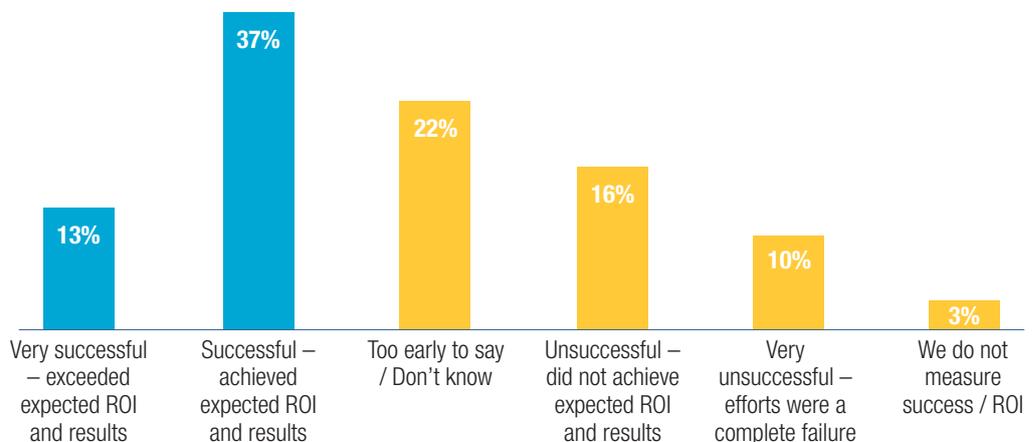
Half of CP Companies are Experiencing Success from Consumer Insights, Although 26% are Struggling.

CP firms are split on whether this focus on consumer insights is driving the results they expected. Half of all respondents in our survey believe that consumer insights either delivered the return they expected, or

exceeded ROI (see Figure 3). But close to a third did not, with 1 in 10 actually saying their program was a complete failure.

Figure 3: Success in Exploiting Consumer Insights

26%
of CP firms are struggling to experience success from consumer insights



N=300 respondents

Percentages indicate the share of respondents who agree with the statement or selected the respective option.

Source: Consumer Insights Survey, Capgemini Consulting

How to Make the Most Out of Consumer Insights?

While the industry as a whole is convinced about the benefits of consumer insights, and concrete results are beginning to accrue, a gap is opening up between leaders and laggards in the industry. To understand what characterizes front-runners and the rest of the field, we took a closer look at the companies in our survey. As Figure 4 shows, the industry landscape segments into four key categories:

- **Front-Runners.** Companies that enable a relatively large number of activities with consumer insights and also achieve significant success
- **Fast Followers.** Firms where consumer insights enable a breadth of activities but where success is more limited
- **Slow-Starters.** Companies that leverage consumer insights in few activities and do not achieve much success
- **Cautious Adopters.** Companies that enable few activities with consumer insights but experience greater success in those

Our research indicates that Front-Runners outperform their peers on key areas. For instance, Front-Runners invest more in consumer insights, enjoy greater leadership support, manage a coherent operating model, and focus on continuous improvement in decision-making.

Figure 4: Consumer Insights Maturity Matrix Highlights Key Differences Between Consumer Products Firms on the Breadth and Success of Consumer Insights



Number of companies = 86, number of respondents = 300. Vertical axis represents companies' score on the "breadth of consumer insights", – a composite score calculated based on factors such as – level of organization at which consumer insights are aggregated (e.g., brand-wise, category-wise, at a regional or global level etc.), and the key business activities enabled by consumer insights in marketing, sales, and supply chain. The horizontal axis represents the average level of success experienced by these firms on a scale of 1 = "Very unsuccessful" to 5 = "Very successful".

Source: Capgemini Consulting analysis

At over **two-thirds** of Front-Runners, consumer insights is initiated and monitored at the very top level

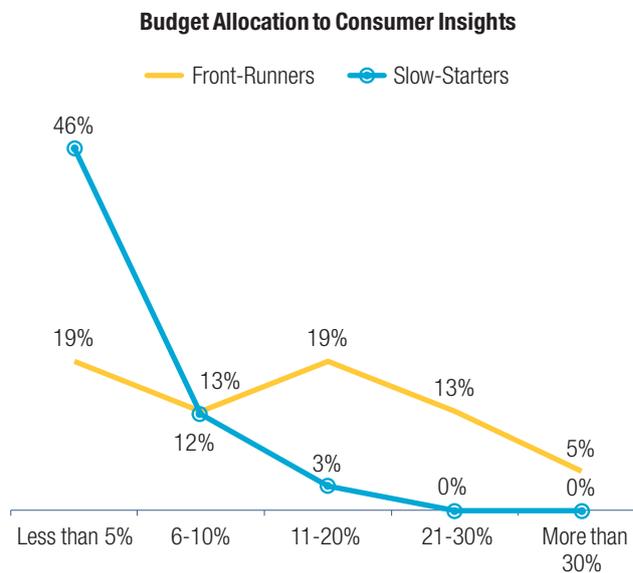
Front-Runners' Higher Investments into Consumer Insights are Paying Off.

As Figure 5 shows, Front-Runners invest a greater percentage of their functional budget in consumer insights than Slow-Starters across nearly all budget buckets (i.e., the budget of the functional unit that houses the consumer insights group, such as Marketing or Sales). Our survey reveals that 58% of Slow-Starters spend less than 10% of their functional budget on consumer insights. However, Front-Runners distribute their investment across several buckets, where 5% of them also go to the extent of investing over 30% of functional budget on consumer insights.

Greater Leadership Support for Consumer Insights Keeps Front-Runners Ahead.

Front-Runners align their top leaders to fully support and sustain consumer insights. As Figure 6 shows, nearly 69% of Front-Runners cite that consumer insights are very strategic to their organization and that it is initiated and monitored at the very top level. A consumer insights professional we interviewed at a large consumer products organization told us, "We have daily interactions with the local top management. We also have very close connections with business partners in all countries in our region, wherein every two or three days, we share updates of what's happening, what we are doing and how it's related [to business]." This shows the importance of leadership support and involvement of the regional and local leaders in leveraging consumer insights for business decisions.

Figure 5: Front-Runners Invest More in Consumer Insights than Slow-Starters

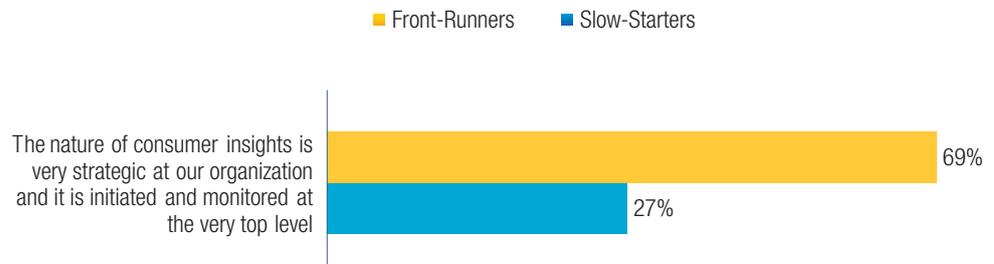


Horizontal axis represents the share of functional budget that is allocated to consumer insights. The question asked was: What is your level of investment in consumer insights as a percentage of your functional budget? Respondents may have taken a general view of the functional budget, such as including administrative expenses and compensation as part of budget allocation.

Percentages indicate share of respondents who indicated the respective option as the share of spend on consumer insights at their organization. Percentages do not total to 100 as some companies do not measure the level of investments specific to consumer insights.

Source: Consumer Insights Survey, Capgemini Consulting

Figure 6: The Leadership Support at Front-Runners Gives Consumer Insights a Big Boost



Percentages indicate the share of respondents who agree with the statement or selected the respective option.
Source: Consumer Insights Survey, Capgemini Consulting

Front-Runners have a Coherent Operational Model Supported by Consensus between Producers and Users of Consumer Insights.

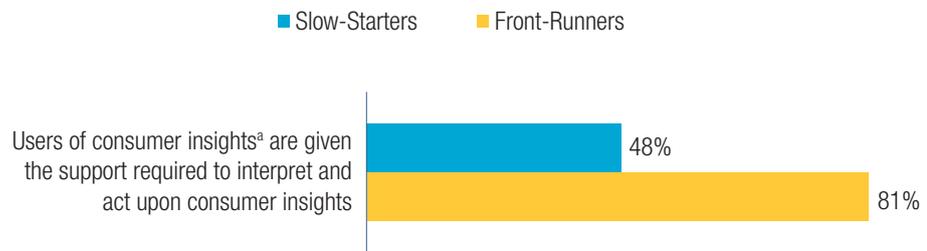
The operating model of how *producers* of consumer insights work with the *users* of consumer insights (business teams such as marketing or supply chain) has a profound effect on their success. For instance, our research reveals that:

- 81% of executives across functional areas at Front-Runners say that users of consumer insights at their organization are given the support required to interpret and act upon consumer insights (see Figure 7). This is in stark contrast with Slow-Starters, where only 48% of respondents say the same.
- Our research indicates that alignment between the producers and users of consumer insights

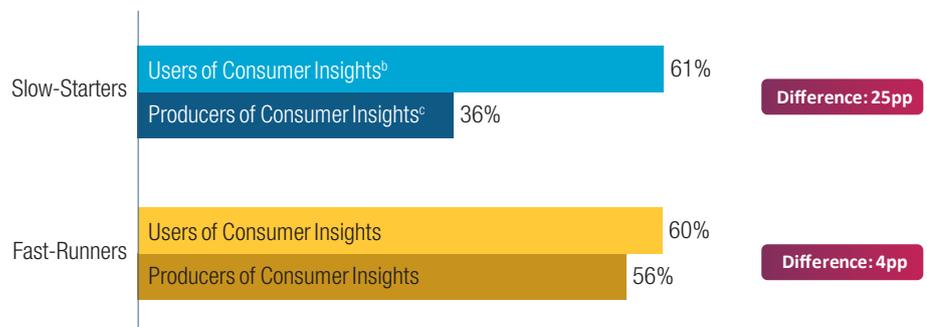
goes a long way in helping CP firms to achieve the desired results from their consumer insights initiatives. For instance, at Front-Runners, producers and users seem to place similar emphasis on the use of consumer insights for supporting critical business decisions, which was not the case with Slow-Starters. This is a likely result of a stronger collaboration and shared objectives between the two groups at Front-Runners that Slow-Starters find harder to implement.

- Further, at Front-Runners, the two groups are more closely aligned regarding the decision-making process that has been improved through consumer insights. This is not the case at Slow-Starters. For instance, 64% of *producers* at Slow-Starters believe that consumer insights have driven insight-driven decision-making into more business units. But only 39% of *users* at Slow-Starters believe this to be the case.

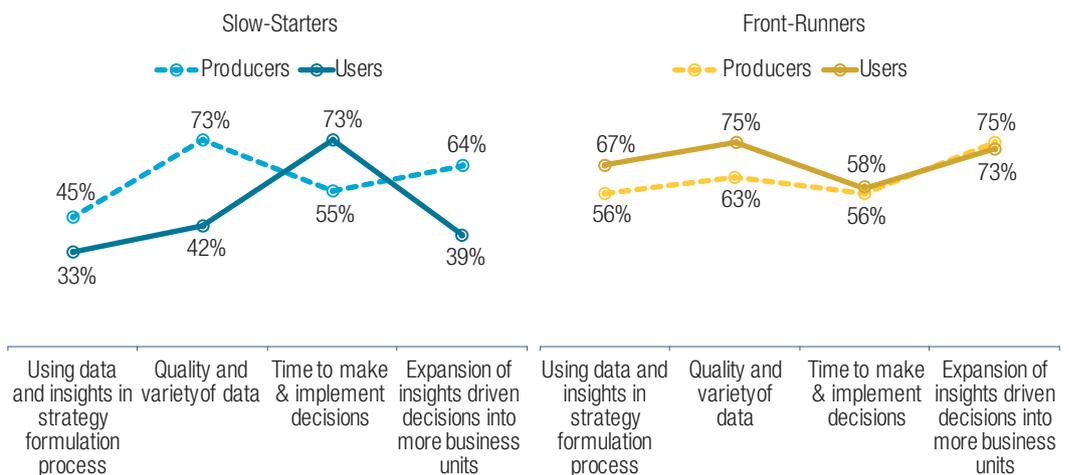
Figure 7: A Mature Operating Model Gives Front-Runners a Head Start over their Peers



We use consumer insights for supporting critical business decisions across all functions



Aspects of Decision-Making Process Improved through Consumer Insights^d



a. For example, marketing, sales and supply chain professionals
 b. Business teams such as marketing, sales and supply chain that make use of consumer insights to take decisions
 c. Consumer insights professionals belonging to the consumer insights function at CP firms
 d. Horizontal axis represents various facets of a general decision-making process that companies seek to improve using consumer insights. For instance, 58% of users and 56% of producers of consumer insights at Front-Runners believe that their firm has improved the time taken to make and implement decisions through the use of consumer insights

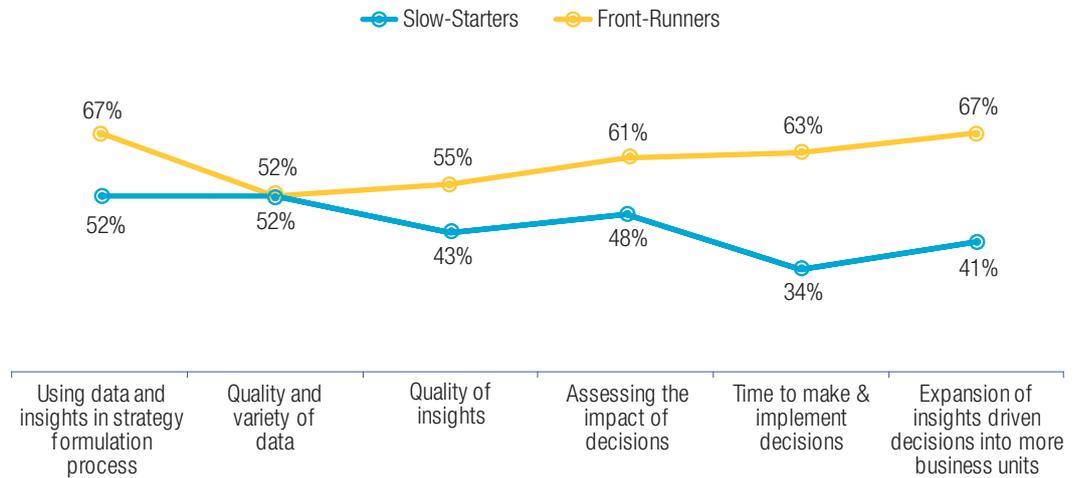
Percentages indicate the share of respondents who agree with the statement or selected the respective option.
 Source: Consumer Insights Survey, Capgemini Consulting

Front-Runners Seek to Improve their Decision-Making Process through Consumer Insights.

Many consumer products firms have already started working on improving their decision-making process through consumer insights. However,

what sets the Front-Runners apart is their focus on improving all aspects of the decision-making process (see Figure 8).

Figure 8: Front-Runners have Improved Their Decision-Making Processes through Consumer Insights in the Last Three Years



Percentages indicate the share of Slow-Starters and Front-Runner companies whose respondents agree (in majority) that a particular facet of the decision-making process has been improved through use of consumer insights in the last three years

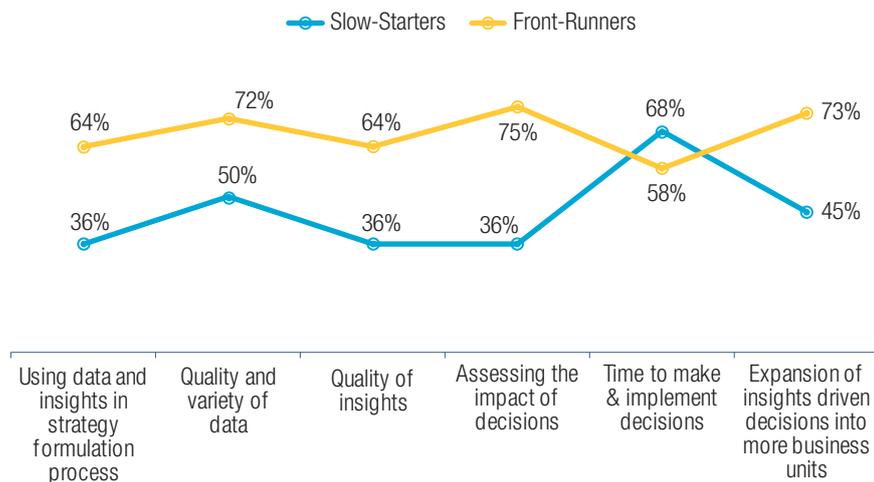
Source: Consumer Insights Survey, Capgemini Consulting

Our survey suggests that Front-Runners are more determined than Slow-Starters to continuously improve their decision-making process (see Figure 9). A consumer insights professional at a large consumer products firm we interviewed conveyed his firm's focus on continuous improvement,

“You cannot afford to stay stagnant in an environment that is continuously changing around you. If you stay still, you lose the game. As a company we have adapted our practices through the years, while also trying to be proactive with change and remain a step ahead of what the market or consumers may be thinking.”

Nearly
1 in 2
Slow-Starters
cite lack of
integration
across data
sources as
key obstacle
in ability to
generate
insights

Figure 9: Front-Runners Seek to Improve their Decision-Making Process in the Next Three Years Too



Percentages indicate the share of Slow-Starters and Front-Runner companies whose respondents agree (in majority) that a particular facet of the decision-making process needs to be improved through use of consumer insights in the next three years

Source: Consumer Insights Survey 2016, Capgemini Consulting

Availability of Right Data and the Associated Skills Enable Greater Exploitation of Insights for Front-Runners.

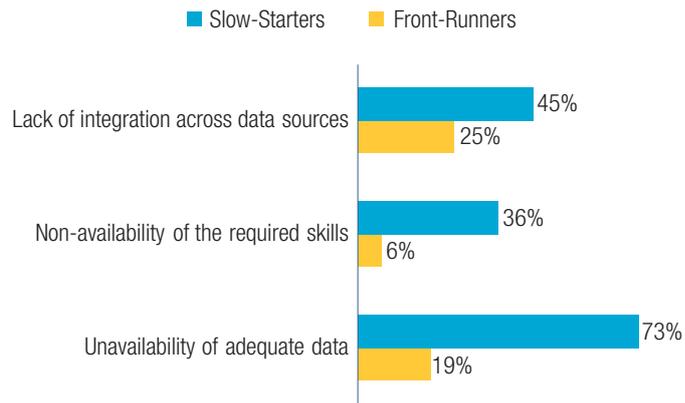
Fewer Front-Runners are challenged by the availability of data and data-related skills, indicating that more have reached a mature level of capability. But for Slow-Starters:

- Close to three-quarters cite “unavailability of adequate consumer data” as a serious challenge

- 36% cite “non-availability of the required skills”
- 45% say that lack of integration across data sources hampers their ability to generate insights (see Figure 10).

“I think we’re facing numerous challenges related to data. Particularly, we need to step up in terms of getting more data, building necessary skills to help us analyze and interpret the data in detail.” Supply-chain executive, Scandinavian consumer goods company

Figure 10: Few Front-Runners Face Data and Talent Related Issues – An Indicator of Their Maturity



Percentages indicate the share of respondents who perceive these challenges

Source: Consumer Insights Survey, Capgemini Consulting

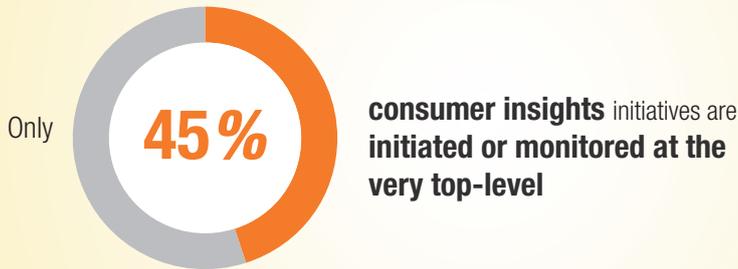
Front-Runners Make Effective Use of Personally Identifiable Information to Enhance Consumer Understanding. Front-Runners also have a lead on their peers in terms of the use of personally-identifiable information (PII) on consumers. Over 56% of Front-Runners say that they are actively finding ways to collect personally-identifiable consumer

information, in comparison to nearly 36% of Slow-Starters. PII is particularly useful in high-impact marketing campaigns that involve personalization. However, Front-Runners do need to bear in mind the sensitivity involved in collecting, storing and using PII. With a new policies such as the European Union's General Data Protection Regulation⁹ close to becoming a reality, the use of personal data is under increasing scrutiny.



Key challenges facing CP Companies

Lack of Management Buy-In



Lack of robust processes

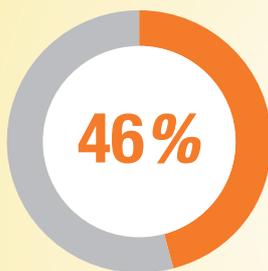


Have taken little action to reduce time taken from insight generation to business action

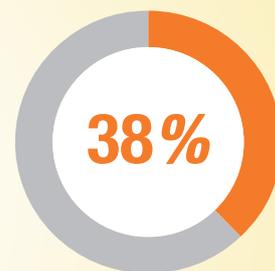


Unable to link KPIs/performance measurement of departments to insights

Absence of Clearly Defined Roles and Responsibilities



Lack of clearly-defined roles for Consumer Insights professionals as a major challenge



Cite lack of clarity in the reporting structure and/or objectives of the consumer insights function as a major challenge

Inadequate Data and Associated Skills



43%

Do not have adequate consumer data



40%

Lack the skills necessary for generating actionable insights



48%

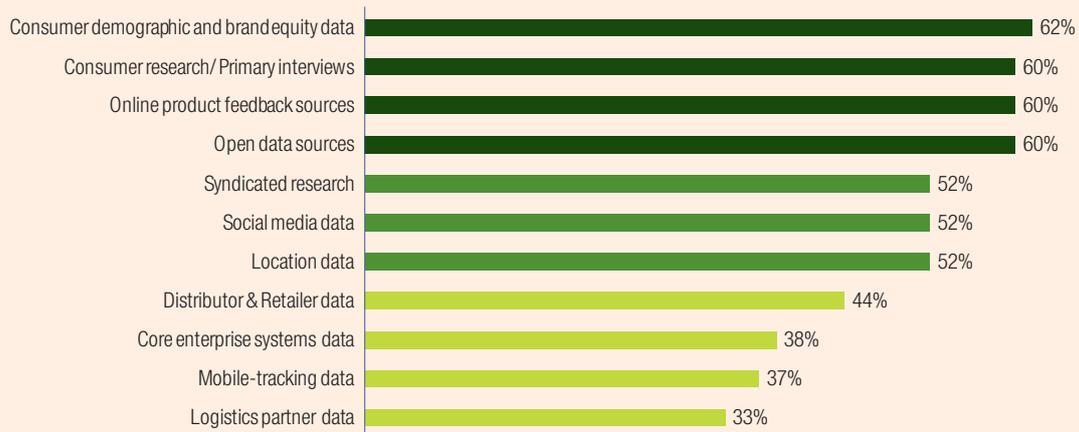
Have not updated their talent development practices related to generating consumer insights

What are the Sources of Data for Consumer Products Companies?

Consumer Products firms have taken initial steps to integrate data from new sources in order to generate more relevant consumer insights. However, more still needs to be done. For instance, only 37% of firms are using mobile-tracking data (such as payment/transaction data from mobile apps) and only 44% are using distributor and retailer data (e.g. POS data, loyalty programs, e-commerce). Surprisingly, social media and location data are being used by only 52% of firms (see Figure 11).

A relatively low use of core enterprise systems data (38%) is a worrying sign as it raises questions around organizations' ability to fully exploit the data they own and the problem of aligning and integrating disparate datasets. It is also indicative of a possible lack of coordination between IT, consumer insights and business teams.

Figure 11: Sources of Data Used by CP Firms



N=72. This question was asked to the consumer insights professionals.

Consumer Insights Benefits Could Go Up in Smoke if Data Privacy and Security Issues are Not Addressed

Nearly **90%** of companies in our sample have experienced some type of data breach

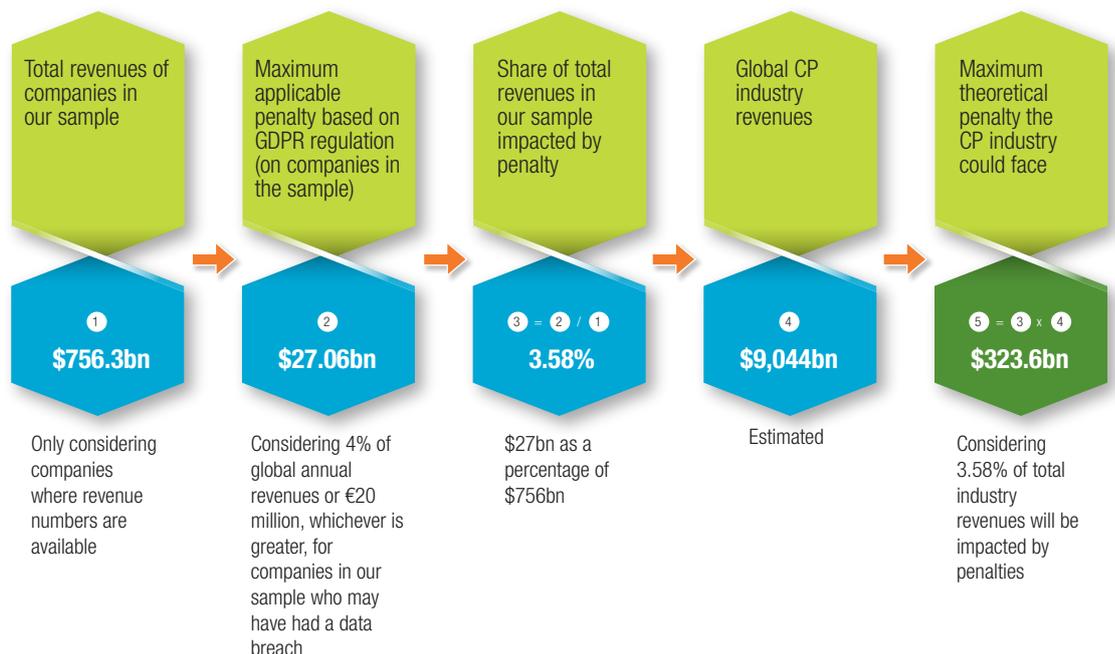
The hard work of consumer insights could be easily undone if due attention is not paid to the security and privacy of consumer data. Regulation on data-related issues is fast catching up with technology developments. The EU adopted the General Data Protection Regulation (GDPR) in April 2016, and it is set to come into effect in May 2018. In conjunction with the directive on the Processing of Personal Data for the Purpose of Crime Prevention, these rules are a step toward establishing accountability around data protection in corporations across Europe. Regulations now increasingly emphasize on consumers' consent for usage of their data. While the exact nature of what is subject to consent is still under discussion and analysis, CP companies and marketers will likely have to get unambiguous consent from consumers for the use of their data.

The scope of the GDPR is not just limited to Europe-based companies. It also includes companies that may be based outside the EU, but derive data from consumers inside the EU. Poorly defined policies, processes and categorizations for data security will not suffice anymore. Companies will have to prove that they have studied the GDPR regulations and implemented the necessary controls to ensure compliance to mitigate the risks of data breach and unauthorized access to consumers' personal data. However, our research indicates that most of the CP companies are under-prepared in ensuring both

privacy and security of consumer data. Worryingly, we found that this was true for companies across the spectrum – Front-Runners to Slow-Starters.

The penalties for non-compliance with GDPR guidelines can have considerable financial impact on the CP industry as a whole (see Figure 12). Nearly 90% of companies in our sample have experienced some type of data breach. These companies could be facing severe penalties when more stringent regulations such as the GDPR are implemented. For the GDPR regulation, in case of very serious infringements, the quantum of financial sanctions could lie between 2 to 4% of a company's global annual revenues or EUR 20 million, whichever is greater. In a worst-case scenario, it means that if the GDPR regulations were to be implemented today, assuming the maximum penalty of 4%, the resulting estimated penalty for non-compliance to the GDPR guidelines could amount to a staggering \$323 billion for the global CP industry or 3.6% of the industry revenues (see Figure 12). Of course, this is a hypothetical worst-case scenario and, in reality, authorities will take many mitigating factors into account based on details of every case. It is also quite possible that there will be significant non-financial sanctions, or class-action lawsuits, that result as a consequence of data breaches. The financial liability figure we have calculated is indicative only and goes to show that the financial cost of non-compliance is staggering.

Figure 12: Maximum Theoretical Financial Penalty CP Companies Could Risk if GDPR Were To be Implemented Today - Worst-Case Scenario



\$323

bn

The maximum theoretical financial liability that the global CP industry could be exposed to, if the GDPR regulations were to be implemented today

The “I-don’t-know-and-I-don’t-care-about-privacy” problem that’s about to impact Consumer Goods companies.

Typical responses of the industry executives when we spoke to them about data privacy, were:

- “I don’t deal with data security because I am not in the IT area”
- “I have no idea because I don’t work in that area.”

While many executives did not seem to care about this critical issue, they were certainly concerned that data privacy and security challenges would affect how they conduct consumer research. Treating privacy issues as a “challenge” but not as a foundational problem is a significant concern. This concern is amplified by findings from our survey, where nearly 46% of CP executives said that their company lacks robust policies for ensuring data privacy. Even among Front-Runners, only 56% of respondents agreed that their organization has been able to frame clear, non-negotiable policies on customer data security and privacy (see Figure 13).

Privacy Concerns are Right at the Top of Consumers’ Minds

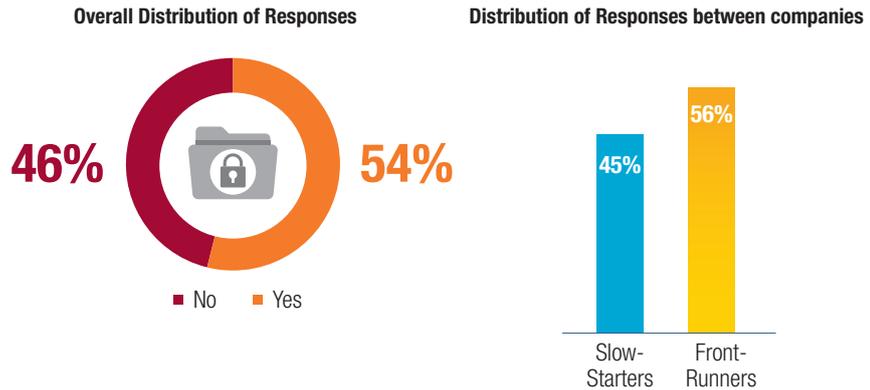
Our recent research – “Privacy Please: Why Retailers Need to Rethink Personalization” – found that a massive 93% of all consumer sentiment was negative when it came to retailer’s privacy initiatives. This negative sentiment was similar across the geographies covered in the research.

The benefit from the good work by retailers on personalization initiatives was found to be precariously hinged on their efforts on managing consumer privacy. For instance, the research found while 71% of retailers enjoy positive responses to personalization initiatives, 57% are unable to translate that into a positive sentiment on privacy. This view on consumers’ concern about their privacy is supported by other research; a recent survey found that 15% of consumers had stopped purchasing at retailers where they had experienced a breach in their consumer data.

Source: Capgemini Consulting, “Privacy Please: Why Retailers Need to Rethink Personalization”, October 2015; CNBC, “Think shoppers forget retail data breaches? Nope”, June 2015

Figure 13: A Large Share of Consumer Products Firms Lacks Robust Policies for Ensuring Data Security and Privacy

We have framed clear, non-negotiable policies on customer data security and privacy



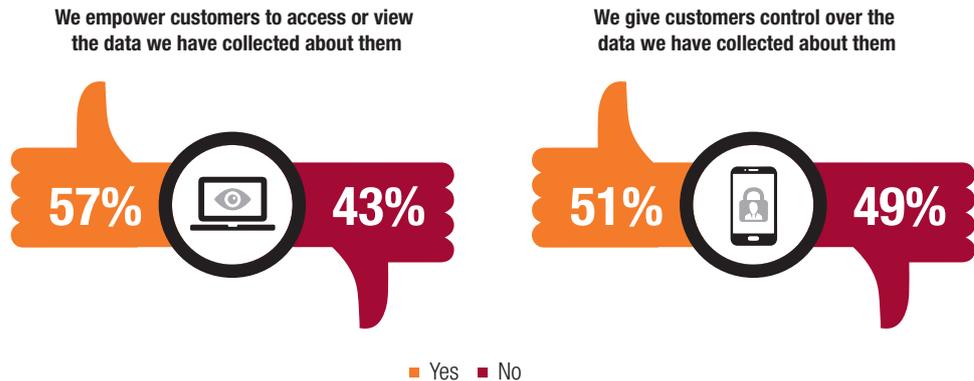
Number of companies=86, number of respondents = 300
 Source: Consumer Insights Survey, Capgemini Consulting

CP companies want consumer data, but are unwilling to give control to consumers.

Consumers around the world are concerned about how their data is used and protected globally. Over 91% of consumers in a recent survey agreed that they have lost control of how their personal information is being collected and used by large organizations¹². Nearly two-thirds of consumers say it is very important for them to control what information is collected about them. However,

this message appears to have missed consumer products companies. Our survey found that only 51% of CP firms provide consumers with the option to control the data they have collected about them and only 57% empower consumers to access or view the data collected from them (see Figure 14). As consumer products companies expand their data collection initiatives and hope to benefit from consumer insights, they need to start incorporating control mechanisms for consumer data right away (refer to the insert on Consumer Engagement Principles at the end of the paper).

Figure 14: Only Nearly Half Of CP Firms Empower Customers to View and Control the Data Collected



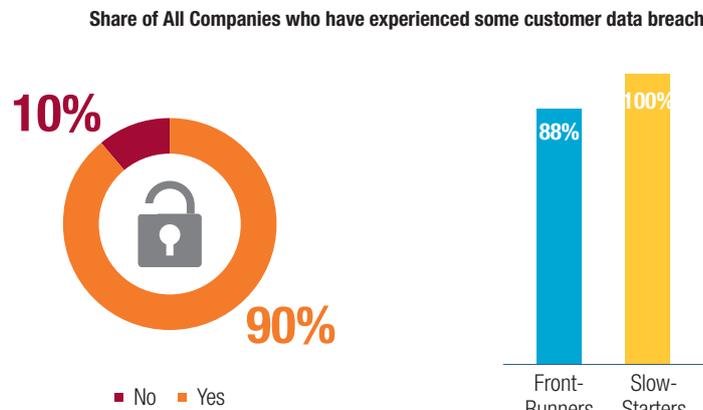
Number of companies=86, number of respondents = 300
 Source: Consumer Insights Survey, Capgemini Consulting

Data collection initiatives dwarf data protection measures.

Consumer products companies have recently begun to collect detailed profiles of consumers. We found that almost two-thirds of firms continue to actively find new ways to collect personally identifiable consumer information. While the benefit of doing so

is clear, this activity must have robust data security policies to mitigate cyber threats. However, we found that nearly 90% of CP companies we surveyed said that they have experienced customer data security breaches (see Figure 15). Surprisingly, almost 88% of Front-Runners and 100% of Slow Starters admitted to having experienced data breaches of their consumer's data.

Figure 15: 90% of CP Firms have Experienced Some Type of Customer Data Breach



Number of companies=86, number of respondents = 300

Percentages indicate share of companies in our sample with at least one respondent disagreeing that his/her organization has not experienced a data breach.

Source: Consumer Insights Survey, Capgemini Consulting

Compliance with industry regulations paints a poor picture.

Our research found that almost half of the companies (43%) surveyed admit that their security practices

do not comply fully with industry regulations (see Figure 16).

Figure 16: A Large Share of CP Firms' Security Practices Still do not Comply with Industry Regulations

Our security practices comply fully with industry regulations



Number of companies=86, number of respondents = 300

Source: Consumer Insights Survey, Capgemini Consulting



We reduced the requirements of more than 100 laws and regulations around the world to just 36 principles that govern all our businesses processes around the world



- Unilever's Global Privacy Officer

A key reason for low compliance is the complex nature of the global regulatory landscape, though some firms have taken steps to manage this complexity. Unilever reviewed privacy regulations across all of the markets in which it operates and filtered them down to a smaller set of core rules that satisfy all requirements. Unilever's global privacy

officer said: "We reduced the requirements of more than 100 laws and regulations around the world to just 36 principles that govern all our businesses processes around the world"¹³. However, such initiatives from CP companies seem to be few and far between as most of them seem to be dragging their feet on this matter.

How are Industry Leaders Managing Consumer Privacy Issues?

One way that industry leaders such as Nestlé are tackling consumer privacy issues is by being transparent in their communication with consumers. Nestlé has put video primers on its website with some basic questions that are top-of-mind for consumers, using its employees rather than professional actors. They include answers to three basic questions:

1. What data do you collect and how do you use it?
2. How can I control my data?
3. Who can access my data?

What data do you collect and how do you use it?

We collect anonymous data about visitors' behavior on our website by using cookies or similar technologies. This data is stored without any reference to an individual. With your consent, we also store your personal data, e.g. if you sign up to receive news.

[LEARN MORE](#)

How can I control my data?

We do not collect any personal data without your consent, so you decide whether to share data or not. And you can always request access to the personal data we hold about you. You can also prevent the collection of anonymous behavioral data by changing your browser settings.

[LEARN MORE](#)

Who can access my data?

Your personal data will not be disclosed to the public or sold to third parties. If our commercial partners need data to provide you with services, we will ask your permission. We may also have to provide access to specific data if required to do so by authorities.

[LEARN MORE](#)

Unilever, on the other hand, has set up a dedicated website to explain its privacy policy. It is accessible at <http://www.unileverprivacypolicy.com/> and includes answers to the most common questions.

Practical Steps for CP Firms to Put Consumer Insights to Work

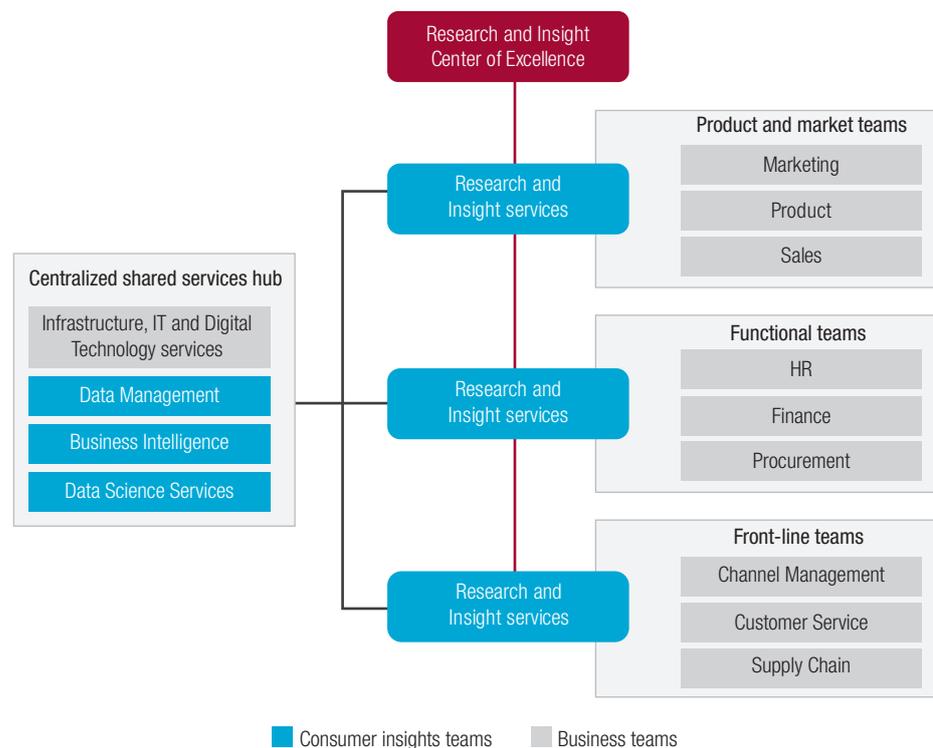
Build the right governance structures and operating model.

Our research shows that Front-Runners initiate and monitor consumer insights initiatives from the very top. They also create new roles to lead various aspects of consumer insights. To govern and operate consumer insights, organizations primarily adopt three kinds of models: decentralized, center of excellence (CoE) and centralized^a. Each of these models has advantages and drawbacks. However, in our experience a hybrid operating model – which builds upon the advantages of multiple models – produces better results for large, global CP firms (see Figure 17).

The hybrid model:

- Ensures alignment between producers and users of consumer insights that generate, customer focused insights and greater support to users for converting insights into business actions.
- Enables an organization to centralize those services which can be industrialized, such as data management and business intelligence.
- Allows for an embedded integration between IT and consumer insights groups in the centralized shared services hub. This guarantees effective ownership and usage of enterprise data assets.
- Removes silos, optimizes resources and ensures best practices are shared more effectively.

Figure 17: A Hybrid Operating Model Combines Positives from Several Prevalent Structures



Source: Capgemini Consulting analysis

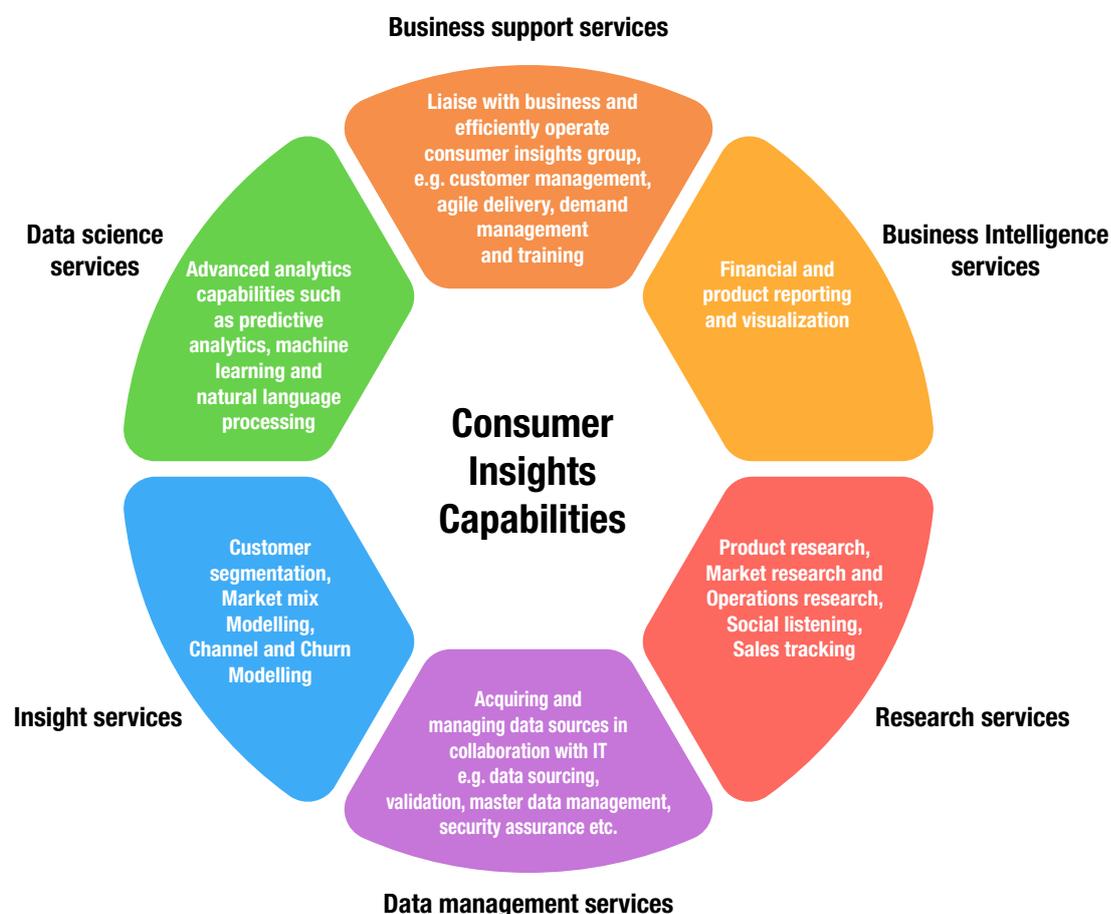
^a A decentralized model involves disparate consumer insights teams reporting to functions, with little coordination among them. In a Center of Excellence (CoE) model, a CoE group at a corporate level handles governance, recruiting and interfacing with IT for a number of consumer insights teams. These individual consumer insights teams have dual reporting to the CoE and respective business units that they serve. In a centralized model, a core group of consumer insights professionals acts as a common resource pool that provides services to all business teams.

1/3 of Slow-Starters felt that they could not source the right skills, whereas only **6%** of Front-Runners said the same

Build Key Capabilities. In our survey, more than a third of Slow-Starters felt that they could not source the right skills, whereas only 6% of Front-Runners said the same. As enterprise data grows in terms of volume, variety and velocity, the capability to analyze this critical asset will separate the winners

from the rest. From our experience of working with global CP firms, we believe consumer products companies need to develop key skills across the key areas of business support, data management, business intelligence, research, insights generation and data science (see Figure 18).

Figure 18: Key Capabilities for Consumer Insights



Source: Capgemini Consulting analysis

“Skills shortage is a concern since more people are beginning to see the value of analytics now... If you are not searching for new people, and if you are not growing your own people in this space, you are going to be massively disadvantaged three to five years from now”. Shawn O’Neal, Ex-Vice President, Global Marketing Data and Analytics, Unilever

Some CP companies seek help of third-party insights providers to reduce dependencies on channel partners and assess the actual impact of trade placements and promotions through the eyes of the consumer. One such insights provider – Quri – supplies CP companies with on-the-ground, store-level data on merchandising conditions¹⁴. CP firms can use services like these to make informed decisions on their trade spends with retail partners, allowing sales opportunities to be better leveraged and refinement of promotional campaigns at a local level.

Establish a Chief Privacy Officer

role. The industry is witnessing continued growth in e-commerce, increasing data collection, growing consumer concerns on data use and abuse, and the looming threat of regulatory compliance. These trends all point in one direction: the need to have a dedicated function or a role, reporting directly to the leadership, that looks at all things privacy – the chief privacy officer. Organizations across industries are warming up to this idea. Membership of the International Association of Privacy Professionals, a non-profit industry group and certification association for the trade, took more than a decade to garner 10,000 members between 2002 and 2012. Since then, it has doubled that number, with over 24,000 members globally¹⁵. Our earlier research on privacy and retailers found that customers perceive that a significant majority of retailers (86%) struggle in their attempts to strike a balance between personalization and privacy. Over 93% of consumer sentiment on retailer privacy initiatives was negative, indicating the need for consumer goods companies to tread very carefully indeed¹⁶. Consumer goods companies need to gain the trust of consumers (see “Consumer Engagement Principles”). While a chief privacy officer will definitely help set high-level direction, it is increasingly important to remember

that privacy is now everybody’s job. The need to respect customer data today transcends job functions and grades, for reasons of customer trust, as well as brand compliance.

Take a step approach on the journey to an insight-driven business.

Making a success of consumer insights is about getting a wide variety of processes right. Our research shows that Front-Runners have consistently outperformed Slow-Starters in how they have improved their decision-making skills and intend to continue doing so. However, many companies are still struggling to find the right approach to make the leap from using data as a tool to becoming an insight-driven business. We believe companies should take a progressive three-step approach to this journey (see Figure 19). They should start with bringing the key stakeholders together, and demonstrate early success on concrete business challenges through an agile or fail fast approach. After they have established business value, they should graduate to scaling the analytical capabilities and solutions to an enterprise level. Finally, the consumer insights teams should enable an insight-driven business by continuously embedding insights into business decisions.

Figure 19: What Does the Journey to an Insight-Driven Business Look Like?



Source: Capgemini Consulting analysis

CONCLUSION

Consumer products companies today stand at the threshold of a world that is rapidly changing. The traditional B2B2C environment is being quickly remodeled with rise of data-driven consumer product startups and increasing private labels from e-commerce players who are data natives. While consumer products companies have the advantages of strong brands and established distribution capabilities, they cannot solely rely on their brand strength and reputation, advertising, scale and partnerships to succeed in this new world order. They need to transform their ability to extract valuable insights from a wealth of data in a world where e-commerce is not just another channel but the primary channel, where a retailer is as much a distribution channel as a competitor, and where a consumer is not just a data point but a source of real insight. Building trust will be key to winning a game where the rules have fundamentally changed.



Consumer Engagement Principles

The Consumer Goods Forum together with Capgemini, has outlined a new set of 'Consumer Engagement Principles' (the "Principles"). The industry-wide Principles will act as a framework for how companies engage with their consumers, and are designed to promote an environment of trust and pro-active consumer communication. With consumers now leaving ever-larger digital footprints with a growing trail of personal data, the Principles will help ensure constant and consistent communications with consumers across digital platforms globally.



Source: The Consumer Goods Forum and Capgemini, "Consumer Goods Industry Commits to New Guidelines on Consumer Engagement and Data Privacy with the help of Capgemini", February 2015

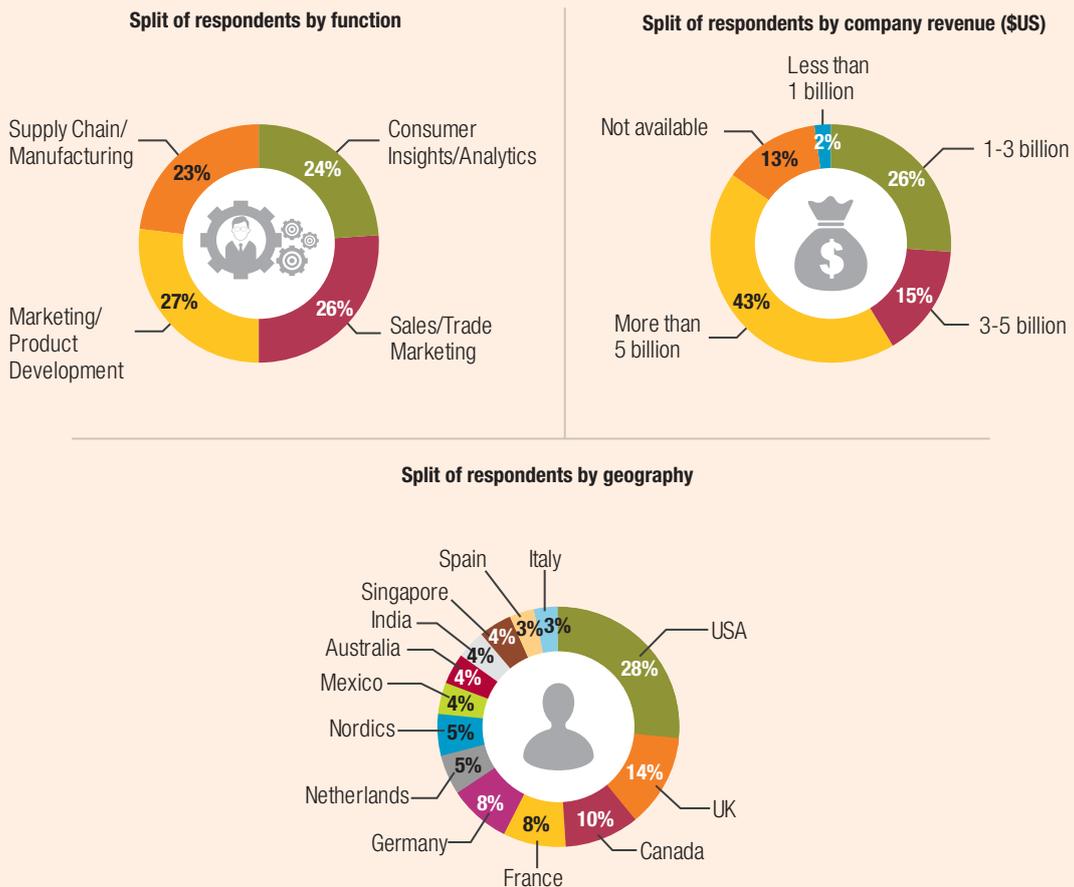
The Consumer Goods Forum (CGF) is a global, parity-based industry network, driven by its members. It brings together the CEOs and senior management of over 400 retailers, manufacturers, service providers and other stakeholders across 70 countries and reflects the diversity of the industry in geography, size, product category and format.

Research Methodology

Phase 1 – Quantitative Survey

Capgemini conducted a global survey of 300 managerial executives across 86 companies, with collective revenues of over \$756 billion, in the consumer goods industry for this research. The 300 survey respondents were broadly classified amongst two categories – “Producers” of consumer insights and “Consumers” of consumer insights – in accordance with the nature of their interaction with research insights derived from consumers. While the Producers category included Consumer Insights professionals from CP companies, the Consumers category included the following:

- Marketing and Product Development professionals
- Sales and Trade Marketing professionals
- Supply Chain and Manufacturing professionals



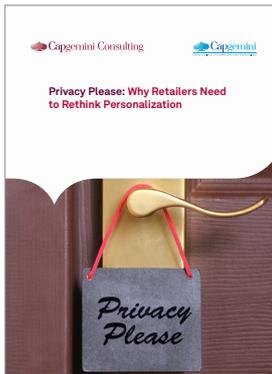
Phase 2 – Qualitative Interviews

In addition to the survey, Capgemini also conducted individual focus interviews with senior executives from a selection of leading consumer product companies to understand the dynamics of consumer insights from a strategic perspective and to gather real world examples of success stories.

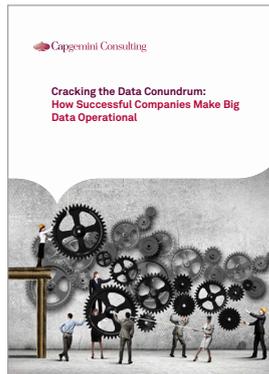
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 - 9 GDPR - http://ec.europa.eu/justice/data-protection/reform/index_en.htm
 - 10 EUR-Lex, Access to European Union Law, Official Journal of the European Union, L 119, 4 May 2016
 - 11 We analyzed the impact on 77 companies in our sample who have experienced some data breach. The GDPR penalties for this sample would amount to \$27 billion or 3.6% of the total annual revenues of the companies in our survey. Considering our sample is representative of the global CP industry – estimated to be over \$9 trillion in annual revenues, the penalty from non-compliance of GDPR guidelines will be a staggering \$323 billion. The equivalent figure for the European CP industry would be in excess of \$151 billion
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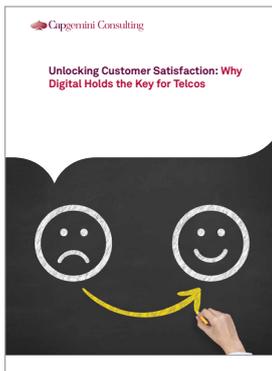
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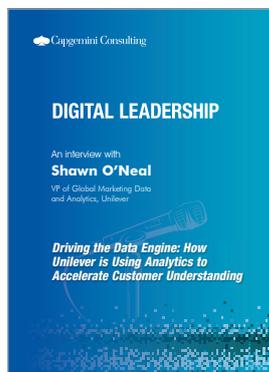
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About the Authors



Kees Jacobs

Vice President, Capgemini
kees.jacobs@capgemini.com
[@kees_jacobs](#)

Kees is an industry recognized practitioner with Capgemini's global sector for consumer products and retail, with more than 25 years of experience in these industries. Kees is responsible for Capgemini's strategic relationship with The Consumer Goods Forum and has co-authored many research reports on the consumer products and retail industry



Jules Morgan

Head, Insights & Analytics Center of Excellence at Capgemini Consulting
jules.morgan@capgemini.com

Jules is Capgemini Consulting's global consumer products/retail insights and analytics lead. He works with clients across the consumer goods and retail sectors to embed traditional and new approaches into their core business.

Jules has lived and worked in Nairobi, Brussels and is currently based in London.



Jerome Buvat

Head, Digital Transformation Institute
jerome.buvat@capgemini.com
[@jeromebuvat](#)

Jerome is head of Capgemini's Digital Transformation Institute. He works closely with industry leaders and academics to help organizations understand the nature and impact of digital disruptions.



Amol Khadikar

Senior Consultant, Digital Transformation Institute
amol.khadikar@capgemini.com
[@amolkhadikar](#)

Amol is a senior consultant at the Digital Transformation Institute. He keenly follows the role played by mobile, software and data science in digitally transforming organizations.



Ashish Bisht

Senior Consultant, Digital Transformation Institute
ashish.bisht@capgemini.com
[@ashishb1603](#)

Ashish is a senior consultant at the Digital Transformation Institute. He brings with him extensive knowledge of the emerging IoT ecosystem, the associated data and security challenges and loves to work at the intersection of the physical and digital worlds.



Digital Transformation Institute

dti.in@capgemini.com

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For more information, please contact:

Global

Kees Jacobs

kees.jacobs@capgemini.com

Jules Morgan

jules.morgan@capgemini.com

Maggie Buggie

maggie.buggie@capgemini.com

Didier Bonnet

didier.bonnet@capgemini.com

Adgild Hop

adgild.hop@capgemini.com

Ruurd Dam

ruurd.dam@capgemini.com

France

Olivier Trouvé

olivier.trouve@capgemini.com

Eric Masson

eric.masson@capgemini.com

UK

Jules Morgan

jules.morgan@capgemini.com

Germany, Austria and Switzerland

Ralph Becker

ralph.becker@capgemini.com

North America

Bill Lewis

bill.a.lewis@capgemini.com

Sweden and Finland

Hakan Erander

hakan.erander@capgemini.com

The Netherlands

Arnoud Maas

arnoud.maas@capgemini.com

Asia

Julien Bourdinier

julien.bourdinier@capgemini.com



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