

Abstract

The Web is maturing as a retail channel and is playing an ever more important role in the evolution of multi-channel retailing. Consumer behaviour is also changing and evolving, with consumers increasingly demanding of Consumer Products companies that they support multi-channel journeys and deliver consistent experiences over a range of lifecycles. Mobile channels, social networking sites and developments in traditional retailing have fundamentally changed the relationship between consumers, retailers and Consumer Products companies. Digital media is at the heart of this change, but Digital Marketing and the opportunities offered by it have not yet been fully embraced or leveraged by Consumer Products companies.

At present Consumer Products companies allocate only 2% of their marketing budgets to digital media¹. This is significantly less than other sectors (retail, manufacturing, and high-tech). Companies in the Consumer Products sector should re-think their engagement with consumers and assess the Return on Investment of Digital Marketing.

Capgemini believe that this can positively impact five key value drivers - brand equity, transactions, customer insight, innovation, and customer service. And it can do more. As a consequence, we no longer believe that the term “Digital Marketing” fully reflects the scope and potential of this area. “Integrated Digital Services” is a more accurate reflection of how Consumer Products organisations can improve the breadth, depth, relevance, focus, and continuity of customer interactions.

Digital channels help companies increase customer transactions and incentivise customers via discount coupon access/redemption and contests/promotions. Important customer information can be captured and the insights gained used to improve overall consumer experience. Innovation can be driven through greater consumer participation in co-creation via initiatives involving the consumer in the decision-making such as “crowd-sourcing”. Customer service can be improved by offering resolution through channels where customers are already present.

To extract greater value from consumer engagement, companies should recognise its increasing importance and reassess planned spend with consideration to increasing their digital budget.

Companies should:

- Identify a well-defined, consumer and customer centric strategy that shapes all marketing and consumer engagement activities to achieve the organisation’s ambition;
- Segment and prioritise their consumers and direct customers and then position them at the centre of the services, processes and offers that the organisation delivers to the market;
- Focus their digital activities initially on two or three key value drivers across the organisation, rather than trying to address all drivers at once;
- Ensure their digital environment is relevant for consumers now and has the flexibility to be relevant in the future – consumer technology and taste change in 3-6 month cycles;
- Identify and implement customised metrics that can help assess programme effectiveness.

By successfully implementing these recommendations, companies can grow the number of consumers with whom they have relationships and track and increase their customer lifetime value.

Mobile channels, social networking sites and developments in traditional retailing have fundamentally changed the relationship between consumers, retailers and Consumer Products companies. Digital media is at the heart of this change, but Digital Marketing and the opportunities offered by it have not yet been fully embraced or leveraged by Consumer Products companies.

¹ “US Interactive Marketing Forecast by Industry, 2009 to 2014”, Forrester Research Inc., December 17 2009

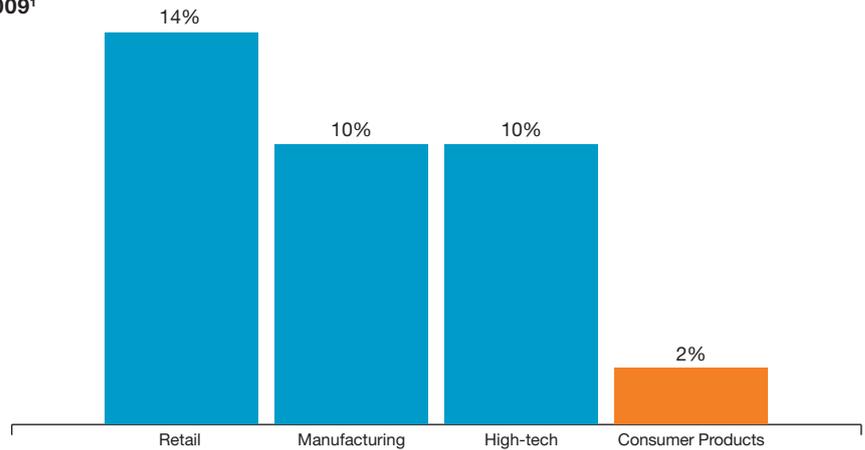
Introduction

Companies in the Consumer Products sector have typically been less active in digital marketing than companies in other industry sectors. This is highlighted by their relatively low allocation of marketing budgets to digital media – only around 2%. In contrast, companies in the retail, manufacturing, and high-tech sectors typically allocate between 10% to 14% of overall marketing budget to digital media.¹ (see figure 1).

Capgemini believes that Consumer Products companies must reassess their planned digital spend in light of the acceleration of technology and growing consumer expectation of digital channels. Consumers are increasing the time they spend online compared with traditional media. In the US the time spent using the internet grew 20.5% from 2008 to 2010 compared with only 1.8% for watching TV². Figure 2 shows social networking and video streaming are emerging as high growth channels. The reach of social networking has exceeded that of email, with total minutes spent on social networking sites growing by 73% from 2008 to 2009. From 2003-2009, the audience for online video increased by 339%². Changing consumer behaviour mandates a fundamental re-think of traditional marketing models. Companies need to consider whether their digital spend and product and marketing strategies are in line with changing consumer behaviour and the opportunities of enhanced investment in digital services.

Although spending on digital marketing by the Consumer Products sector has been low compared with other sectors, analysts expect its growth, in percentage terms, to exceed that of all other sectors in the next four years. However, we believe that a projected growth rate of 22%

Figure 1: Digital Marketing as % of Overall Marketing Budgets in various Industries, 2009¹

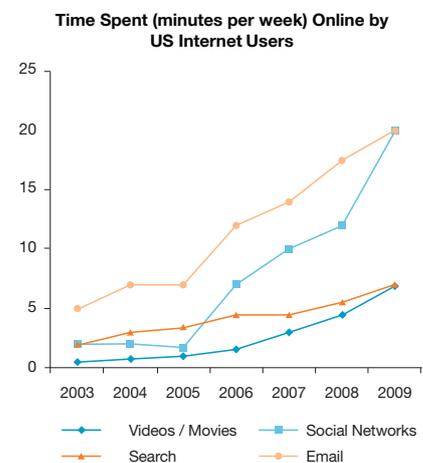


Source: Forrester

CAGR in the period 2009 – 2014 is a distinct underestimation. Recent market information has reinforced that view: with Unilever announcing a doubling of spend⁴ and another leading global CP company indicating that they plan to increase their digital marketing spend from 1.4% to 20%.

In this paper, Capgemini discusses the key benefits of digital from the point of view of companies in the Consumer Products space. We highlight the positive impact of digital channels on key value drivers and offer recommendations for Consumer Products organisations to optimise their returns on investment in digital.

Figure 2: Time Spent Across Various Medias (US)^{2,4}



Source: Forrester, Nielsen

² “Three Screen Report, Quarter 1 2010 & Quarter 1 2009”, Nielsen, Q1 2010 & Q1 2009

³ “The Global Online Media Landscape,” Nielsen, April 2009

⁴ Marketing Week, June 25 2010

Creating a Consumer centric Organisation

The goal of better consumer centricity is to achieve greater consumer lifetime value with more and more consumers.

What is Consumer centricity?

The nature of consumer and direct customer engagement has evolved. The first generation of engagement was primarily about “telling” consumers about products and services, using traditional mass market campaigns and media, through limited channels and by consistent delivery of products, service, access and price. The essence of second generation engagement has been “listening” to customer behaviour, often through data-gathering loyalty or reward schemes. We are now moving towards the third generation of true customer engagement. This is characterised by “talking”, by engaging in open-ended dialogue with customers. “Talking” is enabled by integrating channels with a single customer view, by web-enabled interactions that allow Consumer Products companies to meet customers and to meet them wherever they may be. A personalised and relevant experience is key to engaging consumers thereby helping put customer insight at the heart of all business decisions.

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How can this be achieved?

Moving to third generation engagement requires a fully-integrated operating model across channels and the Web. A digital strategy must be determined - from the outside in and from the inside out. Customer expectations need to be determined: what do they want from you and from your brands and product(s)? What type of journey do they expect to take with you, with your brands and with your products? How long do they expect that journey to last?

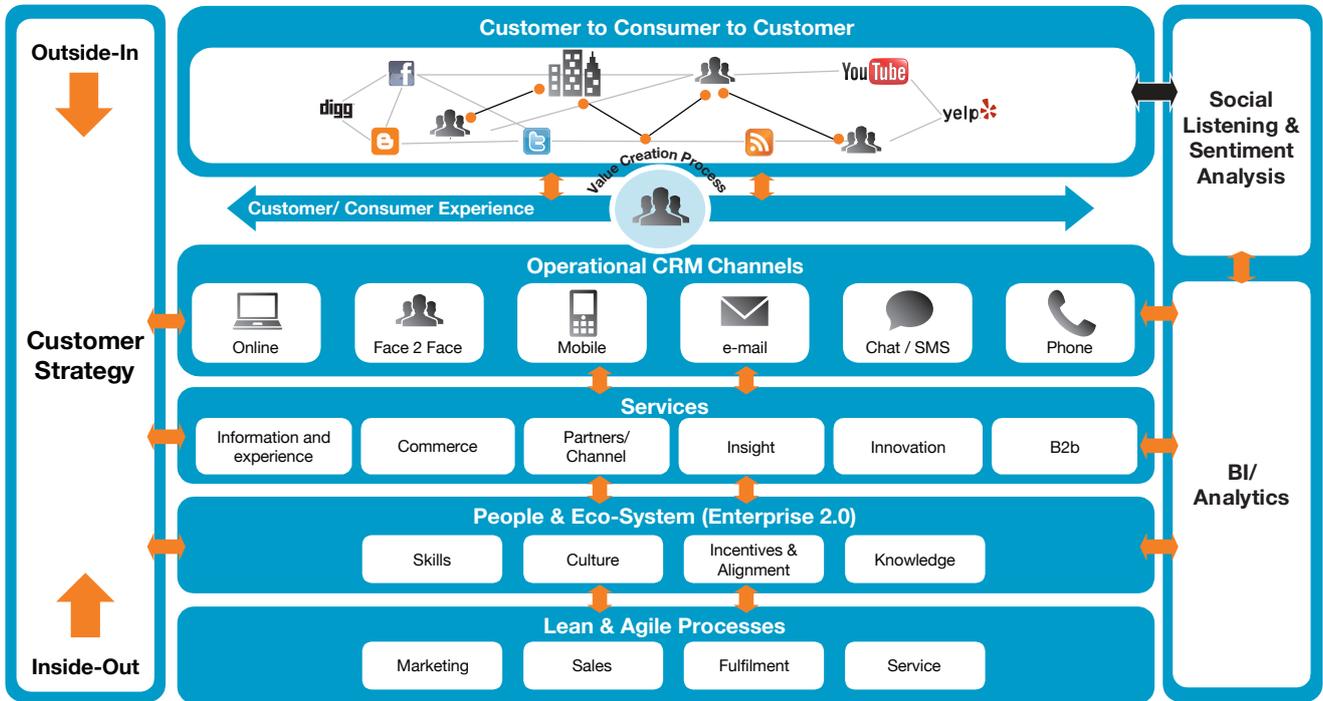
Understanding that customer expectations will differ and tying existing or new segmentation models to your digital strategy will be crucial to ensuring personalised and relevant engagement. A segmentation map can frame customers and consumers into segments with distinct consumption or shopping behaviours. Need-based variables define why consumers purchase, consume and remain loyal to specific brands and products. These segments should be prioritised and then analysed to explore those needs and daily journeys establishing touchpoints and required experiences. The Consumer Products organisation can then define what is relevant and of value.

Similarly, the Consumer Products company must determine the nature of their relationship with their customers. Where do the goals, objectives and strategies of both parties come together to make each one mutually relevant? What services should the company provide their customers to fulfil their needs and optimise its relevance?

Figure 3 details the key components of the operating model that Consumer Products organisations should examine to deliver an effective and efficient service and experience.

For many (if not all) Consumer Products companies achieving this operating model will be no small task from what to date has often been a fragmented and unstructured foray into the digital world. Being clear on the value of such a model will be key to aligning the organisation behind the journey and towards a new way of working.

Figure 3: Consumer Products Operating Model to Build Required Consumer/Customer Interaction using Integrated Digital Services



Consumer Products companies should consider the following in their Integrated Digital Services operating model:

- Awareness of the Customer to Customer channels and mechanisms that customers are using and a means of tapping into them
- The same customer/consumer may touch the company through different mediums and will expect a consistent and integrated service
- Services, offers, marketing and customer information needs to be directed to individuals in the channel of their choosing and potentially via all CRM channels
- How to centralise customer information from both structured sources and unstructured data from the web to give a single view of the customer
- The two-way use of digital services to reach out to customers and receive insight from them
- Integrated Digital Services skills trained or brought into each relevant department
- Establish best practice processes to underpin effective and efficient services at scale

How can Consumer Centric Integrated Digital Services Deliver Value

The benefits of Integrated Digital Services to the consumer and customer experience can be assessed through their impact on five key value drivers – Brand Equity, Transactions, Customer Insight, Innovation, and Customer Service (see figure 4).

Brand Equity

Integrated Digital Services helps companies engage better with customers through improvements in breadth, depth, relevance, focus, and continuity of interactions, thereby strengthening brand equity.

Digital channels increase the breadth of interactions by enabling brands to reach out to consumers via additional channels, over and above traditional offline channels, in a cost-effective manner. Moreover, digital channels also enable companies to place their messages on a broad array of websites, reflecting consumer surfing activity. Further, relationships with online consumers can be deepened through activities such as the creation of personal web pages. The key for marketers is to ensure that they have sufficient data and insights about consumers' preferences and behaviours to strike a chord with consumers. Brands can focus on and highlight specific product attributes – tangible or intangible – that relate to consumer values, choices, and emotional brand associations. Lastly, companies can develop continuity of communications by consistently updating web content and adapting marketing messages in line with changing consumer needs and preferences.

The favourable impact of Integrated Digital Services on brand equity is being increasingly accepted by Consumer Products companies. A recent study found that approximately 70% of sector respondents viewed

Figure 4: Positive Influence of Integrated Digital Services on Key Value Drivers for a Consumer Products Firm



Source: Capgemini Consulting analysis.

increased brand awareness as a major benefit of Integrated Digital Services⁵.

As part of its overall marketing strategy, Nestlé is using social networking platforms such as Facebook and Twitter to “engage consumers in intimate and interactive relationships”. For instance, as add-ons to birthday and congratulatory greetings, Nestlé offered virtual cookies through a Facebook application. The virtual cookies extended the company’s successful offline “Bake some love” campaign to an online experience, providing a social vehicle for users to engage with the brand and share stories.

During a two-week period, users sent more than 1.1 million Nestlé virtual cookies. Moreover, the campaign registered a 17% increase in intent to purchase.⁶

Mars is also leveraging social networks to drive customer conversations and build brand equity. For its Skittles brand, the Skittles homepage was transformed into an online portal featuring a live Twitter feed alongside Facebook, Flickr, and YouTube content with links to the social media sites. The Skittles site saw a 1,332% jump in traffic on the first day⁷. The campaign helped generate buzz around the brand and provided easy access for customers to engage with Skittles via their preferred social media platforms.

⁵ “Social Media and Online PR Report”, Econsultancy and Bigmouthmedia, November 2009

⁶ “Nestlé Cookies Sent in Virtual Goods Campaign”, MarketingVOX, January 2010

⁷ “Skittles Social Media Campaign Increases Traffic 1332% in One Day”, Marketing Pilgrim, March 2009

Transactions

Digital channels complement offline channels and allow consumers to conduct digital transactions including e-commerce and m-commerce transactions, customer registration, coupon redemption, contests/promotions and referrals.

Consumer acceptance and usage of digital channels for transactions has increased steadily over the past few years. The Apple Store and the customised M&M's shop from Mars are examples of Consumer Products companies adapting to take advantage of digital channels to sell directly to consumers. Another notable development in online transactions is the increased usage of online coupons. Online coupon access jumped 92% and redemption rose 360% in 2009. Moreover, almost 20% of online coupons were redeemed⁸ as compared with paper coupon return average of less than 1%.⁹

Coca-Cola is using its My Coke Rewards loyalty program as part of its overall Integrated Digital Services strategy to better engage with consumers. The loyalty program allows customers to collect PIN codes from bottle caps as well as product packages and trade them for points, which can be spent on rewards. Within a year more than 11 million registered members entered over 600 million PIN codes¹⁰, highlighting the effectiveness of digital channels in encouraging customer transactions.

Innovation

With increasing pressure on margins, cost effective innovation with an improved rate of success is critical for many organisations. Companies in the Consumer Products space can use the power of Integrated Digital Services to drive successful innovation. An effective lever is "crowd-sourcing": gathering new ideas from customers and partners through digital channels.

An important caveat here is that customers who are most vocal about their preferences may not reflect the choices of the wider customer base. Therefore, companies should validate customer / partner inputs through focus group studies, detailed surveys, and product test marketing. Nonetheless, the digital channel can be valuable to fast-track successful innovation with an improved success rate.

The "Connect + Develop" initiative of Procter & Gamble (P&G) is a case in point. P&G uses this initiative to tap into a global innovation network, using the submitted ideas to improve the process of innovation. P&G's rate of R&D productivity has increased significantly from 15%-20% to almost 60%¹¹. Seeking inputs for innovation via digital channels has also helped P&G to deepen its relationships with consumers.

Customer Service

Consumer Products companies can use digital to drive improved customer service. Potential benefits of customer care through digital channels include reduced volume of contact-centre calls, improved first-contact resolution rates, increased agent productivity, and increased customer lifetime value.

Apple is a striking example of a firm leveraging multiple digital channels to take customer service to the next level. The digital channel is the centre point for customer service from which Apple customers can resolve issues, share solutions, book training sessions and be directed to the channel to best resolve their service needs. Consistently ranked in the top 25 of Business Week's Customer Service Report¹², Apple continues to lead its sector in customer service. This has helped it to build customer loyalty, reflect a core value of innovation, and increase the value of its brand. Importantly, Apple's definition of service is wider than 'fail and fix', providing users with online advice, product insight, and hands-on technical support.

Insight

By capturing consumer location, behavioural, and demographic information, digital channels offer a significant opportunity to profile consumers and gain valuable insights about their behaviour and preferences. Consumer profiles, behaviours, and perceptions can then be used as inputs in sales strategy and operational planning processes.

Consumer insights gained through Integrated Digital Services can help companies to improve consumer experience, retain existing customers, and attract new ones, while continuously keeping track of evolving consumer behaviour. Moreover, digital channels offer the added advantage of making real-time recommendations to consumers.

Leading Consumer Products companies are mining and integrating consumer data to derive associations and model consumption patterns, gaining key insights with which to develop personalised interactions with customers via their preferred digital channel. Unilever leveraged the mobile phone channel to engage with consumers of its Pot Noodle brand and gather insights. Unilever enabled consumers to request catalogues, brochures, and product samples by using their mobile phones to meet its objectives of gathering customer information, strengthening its consumer database, and improving sales. The result was a database of over 190,000 clean, active, and validated customer addresses¹³. To improve the quality and use of the data, the address information was enriched and profiled using demographic and lifestyle information from consumer databases.

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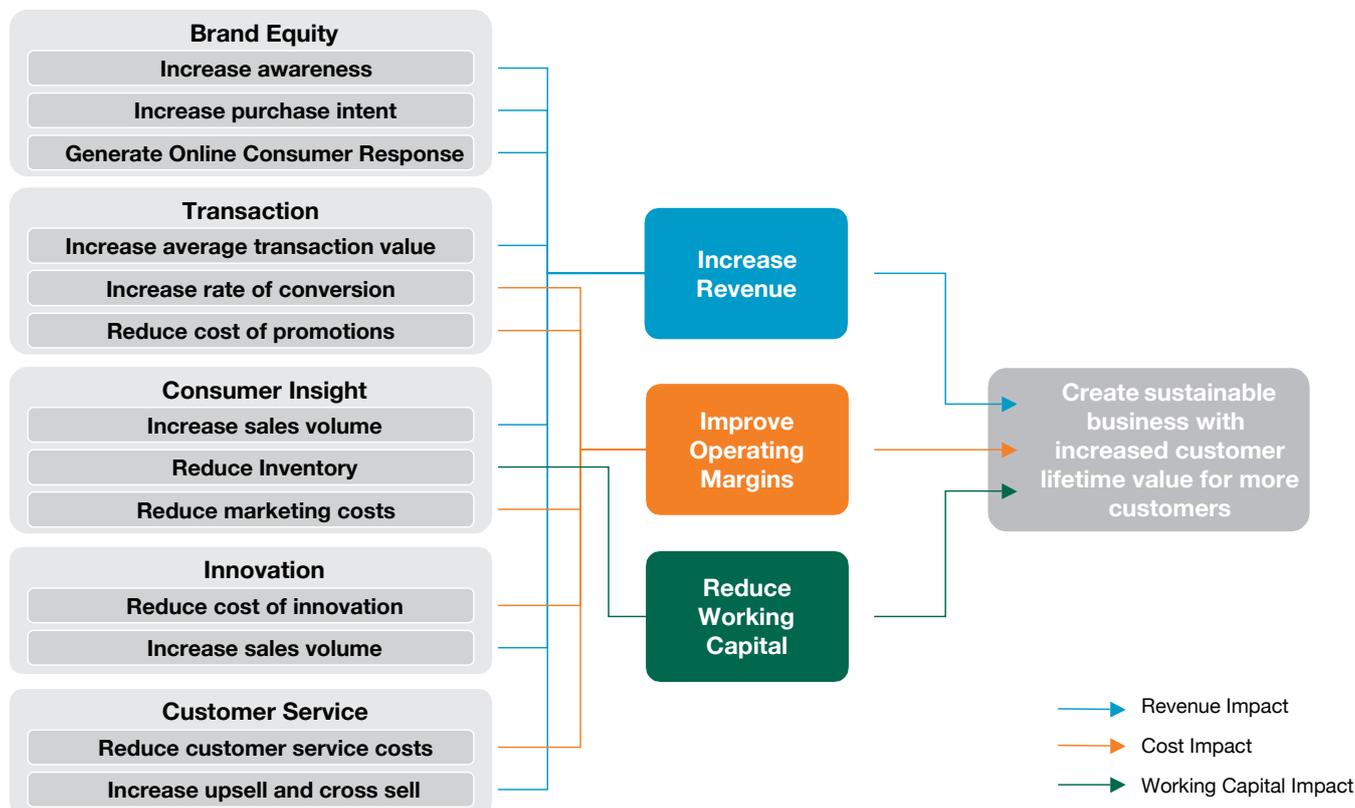
Greater than the sum of the parts

Value does not just come from these five drivers individually but, critically, through integrating them. The key integration is around each consumer based on their experience across all brands and touch points that the organisation has established. For Consumer Products organisations the second key integration is between brand equity to transactions – what tools and techniques are now available to convert interest and experience into money. Relevance, access at the point of need and the right enabling technology can make this happen. Advanced technologies in clickthrough and mobile technologies are accelerating conversion rates from traditionally low levels.

- ⁸ “Consumers ‘clipped’ 92% more coupons from the web last year”, Internet Retailer, January 2010
- ⁹ “Mobile couponing goes mainstream”, <http://connectedplanetonline.com/wireless/>, June 2009
- ¹⁰ “Boosting Sales and Site Traffic”, FICO, August 2010
- ¹¹ “P&G’s New Innovation Model”, Harvard Business Review, 2008
- ¹² “2010 top 25 customer service list”, Business Week, February 2010
- ¹³ “Case Study: Unilever”, Experian, 2008

Figure 5 illustrates the positive impact of Integrated Digital Services through key value drivers.

Figure 5: Financial Benefits of Integrated Digital Services



Source: Capgemini Consulting analysis.

Recommendations

Based on this paper's discussion and our analysis of Digital case studies in the Consumer Products industry, we offer seven key recommendations that can help companies to extract significant value from Integrated Digital Services activities and investments.

Deliver strategy rather than a series of activities

Consumer Products companies need to evolve from piecemeal or sporadic online activities to defining and executing strategic plans for Integrated Digital Services. Integrated Digital Services should be part of a holistic marketing and sales strategy – therefore tied to consumer segmentation models, brand strategies, sales campaigns and beyond. Marketing activity which is not anchored by organisational strategy may create short-term buzz, but may be ineffective in the longer-term. Companies need to define objectives and goals in line with strategy for all digital touch points across the organisation, and measure outcomes to assess justification of future spend in line with forecast consumer activity.

Allocate greater proportion of marketing budgets to digital channels

Compared with other sectors, expenditure on digital marketing by the Consumer Products industry is forecast to increase by an average of 22% CAGR by 2014. However, at 4% of overall marketing spend by that date, it will remain lower than comparative sectors¹. Such low allocation to digital marketing may not be adequate for companies seeking to capitalise on the opportunities from greater engagement with online users. The value which companies should spend on digital marketing should reflect

the anticipated increase in digital activity for existing and new customer groups and the continued acceleration in technology. Companies must ensure that there is sufficient investment to effectively serve customers via their preferred channel, and the capability to meet the increasingly sophisticated customer expectation of a transactional, interactive website

Centralise capability and localise content

Consumer Products companies, especially those with large geographic reach, should globalise their digital marketing initiatives without relinquishing flexibility at the local level. Companies can maximise impact by defining the brand proposition and key messages at a global level, then tailor campaigns / advertisements to suit regional tastes and behaviour. This approach reduces costs, increases central direction setting, maintains consistent brand positioning, and ensures that messages resonate with local audiences.

Ensure activity is truly customer centric

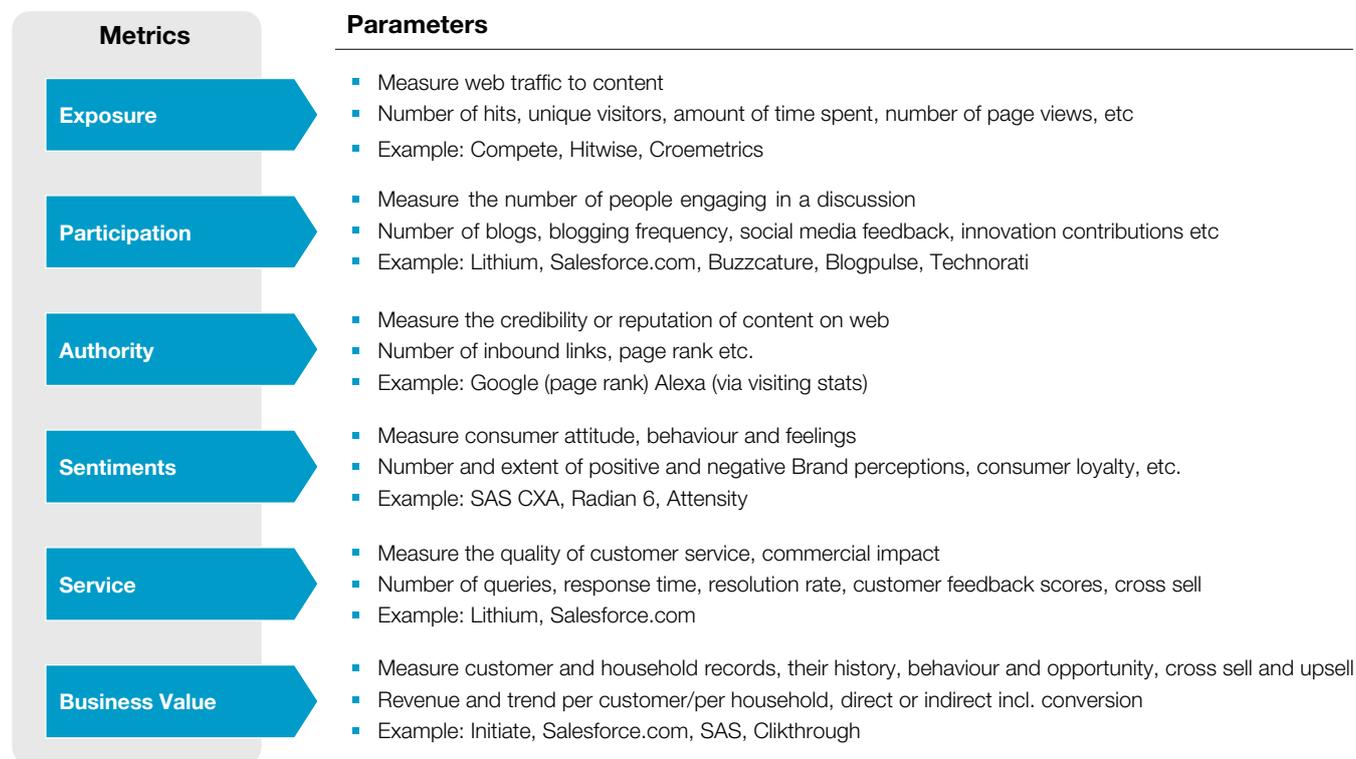
Given the opportunities presented by Integrated Digital Services, Consumer Products companies must ensure that they are truly customer centric. With consumers participating in, and often leading online 'dialogue', Integrated Digital Services requires a shift to interactive 'communication'. Consumer Products companies should focus on building sustained, individualised consumer relationships through multiple channels with a single view of the consumer and should encourage consumers to interact with brand messages and fellow consumers. This will help strengthen the sense of community and belonging with respect to the

brand and products. Getting this right requires segmentation and customer experience and journey development of the priority segments.

Customise and measure Return on Investment (ROI).

ROI is critical in measuring the impact of existing digital activity within and across business functions, in planning strategy, and in assessing and justifying future spend (see figure 6). Despite the ongoing development and adoption of digital ROIs, there may not be ROI metrics to best fit organisational and marketing strategies. Thus it is critical that organisations tailor metrics to match ROIs rather than simply matching readily sourced metrics.

Figure 6: Measuring the ROI of Integrated Digital Services



Source: Capgemini Consulting analysis.

Ensure their digital environment is relevant for consumers now and has the flexibility to be relevant in the future – consumer tastes and technology preferences change in 3-6 month cycles

Consumer preference for applications, devices, and point of need will change continually. Their preferences will move with fashion, lifestyle needs and new innovation. Consumer products companies need to differentiate their tools and methods for consumer facing use from employee and internal use. Therefore speed to development is measured in months with some tailoring to critical segments and markets. New products must be reviewed and trialled where failure to innovate will be more punishing than innovating and failing. However costs must be controlled and aligned with return. The explosion of domains to engage with consumers mean that Consumer Products companies need to review the brand- and country-led

approaches to examples with more scalability and control and with the ability to deliver tailored content and experience.

Sub-groups with similar tastes/preferences must be identified, and shifts in their behaviour must be detected. Moreover, it is important that insights are not trapped in organisational silos but are continually shared across departments in the organisation during strategy formulation, product planning, and campaign development.

In conclusion, Integrated Digital Services increases the number of channels, breadth of service and depth of experience whereby customers can be reached. It enables firms to engage with customers through messages and offers that resonate with their preferences and behaviours. Through Integrated Digital Services, firms in the Consumer Products space have a tremendous opportunity to forge deep

and long relationships with their customers, to increase the strength of their brands, and to derive financial and non-financial benefits that help create new shareholder value and competitive differentiation.

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