WINNING WITH E-COMMERCE

How e-commerce is growing at an unprecedented pace – and how data unlocks the opportunity

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Online shopping adoption accelerated by the pandemic

They said it was going to take years. But it actually happened within a few months – and caught us all by surprise.

One of the effects of the pandemic was to dramatically accelerate the shift of consumers to online shopping channels. While e-commerce is of course well-established in many categories, CPG has always been different. If consumers wanted to buy laundry detergent, soft drinks, tinned food or any other everyday household goods, they largely did it by going to the store. The move to online buying was gradual – until COVID came along.

McKinsey reports that 13% of shoppers had bought such items online before the pandemic. By late March 2020, this number had risen to 31%. According to Boston Consulting Group, 40% of online shoppers during this period were doing it for the first time. In addition, consumer sentiment surveys suggest that 43% of consumers planned to buy at least some of their groceries online after the pandemic – so this is no temporary blip.

The statistics are compelling. The CPG market changed almost overnight, and it changed for good.

By 2024 19.2% of all US retail spending will be via e-commerce

Source: eMarketer

## What does this mean for CPG companies?

It means an enormous opportunity – but also a daunting challenge. As sales volumes increase, it is increasingly difficult to fulfill demand without accurate, real-time off-take data in order to manage inventory – yet many CPG organizations simply do not have access to this data in useable form. The result is lost sales, missed shipments and penalties.

Equally, in order to drive more sales and ensure visibility over the competition, CPG companies need a comprehensive data and analytics foundation to serve as a feedback loop. CPG companies need to be able to make agile, data-driven decisions and failure to do so results in them losing 'seller authority' – and the market share passes swiftly over to competitors.

Opening the Pandora's box of data

The real challenge lies in the data available to CPG companies. Reliable, accurate, timely data can help them build an effective process – both for forecasting demand and ensuring their brand maintains a visibility in those online retail environments.

Data is drawn from multiple sources as shown below:
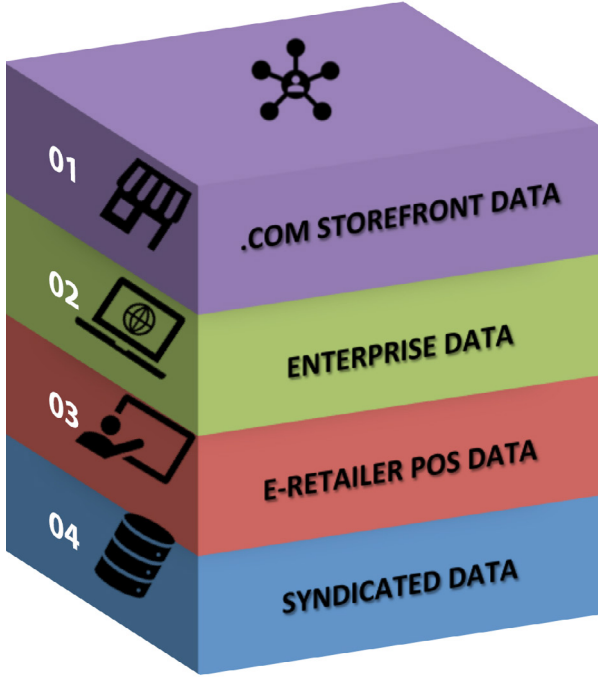
01 .COM STOREFRONT DATA — Generated by brand's own e-commerce store

02 ENTERPRISE DATA — Generated by brand's internal operations

03 E-RETAILER POS DATA — Provided by e-retailers and third-party marketplaces

04 SYNDICATED DATA — Data obtained from social web or third-party data providers and research companies

Mining for e-commerce gold

So we have a Pandora's box of data coming in different formats and from all different directions – which is no basis for meaningful insights. The value of that data can only be harnessed if it is consolidated and harmonized: it has to be converted from raw information into valuable insight that can be used to make better decisions and drive more effective e-commerce operations.

Our TradeEdge platform addresses this challenge by presenting information in a way that is convenient to CPG decision makers.

We have applied AI/ML algorithms to deliver actionable insights to sales, supply chain, marketing and finance teams. This gives them a clear idea of how they are performing in every area of operation – and what they need to do to succeed.

Case Study: Improved case fill rates while keeping the inventory low

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One of our leading CPG clients was experiencing low case-fill rates for the e-commerce channel. The sell-in requests from this channel were mostly erratic and intermittent, thus resulting in a low fill rate and 'out of stock' penalties.

The e-retailer provided its 'sell-out' forecast at national week level, but it was not always aligned with the sell-in request at the SKU-Distribution Center level with a fulfillment window of just 48 hours.

Using EdgeVerve's TradeEdge we harmonized the off-take data with CPG planning hierarchy. We further applied a probabilistic forecasting method to come up with a more accurate sell-in forecast at DC level. This helped to optimize inventory and improve case fill rate.

The result was a significant improvement both to the customer experience and the bottom line. The methodology was scaled up to all SKUs, resulting in approximately 6 percentage points improvement in case fill rate with 4.5% lower inventory. This also meant fewer out of stock penalties, which equated to up to 1.4% of category revenue.

A proven recipe for online success

Creating an infrastructure that supports more effective e-commerce is a four-step process:

1. **Data harmonization:** ingest, harmonize, cleanse POS, search, click-stream and digital shelf data.

2. **Demand prediction:** using AI to accurately predict demand, enabling more accurate fulfilment and fewer penalties.

3. **Insight generation:** drilling into the "Path To Purchase" uncovering customer trends and purchases.

4. **Activation: implementing** improvements to the "Digital Shelf" in order to drive increased sales and market share.

What could you do with your e-commerce data?

Once a CPG company has harnessed the available data, there are a number of areas it can address. The following are just some of the many ways in which we have supported customers:

Sales Trend/ Share Analysis

Track your market share versus competitors across key categories and brands

Profitability Analysis

Using e-retailer PoS data (Profit Per Unit and Cost of Goods Sold) to determine optimum product margin vs. thresholds

Inventory Planning

Leveraging AI/ML for the optimization of inventory control and supply planning.

Media Performance Analysis

Consolidation of media performance metrics (eg ROAS, ACOS, CPM, CTR, Impressions) to optimize media spend

Lost Buy Box (LBB) Analysis

Uncover the factors driving Lost Buy Box by using data from the PDP (Product Detail Page)

Share of Search Analysis (Paid/Organic)

Analysis of paid/organic search performance and insights into campaign execution

Organic Search Performance

Identify leading organic search terms, find out where your search strategy is winning or losing

Ratings and Reviews Analysis

Storefront insights into ratings and reviews, identifying SKUs which are under-performing in reviews and insights compared to competition

Product Page Content Compliance

Validate product content and integrity analysis. Compare content with internal company content.

Ready to win more in e-commerce?

Want to know more about how Infosys can help transform your e-commerce operations? Get in touch via www.infosys.com.

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TradeEdge provides insights across the demand value chain to accelerate profitable growth and get one-step closer to an autonomous supply chain. TradeEdge is a cloud-based solution that enables brands gain maximum channel visibility, add new channel partners, improve retail execution and reach new markets faster.

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