

View Point



Retail Execution Excellence

Imperative for Success of New Product

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Abstract

Successful new products add value to CPG companies' business in many ways. Any improvement in success rate of new products is a welcome change. Retail execution is key link in the successful product launch process. Focusing on few key drivers such as visibility, process capabilities and analytics during retail execution would help CPG companies to achieve better results in new product launch activity. Technology can play an enabler role in this regard.

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New products are critical to Consumer Packaged Goods (CPG) companies' growth and profitability. Significant amounts of resource and effort are invested in new product development and launch. Success rate of new products is quite low and many factors contribute to this low performance. One of the studies revealed that poor commercialization, inadequate distribution, inventory shortage and product availability as some important reasons behind failure of new products (O'Marah, 2004). Most of these reasons arise because of issues related to retail execution during the launch process. Addressing them through excellence in retail execution would help CPG companies to improve new product success rate.

Execution Excellence Imperatives

Operational excellence in retail execution can be achieved through the following foundation blocks – Clear strategic direction, Management's leadership role, Unambiguous communication down the line and Synchronized co-ordination among various business functions.



- Clear strategic direction from top management in terms of company's vision on new products, would go a long way in helping the execution team design an effective launch process.
- Management's leadership role in defining product objectives as well as broad guidelines for the launch process would be critical for launch success.
- Unambiguous and continuous line of communication till the lowest level of execution team is an essential input for launch success recipe. This helps in quick decision making and issue resolution.
- Proper co-ordination plays vital role in execution excellence. Lack of it across various enterprise divisions and business functions like procurement, production, supply chain, retail distribution results in crisis situations and to salvage from them, a significant amount of resources need to be deployed.

Key Drivers of Retail Execution Excellence

The goal of the retail execution in the new product launch process is to ensure product availability at point of sale and generate trial. The goal can be achieved through three key drivers - visibility to information, analytics that provide actionable insights and superior process capabilities.

Visibility to Information

- Efficient access to multiple data resources like enterprise data, syndicated data, retail data, etc. To gain useful business insights saves significant amount of time in collecting and collating information. Syndicated data and POS data would provide consumption trends and combining this information with internal data like shipment, inventory etc., Would provide comprehensive view of demand as well as supply.

- Automated alerts and alarms for exception management system enables execution team to avoid costly situations by taking corrective steps well in advance.
- Cross departmental visibility is critical in launch success. The existence of single version of truth of supply chain situation across procurement, production, logistics and sales is essential for effective customer service
- Supplier and customer visibility-Maturity level of collaboration of CPG Company with suppliers & customers determines effectiveness of leveraging shared information for business benefit. In case of high level of customer collaboration, CPG Company can get visibility to store and shelf inventories and can take interventions based on ground situation. Supplier information visibility helps in planning production as well as supply chain activities



Analytics

- Demand estimation – Accurate demand estimation solves most of the retail execution problems. Various methods like aggregation (bottom-up), disaggregation (top-down) may be explored to improve demand estimation accuracy. Clustering of customers based on certain characteristics is a useful tool in improving accuracy.
- Scenario analysis – building various scenarios helps in formulating right distribution/promotion combination for desired outcome. It can also be deployed to understand possible moves of competition
- Dashboards and Scorecards - Customized dashboards provide quick overview of KPIs in a user friendly manner. Scorecards help in focused monitoring and analysis of various initiatives related to launch execution
- Root cause analysis - Root cause analysis throws light on reasons which are not so obvious. For instance, frequent out of stock might be due to shelf space availability rather than product supplies
- Benchmarking with best launches - Benchmarking exercise helps in standardizing best practices for a new product launch based on historical performance

Process Capabilities

- Rapid intervention capability - Quick corrective actions are critical for new product launch success. For instance, movement of inventory across stores & Distribution Centers, handling variations in SKU mix, quick market specific promotion interventions increase chances of success.
- Exception management- Capability to investigate, resolve and handle exceptions. Exceptions like actual demand way above the plan, supply chain breakdown etc. Call for alternative plans
- Responsive supply chain - Flexible planning and execution capabilities like
- Short notice production/shipments, accommodating small batch productions, flexible retail services like part load shipments, out of schedule shipments contribute towards new product success.
- Workflow mechanism - Offers better co-ordination and control. Clear cut and well laid out workflow mechanism ensures accountability and rapid course-correction

Role of Technology

Technology can be an enabler in achieving the key drivers of retail execution excellence. RFID technology provides real time visibility of new product till the last mile of the supply chain i.e. retail shelf. The large scale adoption of RFID is yet to materialise in CPG industry. Once the cost of technology comes down, the adaption rates are certainly go up.

The collaboration between CPG Company and retailers can be enabled through having a Demand Signal Repository platform to receive downstream data like POS as well as inventory information. The seamless integration of two systems would not only provide near real time visibility to each others' information, but also help in planning process in terms of sales, supplies etc.

Smart display systems like the one developed by Infosys does not require RFID infrastructure to get visibility to shelf inventory. It uses patented technology to keep track of shelf off take and sends out alerts as soon as the shelf inventory reaches threshold level.

Conclusion

Retail execution plays an important role in successful new product launches. Lack of historical information incase of new products makes closer monitoring of execution process imperative. It begins with clear articulation of strategic objectives by the top management. Assigning accountability through unambiguous communication improves execution effectiveness. Technology should be leveraged as an enabler to achieve the overall objectives. That should help a CPG company to differentiate itself among the ever increasing competition.

Reference:

O'Marah,K.(2004) "Trends in New Product Development and Introduction Processes", AMR Research

About the Author

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