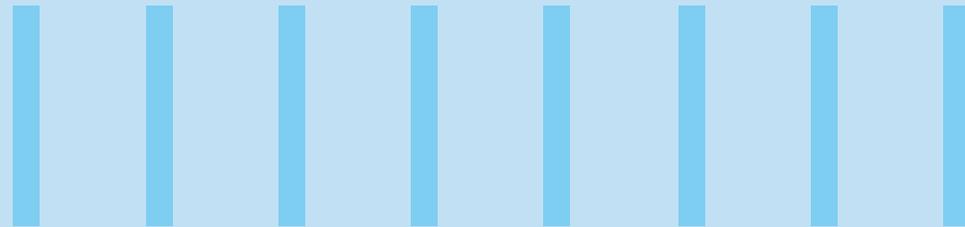




NO TWO STORES ARE ALIKE

CPG COMPANIES NEED TO WIN ON THE SHELF..ONE STORE AT A TIME



Consumer packaged goods (CPG) companies lose a lot of money every year on a very basic misperception: that all stores are alike.

It's an easy mistake. Across the developed markets, big box retailers have utilized standardization techniques to sell more consumer goods faster and on a bigger scale than ever before. The strategy has largely been a winning proposition for consumers. The economies of scale translate into more savings for shoppers.

But just beneath the surface of this business model is a largely untapped opportunity. Despite the proliferation of mass retailing, each store, no matter how identical it might look to its peers, has a unique set of issues and opportunities.

The State of the Store study by Infosys, a thorough assessment of how big box chains and their customers relate to the world's largest CPG companies, sheds new light on the realities of the modern retail sector in France, Germany and the UK.

Among the conclusions: The one-size-fits all retail strategy has its limits. That's because all stores are not created equal. CPG companies risk losing market share and significant revenues by not adequately equipping their regional sales forces with the right solutions for each outlet. The study revealed only a third of retailers have worked with CPG companies to develop

local store specific programs. So why do so many CPG sales representatives treat each store the same? Infosys offers a suite of three solutions – retail execution planning, strategic insights, and sales force automation – that helps sales reps and store managers discern the unique challenges of every retail outlet. Just as no two stores are alike, nor should the merchandising activities within each store be the same.

Make no mistake: Sales representatives have an endless array of mobile devices at their disposal. Sales force automation is an important part of any CPG company's

distribution network. Part of the problem, however, is that the technology itself isn't used as effectively as it could be. Retailers told Infosys that CPG sales representatives spend most of their time on new product launches and store audits. They would like to see CPGs use their technology on promotion execution and ensuring product availability as well. The study also revealed that an average retailer loses sales to nearly seven in ten shoppers because of inadequately stocked shelves. It is imperative that sales representatives focus on shelf availability.





The Infosys study found that vast inconsistencies exist when it comes to how effectively sales representatives utilize these tools. "There's a lot of time and energy spent on trying to meet agreed upon schemas between the CPG company and the retailer," says Stephen McCormac, Associate Vice President and Client Partner for Retail, CPG and Logistics with Infosys. "But the mind of the modern consumer has become very fickle. Once she enters a store, the placement, value proposition, and pricing of a CPG product all become vital factors in her shopping experience. If that combination of elements isn't tailored to that specific store, both the CPG company and the retailer are going to lose out."

The State of the Store study reveals that sales representatives of CPG companies can be the most underutilized links in their companies' marketing chains. By treating each store equally, including spending the same amount of time in each outlet, a sales rep can put in jeopardy the targeted branding campaigns that originate in a CPG's headquarters.

On the other end of the value chain, more than half the retailers in the study said they want to see more investments by CPG suppliers in their sales force to generate shopper insights, track trade

spend and developing a store-specific strategy "A lot of CPGs think that simply arming their sales reps with a mobile device will do the trick," says Prateek Sinha, Associate Partner, Retail and CPG with Infosys. "But all that does is increase the efficiency of their communications. If you communicate 'garbage' to your sales rep today, with a mobile device you will communicate 'garbage' more efficiently. The real opportunity lies in increasing the effectiveness of the sales reps in making each store an 'ideal store'"

In the State of the Store study, 72 percent of retailers said they expect CPG companies to improve the on-shelf availability of their products. Yet just five percent of retailers supply data to CPGs daily to determine in-store placement in real-time; 20 percent of retailers never supply data. Sinha says that solutions such as Infosys TradeEdge and other Infosys tools drive effectiveness of communication between CPGs, retailers and distributors. CPG companies can then ensure the right activities are performed by sales reps in the right store, at the right time; to deliver shoppers an excellent retail experience.

A potent mix of Retail Execution Planning and integrated Sales Force Automation has already paid off for a major confectionery,

food and beverage conglomerate. Infosys has already delivered more than \$120 million of incremental revenues to the packaged food company over the last six months.

Retail execution strategies helped improve conversion rate of in-store display promotions to a whopping 95 percent. The company accomplished this feat by providing timely and store specific information to its representatives on where and when to build displays. The packaged food company also reduced the time it takes to introduce new items to nine from 14 days. "They now get an additional five days of solid, uninterrupted sales from every new item introduction" says Sinha.

The biggest change came from reducing the time it takes to replace out-of-stock items. Thanks to sales force automation solutions they gained from Infosys, the company can make sure it's out of stock brands are restocked in less than two weeks; the confectionery, food and beverage conglomerate used to take two months. Sales representatives now operate with a level consistency that they wouldn't have had back when they utilized a one-size-fits-all store strategy. Now they leave no detail to chance.

Some three-quarters of retailers polled said that the “three Ps” – promotions, product availability, and new product launch – are key areas for sales force to drive in-store excellence. Nearly 75 percent of retailers say they want to engage CPGs in promotion co-creation, while nearly half of the retailers are looking for support to develop store specific programmes in the near future. Some 20 percent of retailers, however, have not collaborated with CPGs in past two years. Sinha says that if retailers want solutions in the forms of the three Ps, then store managers need to do more than simply walk the floor with sales representatives and discuss inventory information. They need to share buyer analytics and point of sale data as well. “A store manager should be sharing and asking the CPG rep for the information that’s most relevant for that particular store,” he says.

Anand Ramakrishnan, Client Relationship Manager for CPG with Infosys, says that it’s important for CPGs to analyze inventory data and tell retailers how that data helps them increase sales. That fresh perspective helps retailers set sales expectations that are more in line with the companies that supply them.

To be sure, it’s getting easier for CPG representatives to use cost-effective mobile solutions when they visit retailers. Doing so ensures the tracking compliance of each retailer. “When you’re a sales rep who services a particular number of stores, you need to be changing your approach by bits and pieces. That’s how our insights help these sales reps understand analytics and what it is they can do to perform better,” says Ramakrishnan.

Ramakrishnan cites the case of how for a large CPG major, Infosys has set up an insights program to give the sales teams actionable insights and predictive analytics. This has already helped the company realise 30% cost and time savings, and significant incremental productivity.

New, constructive conversations between CPGs and major retailers are beginning to pay off. Both parties are coming to understand that to build competitive advantages, they need more than just computer hardware or mobile devices. It’s the store-specific planning, insights and meaningful sales force automation that will help create the ideal store.

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