

Digital Imperatives for CPG: 5 Steps to Plan for Growth in 2016



By: **Keith Anderson**, V.P. Strategy and Insight, Profitero

According to an IRI/BCG/Google study for the Grocery Manufacturers Association (GMA), within the next 5 years, 50 percent of growth in CPG is expected to come from eCommerce, and that's not taking into account the impact of the online channel on physical stores. Deloitte Digital suggests that almost two-thirds of every dollar spent in brick-and-mortar stores is now influenced by a digital interaction.

Key to growth for CPG and FMCG brands in 2016 is a roadmap to better represent your brand in the online channel, as well as building the toolkit you need to outperform your competitors.

As you get started on your journey to eCommerce success, plan to spend half or more of your time building internal alignment and support within your organization – especially if you're the designated leader of eCommerce.

Here we outline the 5 critical steps to gaining that widespread internal support.

DEFINE SUCCESS

How will you define success? Is success about incrementality and eCommerce sales growth, or is it more about maintaining brand equity – ensuring your brand is best represented in the online channel to help influence offline sales?

What we see in our monthly Amazon FastMovers reports, which rank best sellers in more than 10 categories, is that some of the fastest moving brands and products are emerging brands – and not necessarily the incumbent market leader in the brick-and-mortar channel. These brands have nothing to lose by investing aggressively online: establishing a compelling foothold and starting to displace 'traditional' leaders in the physical world.

Always estimate the size of the prize and understand how you compare to established competitors, but be aware that there are emerging brands playing offense aggressively in the online channel.

DEFINE YOUR STRATEGY AND FOCUS

Once you have a clear picture of success, you need to prioritize, as no CPG brand manufacturer has infinite resource. This means assessing markets, retailers, categories, and brands for their current and future potential in the online channel.

This is a complex process, but for most CPG companies with shelf-stable products, we believe Amazon is one non-negotiable priority, with its share of the total online market in the US estimated to be somewhere between a third and 40%, (which varies by category).

Amazon is also increasingly focusing in the CPG space both in terms of its growing portfolio of products such as Pantry and AmazonFresh, as well as new devices and interfaces oriented to CPG products like Dash and Echo.

Planet Retail predicts that Amazon will see the highest growth between now and 2020 against all major retailers, so without question the e-retailer should be core to your online strategy.

BUILD A WORLD-CLASS TEAM

In the early stages of maturity, many CPG companies assign responsibility for eCommerce to leaders with many other responsibilities. But it's difficult to plan and grow without dedicated staff who are measured and motivated to focus on channel success.

Considering how essential wide-spread internal alignment and support is to executing on a solid eCommerce plan, domain experience in the FMCG/CPG industry combined with a passion for innovation, improving the customer experience, and retailer partnership is a formula for building credibility both inside and outside of a CPG organization.

More brands are also hiring from Amazon and other key online retailers to help them navigate exponential growth with perspective from the other side of the table.

EQUIP YOUR TEAM WITH THE RIGHT TOOLKIT

Once you have someone who is responsible for the overall direction of your eCommerce strategy, you'll soon realize

that there is an abundance of eCommerce solution providers in the marketplace to support your performance.

While keeping up with and evaluating the growing field of technology vendors is a monumental challenge, one priority should be to identify an eCommerce performance analytics partner. Most CPG companies' leaders expect standardized reporting on performance – after all, you can't manage what you don't measure.

Analytics from Profitero focus on critical performance drivers in areas like pricing and promotion, product and assortment attributes, product content (images, titles, descriptions, ratings & reviews), and search and category ranking.

We can also help you estimate the size and growth of your category on Amazon, your brand's share of the category, as well as your mix of first party versus third party sales on Amazon.

CONTINUOUSLY MEASURE AND OPTIMIZE

Defining KPIs and building a scorecard is critical to how the eCommerce channel is viewed broadly within an organization and how the leaders that own its success ultimately execute. Here is a selection of the most common metrics:

Sales & Share: While data on category size and growth and individual brands' share of category data are still unavailable at the total market level and for most retailers, new approaches like Profitero's Sales & Share estimates are helping CPG companies measure their eCommerce efforts through familiar metrics.

Discoverability in search and category rankings: can a shopper easily find your product, particularly on Amazon? 44 percent of US online shoppers now start their product search on Amazon, and just 30% of searchers click past page 1

Accurate and optimal product content: once a consumer lands on your product page, is your product's information accurately displayed to increase the likelihood of them buying?

In-stock availability: if your product is not in stock, shoppers simply cannot buy. An FMI-GMA joint study from 2015

(not focused explicitly on eCommerce) reveals that the first time a shopper encounters an out-of-stock product, 70% substitute a different product; the third time this happens, 70% switch stores.

Activating your customers: once a shopper has bought your product, you have the opportunity to leverage brand advocates by encouraging them to rate your product and write a product review – helping you to drive more customers. According to a recent survey by UPS and comScore, 73% of shoppers say product reviews are influential when shopping online.

FUTURE-PROOFING YOUR BUSINESS

Wherever you can, translate familiar concepts from the brick-and-mortar world to the online channel. For example, if you're talking about the importance of retailer search in the online channel, you might compare it to aisle placement in the physical store, where it's important to be at eye level for the shopper to find your product.

And in the near-term, emphasize the risk of doing nothing as the online channel and its influence on physical retail continues to accelerate. New brands are continuing to emerge and investing aggressively online. With eCommerce set to represent between 5-10% of all CPG sales over the next few years, it's essential to plan for success now to ensure you don't get left behind.

KEITH ANDERSON leads the continuous innovation and development of Profitero's online insights solution for retailers and brands, helping global companies gain a deeper understanding of their online presence to optimize both online and in-store sales. For more than 10 years, Keith has been a trusted advisor to global retailers and CPG companies including Walmart, Target, Best Buy, P&G, Unilever and Coca Cola. Prior to his role at Profitero, Keith was Vice President of the Advisory practice at RetailNet Group. Keith's insights have been featured in the Financial Times and Forbes Magazine among other publications, and he is a frequent speaker at retail, technology, and media conferences.

Nature Deserves Better than Natural



By: **Karen Howard**, CEO and Executive Director, Organic & Natural Health Association

The FDA has unexpectedly opened its doors, issuing a Call for Comment on the definition of natural having previously ignored citizens petitions demanding a more complete definition and side-stepping multiple requests from courts on what constitutes natural (including how the existing FDA language relates to bioengineering). Questions to the public range from the philosophical "Should we define, through rulemaking, the term natural? Why or why not?" to the more pragmatic and complex issues of processing and production practices.

This includes asking if genetically engineered products or products contain ingredients produced through the use of genetic engineering are natural. In a quick review of 1250 of the 3901 com-

ments submitted, the verdict from the public is clear – genetic engineering is not natural. Consensus is also building for a definition that excludes synthetic and artificial ingredients (akin to the existing guidance of the Agency), and limits natural to products originating from the ground, not the manufacturing plant. Overall, commenters seem to believe the use of 'natural' on labels is unreliable, confusing and frankly, misleading.

FDA is asking for data relating to consumers concerns, and Organic & Natural will be sharing the results of our own consumer study. In short, most of the general public believes natural is the same as organic, only cheaper. One-third of the general public believes there is no difference in the two labels. Sixty-one percent of consumers say organic is regulated by the federal government, truth, while 46 percent believe the same hold true for natural, not true. Now consider the fact 33 percent of

consumers use natural products at least one a day, which puts them in the 'heavy users' category. In contrast, only 23 percent of consumers use organic at least once a day.

It is our position, that the only way to ease consumer confusion and eliminate misleading marketing is to establish the new natural as 'organic-plus.' For example, whole foods must be organic to be natural, natural beef must be organic, grass-fed and pastured. It's also important to note that foods not meeting such standards aren't all bad. Bio-identical, synthetic vitamins, by far the most common option, are not only effective, they may prove to be our only sustainable option. Yes, a natural standard is essential. What's really required is sustainable business practices that are transparent, ensure traceability, and require continued quality improvement in production, manufacturing, and human and animal welfare. Let's treat what's natural, better.

More on Organic & Natural at www.organicandnatural.org follow on Twitter @OrgNatHealth or www.facebook.com/organicandnatural-healthassociation.

KAREN HOWARD, CEO and Executive Director of Organic & Natural Health Association, is a visionary and results-focused leader who has spent more than 30 years working with Congress, state legislatures and healthcare organizations to develop innovative healthcare policy and programs. She has held a variety of executive positions, including serving as professional staff for a Congressional committee, and has policy expertise in the diverse areas of integrative and complementary medicine, managed care, healthcare technology and mental health. An advocate at heart, she has worked to strategically advance the mission and vision of organizations through effective advocacy and strong collaboration.