



How data strategy can unlock shareholder value

Consumer products industry



Introduction



Companies in the consumer products industry know that strong data capabilities are crucial to compete in the marketplace and are committed to building them. But despite continuous investments, they have historically been better at generating volumes of data than extracting value from the data. Too often, data science teams work in various siloed functions, preventing effective cross-functional coordination. To maximize the value of the information they are collecting, companies need to do a better job harnessing the power of data and analytics teams so they can collaborate across functions and stitch their analyses into coherent insights that can drive business strategy and shareholder value across the organization. When companies do data and analytics right in this way, it will lead to better business insights that could help drive profitability.

Consumer packaged goods (CPG) leaders know that to truly unleash the value of data science, they need to achieve greater collaboration between data and analytics teams across the organization. Yet, a KPMG survey¹ showed that many CPG companies have these teams scattered across different functions, even though they acknowledge that this is a suboptimal setup. The question is how to put together a greater whole from the sum of the parts.

With fast-changing consumption dynamics, getting this transformation right is more important than ever in order to deliver the products and experiences consumers demand. In this paper, we discuss why companies are failing to maximize the worth of all the disparate data insights they are gathering. We then show how they can better organize and empower data and analytics teams to provide strategically important insights that will have an enterprise-wide impact.

In our view, it's up to company leadership to compel better collaboration across the organization by centralizing data science management. Leadership needs to take ownership of the data initiative, create a center of excellence dedicated to it, and grant senior data executives direct access to the C-suite. Our survey found that this isn't the case at almost half of CPG companies. That's a missed opportunity. This means there are big opportunities to capture insights that will drive the business to success when the full power of the data is unlocked.

¹ In 2022, KPMG surveyed 245 data (55 percent) and non-data (45 percent) professionals in the CPG and five other industries (financial services, industrials, technology, life sciences, and energy) for their views on data analytics capabilities at their organizations. Respondents included C-suite executives, VP/SVP/EVPs, directors, and managers. The companies they work for ranged from those with assets of more than \$10 billion to less than \$250 million.

Disadvantages of siloed data science teams

Lots of consumer companies have capable data science teams, but the problem is that many have them working in isolation. Data and analytics personnel in different functions such as sales, marketing, research and development, and innovation don't typically coordinate related efforts. This siloed approach leads to disjointed decisions and actions that only address brand- or function-

specific issues, creating inefficiencies that fail to capture enterprise-wide opportunities (see "Why siloed data science has less value"). A more centralized structure would allow data and analytics teams to also answer larger strategic issues while they continue to address specific function and brand questions.



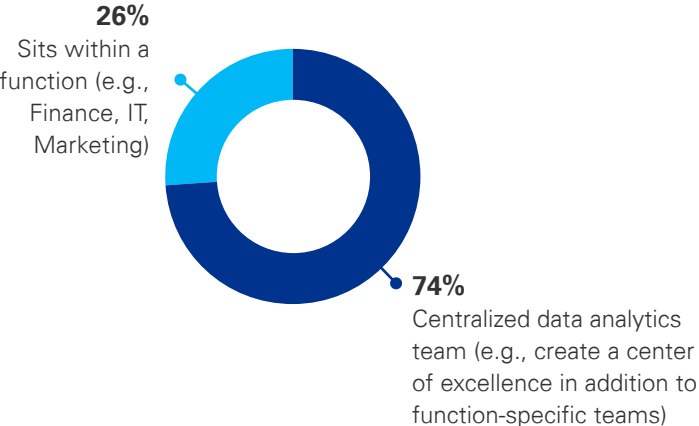
Why siloed data science has less value

At a large CPG company, data science teams ran analysis supporting their own functions, but the findings were not communicated to other functional teams. Due to the lack of visibility between functions, duplicative analysis occurred across the entire organization. In addition, the broader organization did not understand how the results drawn from data analysis can drive decision-making and strategic insights. Consequently, insights, albeit disjointed, were not communicated to the senior leadership team.

In our survey, 54 percent of CPG respondents said their company's data science teams sit within specific functions. But when asked how these teams should ideally be set up, 74 percent opted for some form of a more centralized approach (Exhibit 1). In addition, when asked what more data and analytics teams can do to consistently drive company-wide action, more CPG respondents (77 percent) picked using data collected from other functions as their top recommendation, while only 47 percent of all respondents did so. Clearly, many CPG data professionals are frustrated with how their organizations are failing to fully capitalize on their troves of data.

Exhibit 1. A vast majority of CPG respondents would like data science teams to be more centralized

How would you like your team to be structured?



How to unlock the full power of data science teams

More than in other industries, the preferences and needs of CPG companies' consumers are constantly evolving. Given the high frequency of consumer interactions, CPG companies often have more data than they know what to do with. This makes differentiated analysis of incoming data more important than just gathering more of it.

To get the most out of data, CPG companies need to do a better job harnessing the analytical insights scattered among different teams, making sure that they serve as an essential input into the C-suite's decision-making process. This calls for more direction from the top. Company leaders have the ability to restructure organizations to encourage cross-functional collaboration and empower data insights and analytics efforts. Although this may seem like a simple undertaking, do not underestimate the difficulty of implementation. Leaders will undoubtedly encounter plenty of organizational inertia and dysfunction from competing interests.

As a start, companies can establish a center of excellence (COE) for data science with data analytics professionals to foster better cross-functional collaboration. It should be headed by a chief data officer (CDO), a chief insights

officer (CIO), or a chief growth officer (CGO) who can align the focus of the COE on strategic imperatives of the organization. The existence of a COE doesn't mean functional data and analytics teams should be disbanded. Companies still need functional specialists to run department-specific analysis to feed into the COE. Meanwhile, the CDO/CIO/CGO would be someone who has deep data expertise, has polished organizational skills to build or acquire teams with the right qualifications, can connect the dots on data insights across functions, and align the insights to support the organization's strategic priorities.

The next priority for company leaders would be to open a direct line of communication for senior data professionals to the C-suite.

By creating a seat at the leadership table for data executives and engaging in regular discourse with them, consumer companies can stimulate data-driven discussions and decision-making at the highest level (see "Food manufacturer uses centralized data science to identify growth opportunities").





Food manufacturer uses centralized data science to identify growth opportunities

A food manufacturer with a broad portfolio of brands is an example of how a deliberate data strategy can help define growth opportunities and create competitive differentiation.

Historically, the company had a centralized category and shopper insights capability relying on traditional data sets, such as syndicated point-of-sales data and primary consumer research, but with limited linkage to strategic and growth priorities of the organization. In parallel, brand teams also used syndicated data in combination with consumer research to drive insights to support day-to-day brand execution. Insights, however, were spread thin across the organization.

As the availability and accessibility of new data sets in CPG increased, the company recognized the need to build a centralized data science center of excellence. The data science team now reports to the chief growth officer and has a growth lens across all food platforms, categories, and brands inside and outside the company. The team leverages broad-based data sets—including advanced, granular syndicated data in conjunction with pricing and promotion analytics, marketing-mix data, assortment, credit card, and social media data—and actively evaluates its portfolio of data assets (see “Defining the required data sets”). Further, the team has hired data scientists, as well as demand science experts from outside CPG.

The result is a superior capability relative to the company’s competitors that enables both organic and inorganic growth strategy and execution.

Defining the required data sets

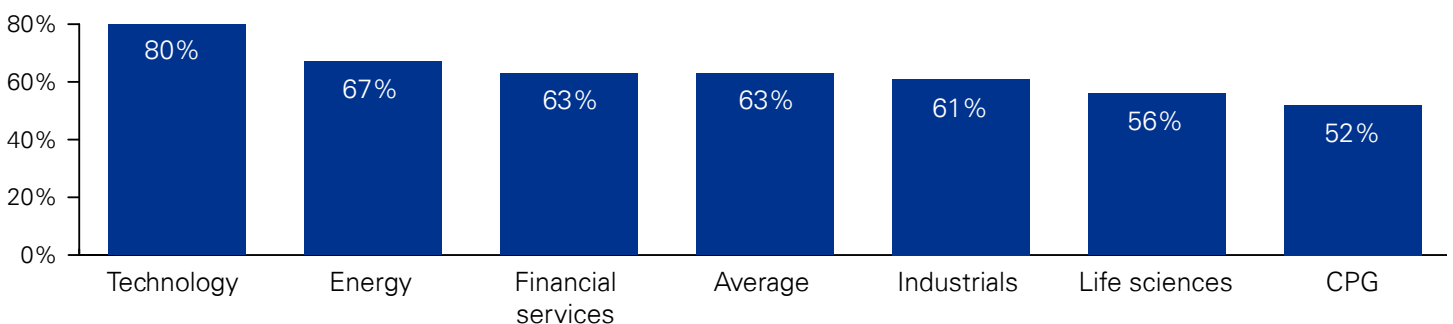
Critical to using data to drive shareholder value is the definition of required data sets. These will be a combination of internal and external data assets. In consumer industries, data assets are continually evolving from advanced syndicated data to social media consumer data to cellular phone data that tracks movement of consumers. Defining the data assets to be leveraged and how they align with an organization’s strategic priorities is critical to “get right” your data insights.

A slight majority (52 percent) of CPG companies in our survey have data and analytics teams represented in the C-suite (Exhibit 2). The bad news is that this is 11 points below the average of all respondents and places CPG companies last among the six industries surveyed.

This is a wake-up call for CPG companies to raise their data game. The good news is that if they do so, they could potentially reap significant benefits. They have plenty of data already. They just need to do more with it—but in the right way.

Exhibit 2. CPG companies lag other industries in giving voice to data in the C-suite

Does the data and analytics team have a direct line to the C-suite or representation within the C-suite (e.g., chief data officer)?



How KPMG can help

KPMG Deal Advisory & Strategy can bring insights, ideas, methods, and experience to help clients define and achieve business goals. We can provide tailored advice on how to design an effective organization that uses data-driven insights and advanced analytics to better support strategic decision-making. KPMG can assist with where to invest resources, what to do with the data, what tools to use, and how to build and structure a team internally or through an acquisition. We help clients:



Develop an enterprise-level data strategy and implementation plan to support and inform strategic and operational priorities. Key outcomes include the definition of the role of data and analytics, data maturity assessments, articulation of key data assets and capability requirements (both internal and external) to address priorities, development of data asset business cases, operating and governance models, and implementation roadmaps.



Lead and support execution of both growth and operational initiatives leveraging client data assets in conjunction with KPMG data assets, infrastructure, and deep industry expertise.

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