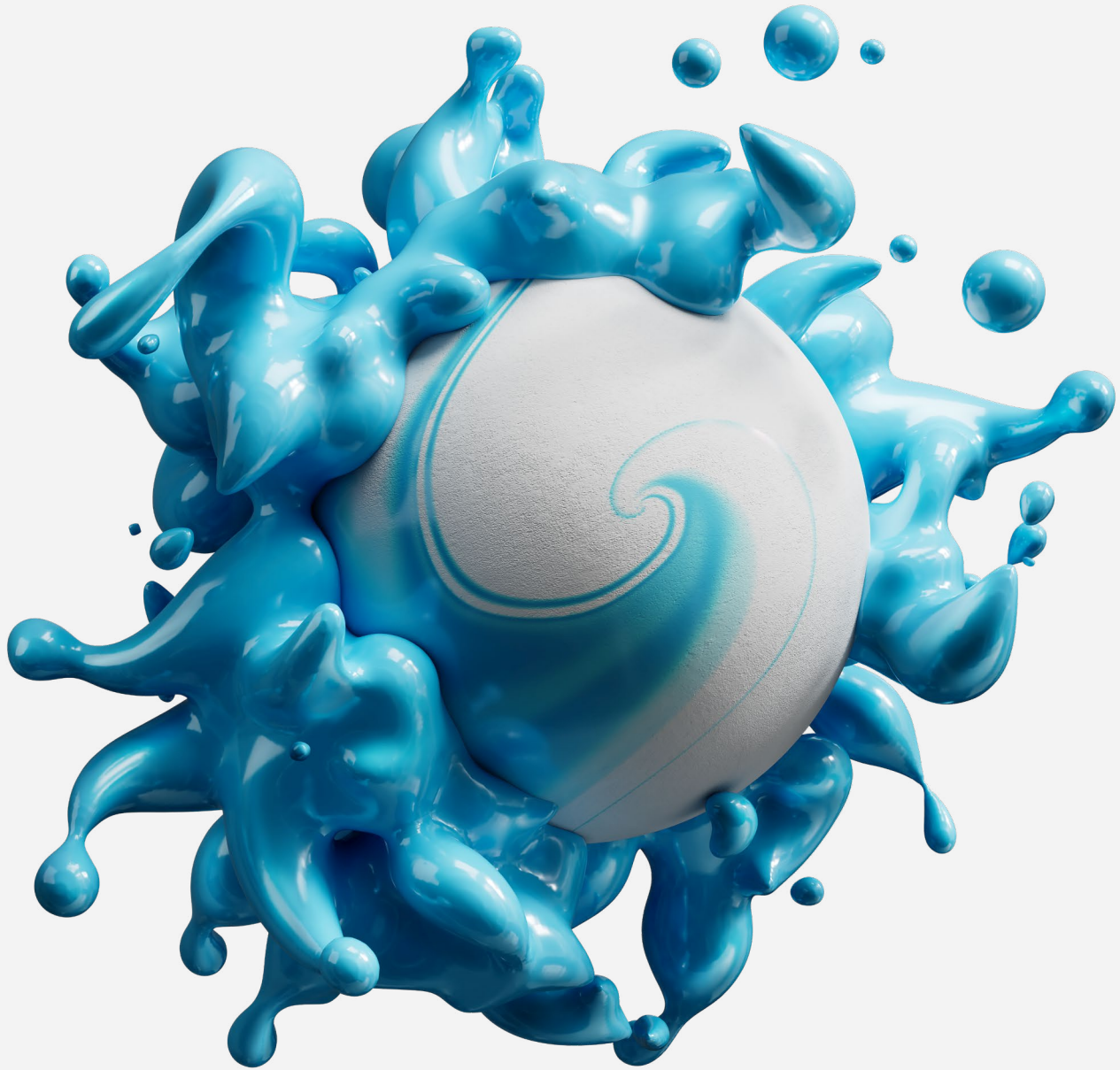


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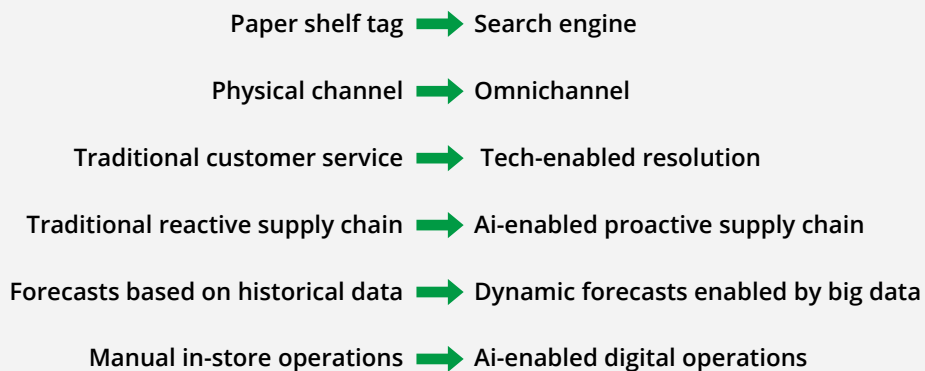
Driving profitable growth in the
new era of commercial spend

Investing in the path to purchase

An industry in rapid flux

The acceleration of consumer, operational, and technological shifts in today's business landscape continues at warp speed, creating new opportunities and challenges for CPGs (see Figure 1). Today's consumers expect personalized, real-time interactions with the brands that they purchase from—in fact, 80% say that they are more likely to purchase from a company that personalized their experiences. As e-commerce leaders race to invest and meet demands, they must first ensure that their organization is strategically aligned on investing in the right touchpoints along the customer journey and, ultimately, drive growth in this new era of commercial spend.

Figure 1. **Shifts for commercial activation are fundamental**



SHIFT 1: CHANGING CONSUMERS

One size no longer fits all when it comes to consumer shopping habits and preferences for consumer packaged goods, or CPGs. The traditional linear path to purchase has been replaced by a “choose your own adventure” approach offering several channel options and entry points to your brand. Organizations today must be prepared to meet and exceed the high expectations of consumers, who have access to ever-increasing choices leading to more diversified and localized purchase habits and patterns which require, in turn, a more individual approach to marketing and promotion investment.

These recent changes in consumer behavior, business infrastructures, and technology are upending existing approaches to traditional trade promotion management. In order to curate more satisfying experiences that lead to scalable conversion, today's CPGs must be prepared to provide micro-targeted store and consumer-level offers that evolve to fit new digital mediums and behaviors.

\$285.2 billion
in U.S. retail e-commerce
sales in the final quarter of
2023—the highest quarterly
revenue in history.

Source: <https://www.statista.com/statistics/187443/quarterly-e-commerce-sales-in-the-the-us/>

SHIFT 2: CHANGING BUSINESS MODELS

Building, supporting, and integrating an omnichannel business approach requires a dramatic move away from the advertising-driven, in-store retail strategies of the past. As e-commerce sales have boomed and radical price transparency is the norm, CPGs are challenged to support a multi-channel strategy that balances consumer satisfaction and retailer relationships by delivering convenience for consumers without alienating traditional retail partners.

Determining how to use commercial spend to drive demand is an important part of this equation. The shift has helped CPGs zero in on what aspects of the path to purchase are most and least relevant, and reallocating channel investments as a result. Smaller niche brands and private labels having equal access to consumers via digital entry points has posed both new opportunities and challenges for traditional retail brands to set themselves apart.

287% increase
in purchase rate for brands that provide at least three channels in their retail strategy.

Source: <https://squaretalk.com/omnichannel-statistics/>

SHIFT 3: CHANGING TECHNOLOGIES

The digital revolution is the primary driver for how consumers are contemplating and making their purchases today. This same technology can enable CPG organizations to effectively target and engage with consumers with data-driven insights.

New technologies are rapidly accelerating how personalization can be achieved, whether via generative artificial intelligence (GenAI),

scalable cloud platforms that can be operated from anywhere, and much more. The diverse array of new and emerging technologies are requiring CPGs to adopt, adapt, and evolve their capabilities faster than ever before to remain relevant in a dynamic landscape and create value for their customers.

53%
of shoppers prefer to engage digitally with the brand.

Source: https://www.salesforce.com/content/dam/web/en_us/www/documents/research/State-of-the-Connected-Customer.pdf



A new perspective on commercial spend

Commercial organizations will need to build new capabilities to drive their next-gen commercial activation. Three key attributes for success include:

FASTER

From months, to minutes, to seconds: Today's CPGs need to be able to respond to consumer shifts along the path to purchase in real-time—not merely via post-promotion and marketing mix analysis. Understanding sentiments at every point in the customer journey and being able to adjust communications and incentives instantly in a personalized, memorable way will put your brand in a better position for success.

GRANULAR

From national to individual: It is now imperative to replace broad-brush, nationwide promotional events and marketing campaigns with hyperlocalized and targeted initiatives drive by real-time data insights. Advanced, more granular metrics can help CPGs more accurately personalize to individual consumers based on their preferences, habits, and digital behavior patterns. These insights can be used to inform both strategic and tactical decisions that enable new growth opportunities down the line.

CONNECTED

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FASTER IN ACTION

- Frequent price and promotion changes
- Rapidly activated in-store opportunities
- Compressed campaign and account planning cycles
- Fast-tracked approvals
- More informed, real-time media mix and campaign optimization position for success.

GRANULAR IN ACTION

- Ultra-personalized offers
- Targeted marketing
- Increased store-level promotional activations
- Codified playbooks/guardrails
- Occasion-based funding decisions

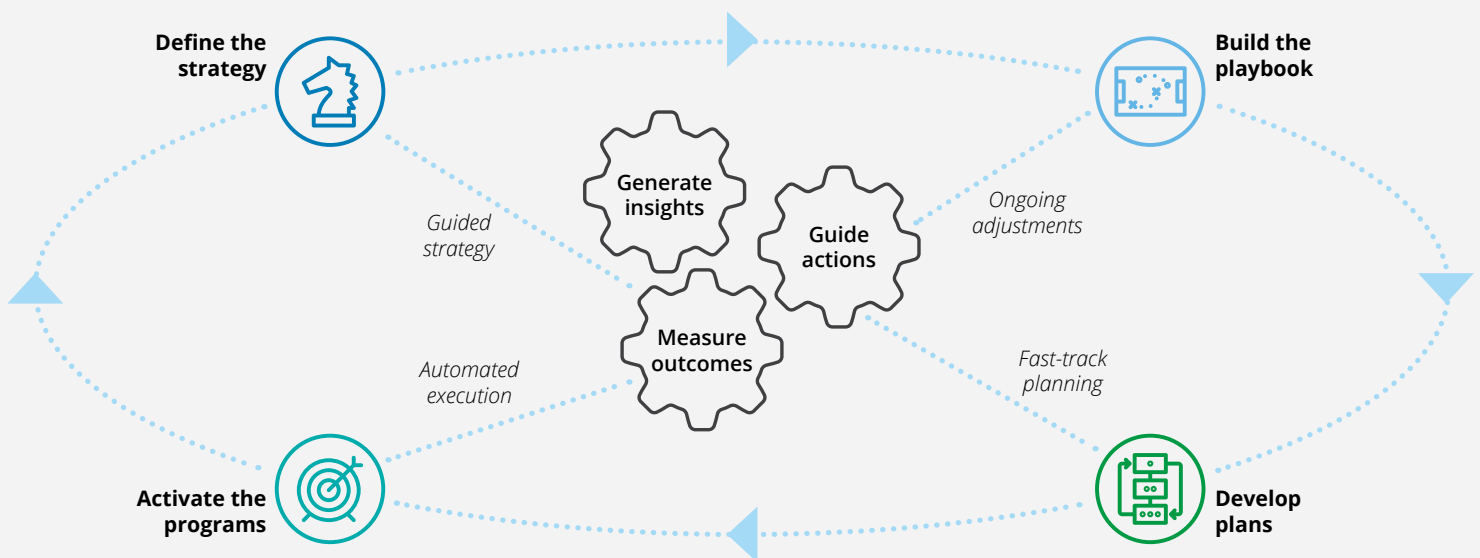
CONNECTED IN ACTION

- Integrated view of commercial spend
- Synced HQ-to-field collaboration tools
- Combined plan across functions
- Connected retailers via retail and CPG collaboration platforms

OUR APPROACH TO COMMERCIAL SPEND

Taking an integrated approach to commercial spend can help CPG companies more effectively engage digitally savvy consumers in-store and online. To replace legacy structures that are no longer relevant, the new model for successful future commercial spend requires four fundamental pillars—all powered by a responsive, data-driven cognitive engine (see Figure 2).

Figure 2. A new model for consumer spend optimization



DEFINE THE STRATEGY

Develop a single, integrated commercial spend strategy based on prioritized moments that matter along the path to purchase, informed by the larger brand strategy. Action items include analyzing previous customer data to propose investments, designing incentive programs, and connecting to the product innovation pipeline.

BUILD THE PLAYBOOK

Create a library of playbooks to operate in this new environment. Action items include setting sales targets, allocating trade and marketing spend, preparing guardrails, and more.

DEVELOP PLANS

Conduct continuous multi-level spend and volume planning with new real-time response capabilities and cross-functional integration with key stakeholders across the entire organization. Action items include commercial modeling, campaign building, content creation, product launches, and more.

ACTIVATE THE PROGRAMS

Use new and improved data capture for a more granular execution of marketing campaigns, programmatic activities, algorithmic local selling, promotion events, and more. Action items include monitoring shopper engagement and feedback, collaborating with retailers on experience enhancement, and managing a continuous personalized content flow.



Supporting all four of these pillars is a complex data set and the analytics platform—this is the cognitive engine. Its components generate output and insights that power your day-to-day reporting and are used across the organization to support decision making. The engine's constant feeding and analyzing of data is what makes this model a continuously improving one that flexes based on current market conditions, enabling you to readjust brand/media, promotion, and pricing strategies to drive greater ROI from your programs and investments.

The building of the pillars and cognitive engine can and should be a fluid process, but progress against each one is critical. While it may be tempting to lean toward either extreme of methodically planning out your commercial transformation road map before implementing anything or diving in head-first, it is important to keep a balance of both approaches. You can start preparing your foundation while incrementally executing against it, collecting data for improvement as you go.

Guidelines for getting off the ground

THINK BIG

Pursue transformation to enable your next-gen offering. Understand where you are going and what the foundational building blocks will be for prioritizing your investments and evolving at the speed of technology.

START SMALL

Prove market viability by picking one or two plays to start out with. Balance the potential value gained against the organization's capacity to incorporate change quickly and at scale.

SCALE FAST

Accelerate value realization by getting to market quickly to meet consumer demands. Develop in an agile manner that focuses on speed of delivery and results measurement to prove value and create momentum while minimizing risk.

Overcoming obstacles to progress

JUMP-START PROGRESS

- Create a cross-functional team to enable holistic decision making on issues from goal-setting to measurement.
- Encourage rotational programs and cross-functional workshops to facilitate collaboration.
- Consider replacing department-centric budgeting with zero-based budgeting that is outcomes focused.
- Create a chief commercial officer role as part of the leadership team.

JUMP-START PROGRESS

- Share insights and successes. Use data and analytics to show how you're driving greater ROI from the same or lesser spend.
- Work with retailers in new ways across new platforms; look for cross-promotion opportunities outside the store walls to strengthen these relationships.
- Develop "win-win" opportunities for retailers and CP companies across category and brand.

JUMP-START PROGRESS

- Build discipline around data science and analytics. It's the key to your cognitive engine and agile ROI goals.
- "Future proof" investments by building a flexible plug-and-play network of applications that can flex for new technologies.
- Embrace cognitive learning and artificial intelligence.
- Advancements like algorithmic selling can drive incremental consumption opportunities and promotional effectiveness.
- Partner with other firms to align IT with business goals, prioritize investments, and map risks.

Looking ahead

Momentum is building for integrated commercial capabilities that enable today's CPG organizations to optimize spend and, ultimately, their ROI. As the competitive environment evolves, stepping up strategic investment in new business models and technologies can help engage digital-first consumers who first and foremost desire personalized brand experiences.

You don't have to let the challenge of reinventing commercial spend hold you back. Start exploring the possibilities, prioritize your first steps, and pursue the opportunities that make the most sense of your organization's scope. Deloitte

Digital's expertise in the historical and modern dynamics of the CPG industry and commercial spending incorporates leading-edge technology, cross-functional insights, and a depth of experience with operations transformation.

Feel free to reach out to our professionals to discuss how we can help you integrate your commercial spend strategies and consumer investments into a broader, more holistic vision for your organization.

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