

Teradata Solutions for the Beverage Industry

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Executive Overview

Every day, billions of global consumers refresh and entertain themselves with an assortment of beverage choices. In order to service that worldwide demand, beverage companies have created a vast and complex enterprise of brand-building activities, manufacturing facilities, and distribution networks. Many beverage companies ship directly to retailer warehouses or go through extensive broker networks. Some of the largest companies use Direct Store Delivery (DSD) and distribute products with their own employees and distribution assets. Some use a combination of methods. Whatever the approach, beverage companies face a number of challenges due to the immense scale of their operational and distribution processes.

Teradata has a proven track record in the beverage industry. Some of the largest beverage companies in the world manage their sales, marketing, and supply-chain data using solutions from Teradata and its partners. Our internal consulting teams help identify and quantify business value associated with advanced analytics, and can assist beverage companies in leveraging their data-rich transactions. These analytics, when put in the hands of daily decision makers, have a compelling financial ROI and business impact. We believe that no other technology vendor has the type of proven analytic experience that Teradata has in the beverage business.

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Consider DSD with all its complexity due to the sheer number of customers and daily transactions. DSD remains in use worldwide due to the value it provides both to suppliers and retailers. The average retailer can expect profits (estimated at 27 percent for grocery chains) that outpace typical product share of food All Commodity Volume (ACV). The supplier, if it can master the scale and transactions, can expect higher sales volumes when compared to similar product delivered to retailer warehouses. However, higher product pricing, slowing volume growth, SKU proliferation, and rising commodity costs have put extreme margin pressure on these beverage distribution companies which are by nature capital intensive. Every CEO and CFO is looking for ways to lower costs, and perhaps more important, raise profitable top-line revenue. Teradata is even more valuable to these companies and the vast amount of business detail they must manage.

Chief Marketing Officers (CMOs) and digital marketing executives are also turning to Teradata to unlock the value of a different kind of data – the kind that digital marketing generates. The diversity of sources, volume, and variety of digital marketing data rivals that within the supply chain, begging for a platform equally suited to its challenging integration and scale requirements. Aprimo, a Teradata company, further helps beverage marketers activate the value of digital marketing data and analytics with its suite of industry-leading marketing applications across domains such as Campaign Management and Marketing Resource Management.

If you're a beverage company, there are **eight** areas where Teradata technology can help you to fine tune and improve your business results.

Detailed Customer Sales Analysis

Advanced Sales Reporting and Analytics – Teradata Integrated Data Warehouse Solutions, using business intelligence or Web tools, can put the power of daily, outlet, SKU volume and profit data in the hands of account managers and other key operational personnel. By combining this transactional detail with customer and company hierarchies, national account management is able to meet the requirements for productive retailer dialogue. Product voids and customer service issues can be addressed, and promotional planning is facilitated. On the supply chain side, demand-and distribution-planning personnel can fine tune their forecasts and make decisions concerning labor scheduling. All of this data is interrelated – it is important to create a single, integrated repository to streamline the supply chain.

Retailer Point of Sale – Create a repository of your top 10 customers' point-of-sale (POS) data. Stand-alone customer teams using tools like Wal-Mart® Retail Link do not provide the scale to analyze enterprise customer trends. A better strategy is standardizing national account processes around account planning and tracking for all your largest retailers. While supplier “sell to” is important, leading beverage companies provide account plans to leading retailers using the customer's

POS. You can reuse many of the data models and tools from the Advanced Sales Reporting described above. As a side benefit, you can use retailer pricing to maximize revenue management and promotion effectiveness. Daily POS data can also be used to enhance national account forecasts (typically the greatest source of forecast variance) and provide retail pricing to optimize revenue and promotion ROI. Today, leading retailers maintain their POS data on integrated data warehouses based on Teradata technology. The same insights that retailers get from this data can be applied to suppliers.

The combination of invoice/delivery transaction detail data with a retailer's daily POS data in the DSD environment can create high volumes of rich analytic data. It is not unusual to store the historical data for trend and comparative analysis. It is important to note that this requirement can multiply the data repository requirements exponentially. Teradata has demonstrated in a number of beverage companies the ability to reliably store, manage, and analyze this transactional data at any level.

Supply Chain

There isn't a major beverage company that doesn't have a number of active supply chain projects, and this is unlikely to change. In this area, many of the answers to some of your needs are often locked in the data you already have. Visibility is critical – you must understand product movement throughout the supply chain.

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Teradata can help you in these areas:

Enhanced Forecasting – Most operators would prefer to plan, budget, and forecast weekly by SKU, major outlet and distribution center. However, due to the scale of larger bottlers/distributors, spreadsheets, analytic cubes, and even ERP software cannot handle this volume. Teradata® Database, powered with the correct front-end application has this capability and can reprocess changes to the forecast “on the fly,” as often as desired. Also known as “flowcasting,” this is similar to what retailers do when managing their own SKU-level stocking needs. As SKUs proliferate and retailers vary what they stock by zone or store, the need for accurate forecasting becomes increasingly important.

Equipment Asset Management – Track and analyze the costs and ROI on your increasingly expensive cold drink and other equipment. This would also include vendor, fountain, cooling equipment, display equipment, and freestanding machines. Understand the criteria for performing and under-performing equipment.

Transportation Management – Analyze truckloads to optimize shipment costs. Address questions such as: Can you take advantage of back haul opportunities? Are you making expensive last-minute deliveries to distribution centers or customers due to bad forecasting or customer service issues? The rising cost of fuel has highlighted the need for deep analytics on transportation costs.

Product Lifecycle – Understand the true costs of SKU proliferation and product

freshness. Track new product introduction directly through the retail supply chain and create actionable exception reports to pinpoint problem areas. Understand the impact of potentially out-of-date inventory.

Trans-shipping – By merging retail POS and “ship-to,” beverage companies can track suspicious sales spikes not associated with sold inventory. This can be an indicator that retailers are operating outside of franchise agreements.

Operational Effectiveness

Outlet Surveys – Integrate customer survey information (cases, cases on display, competitor price gap) with your POS repository or your case sales repository to analyze sales trends, promotion effectiveness, execution, and more. Numerous vendors offer low-cost devices and software to automate the outlet sales process. Track and measure your merchandising effectiveness at the outlet level. Pay for performance.

Product Penetration – Numerous new product introductions make penetration analysis critical. Outlet exception reports lead to actionable decisions. You should be tracking daily outlet penetration and understanding the long-term effects of new products on the category and your suite of products.

Demographic Customization – combine demographic information (Nielsen Spectra, Catalina, or other providers) with POS or case sales to design geographic zone-based product assortments. Both ethnic and behavior clusters are available. The ability to process this detailed data can take

customer product sets to the next level to support seasonal, promotional, and new product distribution revenue growth. Optimize the product sets and pricing at a retailer zone level.

Cost to Serve – Combining distribution, service, equipment, and merchandising costs with account profitability measures will allow distribution center and key account managers to understand their true account profitability and adjust pricing and service models. Address questions such as: Who are your most profitable customers? What are you paying to drive volume? More important, which customers appear to be profitable but are not due to high service costs? Have you over-invested in delivery and merchandising?

Distribution Effectiveness – Are your cases-per-hour-per-employee on par with your competitors? Many beverage companies can only answer this anecdotally. Combine sales by route by employee with HR work records to understand exactly where the differences are and what causes them. You can further apply this logic to high-cost routes to change routing software to balance customer service and costs better.

Sales Force Management – Combine case sale and operational data analytics to provide real-time actions to handhelds and to provide exception reports to sales managers based on business rules you supply. For example, you can monitor and track the availability of new products by route and account manager. Or you can perform detailed product surveys and track the effects of your promotional programs.

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Asset Management

Full-Service Vending – This can be an excellent source of non-alcoholic beverage profitability. Combine unit sales and profitability measures in your Advanced Sales Reporting database and monitor space-to-sales and adjust your product mix. For capable vendors, make pricing adjustments based on demand.

Share of Tap – Distributors must monitor tap heads and product mix on a per-outlet basis. Do you have the right mix of your products to maximize revenue? How does outlet volume compare with other similar outlets in similar channels? Are you oversized in outlet for the volume you are driving?

Revenue Management

Product Mix – This is typically adjusted at a large geographic level. Advanced analytics allow you to balance local demand with a more profitable product mix. Monitor pricing and product take rates at any geographic or account level. Understand the effect of packaging and distribution costs within your customer base.

Product Availability – As noted earlier, monitor and adjust the availability of new products or product categories. Understand exactly where the gaps are. Quickly understand new-product penetration and placement results.

Product Pricing – Do you really understand the complex and dynamic price elasticities of your products, especially on a per-deal basis? Calculate and adjust pricing to customers based on actual take rates. Understand pricing adjustments

to related products in the category. Adjust to the level of geography or accounts you can execute. Small price adjustments that do not affect volume can lead to significant profits across your transactional base. Teradata Database, combined with the optimal business intelligence tool, allows you to make these calculations at the SKU/outlet level. This should be done in cooperation with retailers.

Trade Funds Management

The estimated cost of trade promotions for U.S. CPG companies typically exceeds 15 percent of total revenue. Given the scale of beverage sales, beverage companies traditionally have major investments in trade spend. This is true whether payments are made to retailers or show up as promotion allowances to distributors. And the total spend is showing up as one of the largest items in the P&L after cost of goods sold. In many companies, the cost of trade funds is increasing faster than the rate of sales and, given current pressure on the industry, the trend is likely to continue. The Sarbanes-Oxley Act has complicated this process by instituting stricter controls around accounting for these investments.

Trade Funds Management can be thought of as a set of processes around deal analysis and planning, agreement and communication, deal calculation and reporting, deal reconciliation, deal compliance, and deal effectiveness. The DSD process exacerbates the complexity of managing this process due to the linkage of deals to individual SKUs and outlets. Teradata is uniquely qualified to assist beverage companies in

addressing the complex calculations and line-item invoice detail necessary to track, account, reconcile, and analyze compliance to deal guidelines. By effectively tying business process to the appropriate trade fund information and providing the necessary reporting and analysis, the ROI for a beverage supplier can be significant. Parts of trade funds management are in production today on Teradata systems at leading beverage companies.

Customer P&L

The opportunity exists to extend many of the previously mentioned data elements to focus on customer P&L. By combining advanced sales analytics (case sales or POS) with financial measures (both on- and off-invoice) and cost-to-serve, beverage organizations can create a customer-based operating model. Combining these measures with a customer-hierarchy model allows advanced analytics at any level of company or retailer divisions, regions, zones, distribution centers, and even outlets. These analytics will lead to fact-based decisions around key account investment, pricing, service schedules, and so forth. This also gives a bottler/distributor the opportunity to consider alternative compensation models based on true account volume and gross profit.

Retail Customer Analytics

Category Management may have been an idea ahead of its time. Data standards, network capability, database capacity, and retailer/supplier trust issues all created a set of barriers that frustrated many ambitious

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attempts at category management best practices. However, many of the ideas surrounding category management remain solid given a customer-supplier relationship based on some reasonable level of trust. The good news is that technology is no longer a barrier.

Effective Assortment – Given the explosion of new product introductions and a physical limit to shelf space, some form of fact-based assortment approach is a must. Suppliers should continue to try to take the lead in order to protect their products as much as possible. If you are not helping retailers with assortment information, they will do it on their own. There are numerous assortment tools that can access Teradata Database to do the analysis no matter the size of the retailer. Leading beverage companies today are doing regular store analysis to better inventory shelves to meet customer needs during high-volume shopping days.

Retail Price Analysis – Similar to revenue management, retailers and bottlers should understand the price elasticity of their products to consumers. By experimenting with and establishing appropriate retail prices, beverage companies and retailers can achieve “penny profits” that add up over millions of cases. Are your retail pricing guidelines fact based? They should be. Consider the payback from creating an analytic database of price elasticities across retailers and price zones. Consider the trust you will achieve by bringing fact-based retail pricing analytics to your retail partner.

Promotion Effectiveness – Again, given an appropriate data warehouse with sales,

financials, and operational information, the retailer and bottler can make fact-based decisions on promotion ROI (i.e., pricing, frequency, brands, placement, and more).

Market Basket – This leading-edge analytic approach can lead to advanced retailer-supplier relationships and is generally reserved for the category captain within most leading retailers. The data and the technology (Teradata) exist to analyze market basket and even create family P&Ls through shopper card programs. It is important for bottlers, distributors, and retailers to understand the true return from alcoholic and non-alcoholic beverages. For soft drinks, it is often one of the top three categories in the store and a known destination category. For alcoholic beverages, it is one of the most profitable. How do beverage promotions really affect shopper frequency and basket ring? Can beverage promotions drive profitable cross-category purchases and thus benefit retailers? Market basket remains the great opportunity for those beverage companies that can achieve the trust breakthrough with retailers and the analytic breakthrough to process the data.

Acquisitions

Acquisitions and mergers are a routine fact of life in beverage manufacturing. Quickly gaining synergy from an acquisition, without disrupting operations of the acquired company, is critical to success – and has been notoriously difficult to achieve. Companies being acquired or merged are typically using different operational systems, or different versions of a system (e.g., SAP®).

It is a common misconception that they must be converted to a standard system to gain operational synergies. Forcing immediate compliance and conversion to the acquiring enterprise’s operational systems is expensive, time consuming, and has a significant negative impact on short-term results. This is a major contributing factor in acquisitions that fail or don’t achieve expected results.

Utilizing Teradata solutions, the acquiring company can integrate the acquired or merged company information into the data warehouse quickly and inexpensively. This is not a disruptive process because operational processes do not need to change. Very quickly, business leaders agree to the “acquirer” data standards around product codes, customer, and so forth. Any changes to handle unique business situations within the acquired territory must also be integrated into the standard. Then data extract and transformation processes to load the warehouse need only involve the IT department, not business operations. In less than three months, information can be integrated to gain a common view of customers, sales, financials, vendors, procurement, and supply chain information. This integration enables many of the synergies expected from acquisitions, including sales force integration or cross selling to common customers, buying from common vendors, integrating management and staff functions to eliminate redundancy, and using available manufacturing capacities. For complete fulfillment integration, it may still be necessary to convert to one common operational system. But this step is often

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not urgent and can take place gradually if or when it makes sense.

Digital Marketing

Consumer adoption of digital channels presents beverage companies with the unprecedented opportunity to develop direct digital consumer relationships that can drive consumption. Basing actions on a detail-rich understanding of consumers and shoppers is becoming table stakes for effective direct consumer engagement. This is an attractive proposition for brand marketers due to increasing competition with retailer store brands.

Today, beverage companies often outsource digital marketing to a variety of agency partners with a focus on short-duration campaigns and promotions. By providing the basis for integrating this data across channels, campaigns, agencies, and brands, Teradata sets the stage for its best-in-class Aprimo® Campaign Manager application to activate consumer insights to drive added sales and volume. Analytics can be employed to power well-timed, relevant, and personalized communications, offers, and other incentives based on segmentation, behavioral analysis, or lifestyle.

Aprimo also offers a suite of Marketing Resource Management applications that automates numerous manual processes while providing detailed visibility into

budgeting and planning. Combined, these capabilities drive significant cost savings for beverage marketers, while allowing a greater focus on marketing strategy and analytics.

Summary

Global beverage businesses face many challenges in today's complex consumer environment. While ERP systems help these companies manage many baseline processes, they do not allow for the forensic data investigation of complex problems. This paper lays out a number of specific areas of analytic investigation that companies can leverage to drive improved retailer collaboration and reduced costs. These areas run the gamut from supply chain analytics to interaction with individual consumers via digital channels. Teradata allows companies to integrate their existing ERP data with powerful new forms of external data and be able to answer today's – and tomorrow's – most compelling questions.

Teradata industry consultants are prepared to discuss these opportunities with you. Let us help you increase profits and reduce cost. Teradata has the track record to prove it.

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