

MANAGE THE FUTURE NOT THE PAST

5 Steps to Accurately
Predict Consumer
Behavior with
Syndicated Data



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WHAT REALLY DRIVES CONSUMER BEHAVIOR?

While marketing, promotions, and merchandising can affect future sales, consumer behavior is also driven by numerous external factors. Wages, cost of fuel, consumer sentiment, interest rates, and more all affect the consumer's ability to buy.

CPG companies realize that without expanding their analysis, the true consumer story will be incomplete and can have detrimental effects. The Institute of Business Forecasting and Planning says that at the SKU level, **sales forecasts are off by a staggering 37% on average**. That results in millions of dollars in increased safety stock, poorly timed promotions, or loss of marketshare.

Companies that do incorporate external data effectively will have a significant advantage, discovering economic or consumer headwinds/tailwinds months before competitors. **But where do you start?**

The good news? Technology is paving the way for CPG companies to quickly analyze millions of economic, consumer behavior and weather data to find the best leading indicators for your business, product category, and geography. With these insights, you can:

-  Improve market share
-  Maximize ROI on marketing spend
-  Determine the top distribution channels and geographies
-  Anticipate consumer preferences
-  Plan and execute months ahead of competition

FIVE STEPS

There are many moving parts to your business and demand for your products – price, promotions, ad spend, distribution, point-of-purchase displays – we could go on and on. How do you understand both individual drivers of demand, as well as the aggregate impact on your company's performance?

1. Understand what drove your business
2. Know your future trajectory
3. Adjust plans to hit goals
4. Get granular
5. Take action

STEP 1

Understand what drove your business.

By looking at external factors that directly correlate to your company's historical performance, you'll have accurate answers to why certain trends occurred.

What drove sales momentum? Was it a specific promotion, or a change in consumer preferences? **Why did the Chinese market outperform expectations, while U.S. missed the mark?** Was it differences in consumer preferences, or changes in the local economies? Armed with answers to these previously unanswerable questions, you can better explain the past and prepare for the future.



SYNDICATED DATA + EXTERNAL INSIGHTS CAN ANSWER:

Why did sales drop/spike?

Why did we gain/lose market share?

Why did certain regions outperform others?

What drove seasonal demand?

STEP 2

Know your future trajectory.

Being able to explain the past is certainly a good start in preparing for the future, but with the data available today, you can take future planning much further. By looking at leading indicators – data that provides actionable, future-oriented insight – you can **actually know** what to expect six, nine and even 12 months ahead. While leading indicators will vary for every business, and even every SKU, certain data sets can provide insights to every CPG company.



TOP CPG INDICATORS TO WATCH

1. Real Disposable Personal Income
2. Cass Freight Index: Shipments
3. Institute for Supply Management New Orders Index
4. Manufacturers' New Orders for Consumer Goods: Consumer Nondurable Goods Industries
5. Consumer Sentiment
6. NFIB Small Business Optimism Index
7. Real Average Hourly Earnings
8. Prevedere CPG Industry Leading Indicator
9. Consumer Price Index (Nondurables)
10. Real Trade Weighted U.S. Dollar Index

STEP 3

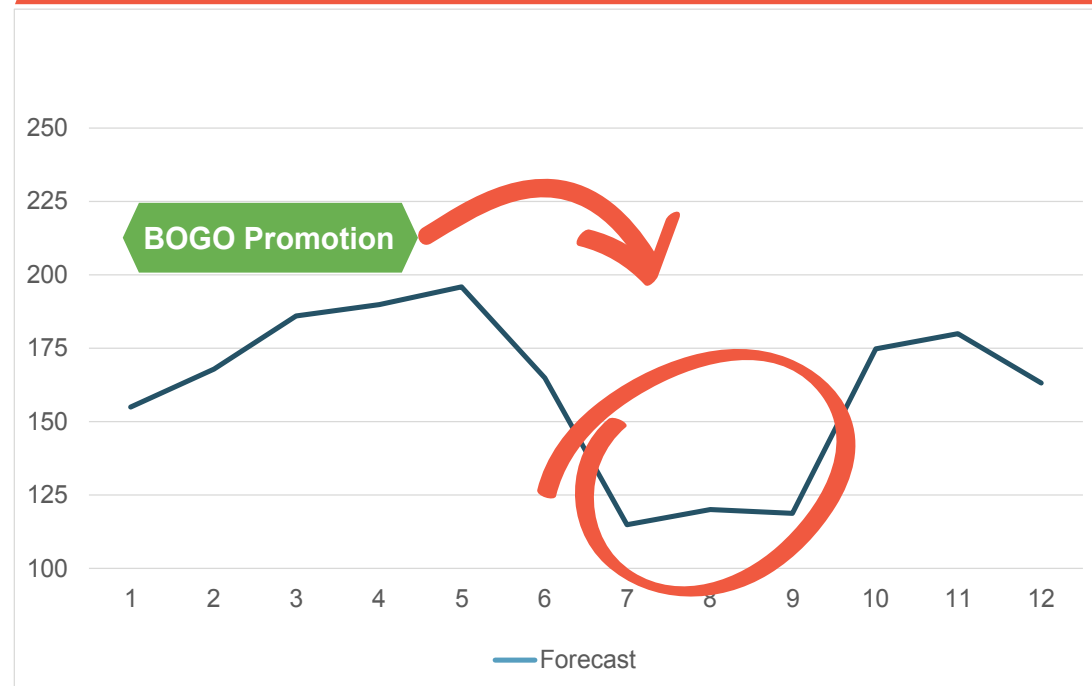
Adjust plans to hit goals.

Armed with an understanding of your business' drivers and trajectory, **what plans do you need to make now to hit your goals?**

This is what we call **future state management** – now businesses can proactively manage their future performance, taking advantage of opportunities, addressing headwinds and mitigating risks.

For example, in the illustration to the right, various economic and consumer behavior headwinds are having their greatest impact in July, August, and September. With a nearly 8-month lead time, the company can shift promotions from Q2 to Q3, with enough lead time to execute.

TWELVE-MONTH PRODUCT FORECAST



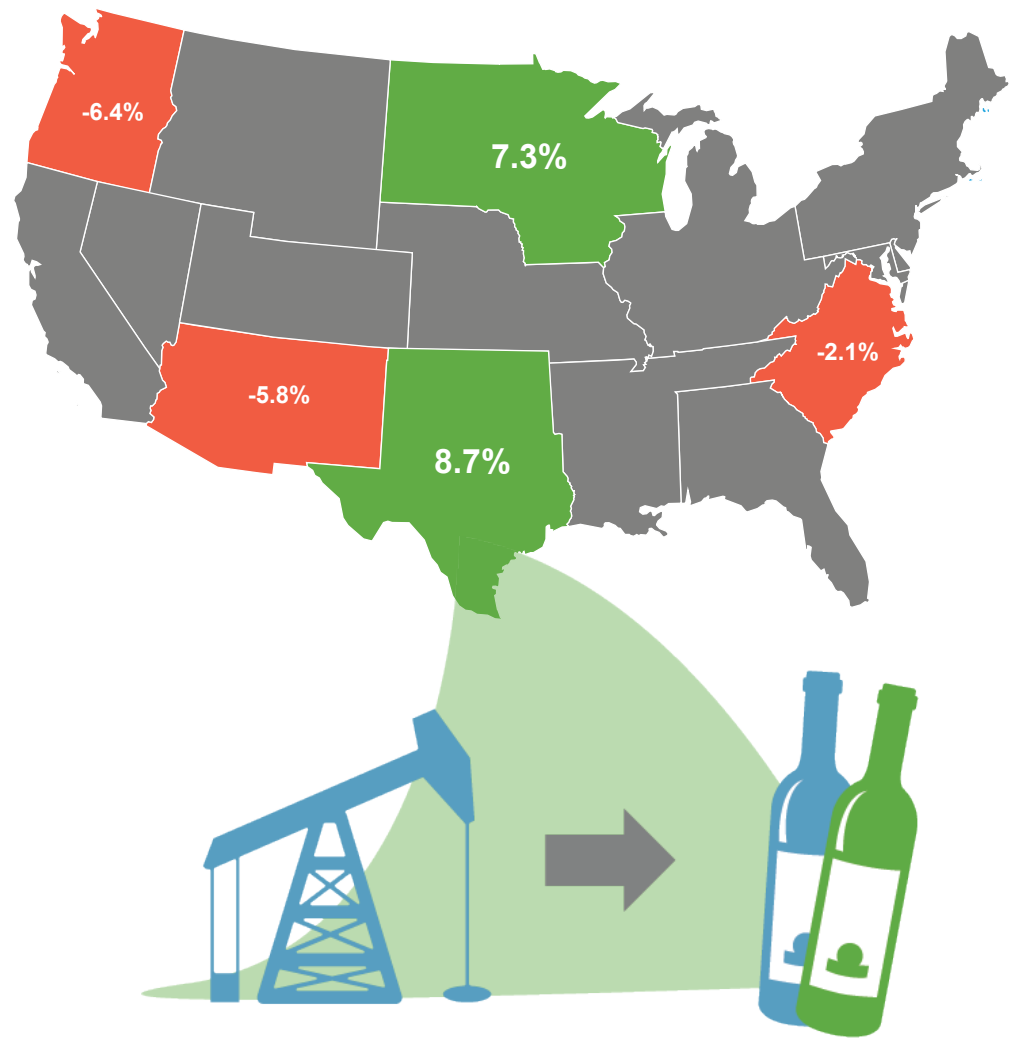
STEP 4

Get granular.

External factors married with syndicated data on CPG performance can give you unprecedented foresight into big picture performance. But that's not all. Diving into regional and SKU variances in consumer behavior can help you understand your future performance, beyond the macro level.

For example, by looking at the local level, one wine maker found that consumption in Texas paralleled the health of the oil and gas industry. A healthy industry foretells greater spending power, consumer confidence and likelihood to purchase in this region where oil is so closely tied to the economy. But in other parts of the country, other local factors would impact wine consumption.

By getting granular with consumer insights, you can adjust your marketing and business plans based on individual performance expectations.












STEP 5

Take action.

The ability to accurately forecast consumer behavior isn't valuable until it is applied to real business decisions in marketing, manufacturing, staffing, market entry and more.

What processes would you change if you could accurately forecast 12-18 months ahead?

- | | |
|--|---|
|  Promotion |  Staffing |
|  Procurement |  Packaging |
|  Advertising |  Pricing |
|  Distribution channels |  Inventory |
|  Market expansion |  _____ |

CASE STUDY

One of the world's largest beverage manufacturers **improved forecast accuracy by 18%**, saving millions in excess inventory each year.

A global beverage producer desired to get a better understanding of consumer demand in the U.S. and in China in the hopes of reducing safety stock. With over **400 different brands and over 60 distributors**, even small improvements in forecast accuracy leads to significant savings.

Using the latest in predictive analytics, Prevedere was able to analyze **millions of industry-specific leading indicators** around the world. Real-time forecast models were developed leveraging economic, weather, social, and consumer behavior data sets, per product and market.

The result was up to 18% improvement in forecast accuracy across their major products and market. Their supply chain team calculated for every 3% improvement in forecast accuracy, they were able to reduce excess inventory cost by **\$9 million per year**.



Using advanced technologies, Prevedere has partnered with Nielsen to combine best-in-class consumer purchase data with advanced predictive analytics, making it easier than ever to explain and predict consumer behavior. Learn more at <http://www.prevedere.com/nielsen>.

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