Mindtree

THE BALANCE OF POWER SHIFTS TO THE CONSUMER

The race for consumer relevance

End of the
road or paths to new opportunities?

In Costco, Target, Walgreen and Trader Joe's stores across the world there is a silent but intense struggle to win the consumer. The struggle is between the retailers and their CPG partners. The good part is that this is a battle where no one has to come out a loser. This conflict can end in a win-win-win for all—CPG organizations, their retail partners and the consumer.

The key trends driving the shift in relationship between CPG organizations, retailers and consumers are interesting and they point us in the direction that CPG organizations must head in order to solidify their relevance to the consumer:
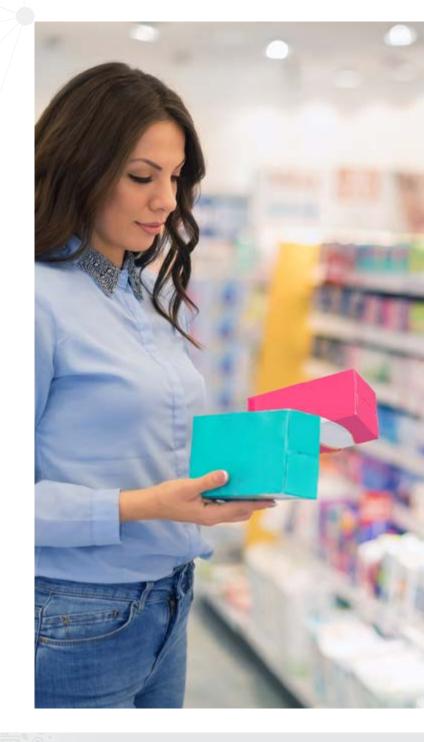
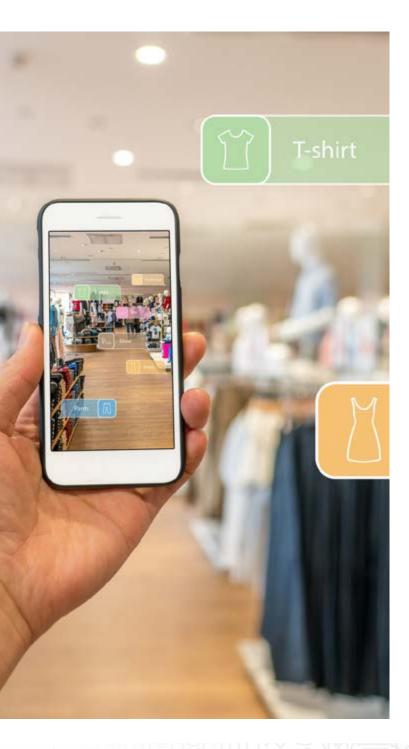## 1 Changing consumer buying behavior, thinking and actions:

A new breed of Gen Y (Millennials) and Gen Z (Centennials) buyers are shaping the retail industry. Never before has there been a more racially and ethnically diverse generation than this. They are unique in their lifestyle choices and well-informed with a high degree of awareness around environment, sustainability, health and authenticity. This has given birth to new buying patterns. For example, this generation will willingly buy eco-friendly products over current ones. A recent Nielsen study found that 48% of US consumers would change their consumption habits to reduce their impact on the environment, indicating that the rewards of changing products are high.

Consumers also hold a new power over CPG organizations. They have the ability to research, find, shop, buy and receive products at will using online and offline

channels. As a result, the only way to gain their loyalty is by feeding their hunger for information, personalization and great experiences.

In parallel, social media is creating an army of micro-influencers who are impacting product sales. This is creating new opportunities and threats for traditional brands. Old and trusted brands are now looking to find a way to recruit influencers and turn them into brand champions. Without this they risk losing the vast amount of trust they have painstakingly built.

2 Technology advancements and growing channels:

With the advent of social media, video content, Augmented Reality (AR)/Virtual Reality (VR) and 4G/ LTE mobile networks, consumers have richer and faster access to information across channels. In this industry, information and choice spell power. Simultaneously, technologies such as IoT, Artificial Intelligence (AI), data and analytics are providing retailers and CPG organizations with superior consumer insights and the ability to create sophisticated, personalized and memorable consumer experiences. A year ago, said the report, 46% of retailers had planned to deploy either AR or VR solutions to meet customer experience requirements. The stores of tomorrow will not look like the stores of today. It is easy to see that without adding these matching technological capabilities to their business core, CPG organizations will ultimately be left floundering.

The heartening news is that the industry has woken up to the need for technology. There are signs that it is leveraging technologies such as in-store beacon platforms and video analytics, it is deploying new POS systems that help bust checkout lines, and it is pressing QR codes, bar codes, digital displays and even AI-powered autonomous shopping carts into service to make shopping more convenient.

3 Change in retail and CPG industry dynamics and competitive landscape:

Traditionally, CPG organizations built their sales through trusted retailers and distributors. Now, the cracks in the model are showing. Retailers are ramping up sales with their own low-cost private label products and the success of the strategy is reflected in a recent Nielsen study that showed private label dollar volumes had increased by 41% over the last five years .

By contrast, 30 years ago, product development was a "push" phenomenon. Companies like Procter & Gamble were creating demand for new innovations like toothpaste with fluoride, disposable diapers, and potato chips in a can. Today, these CPG organizations are faced with competition from their retail partners who are adjusting their private label product features and mix in real time. The advantage they have is proximity to the consumer which allows them to spot and respond to consumer trends in a flash. Accelerating this trend is the fact that developing and manufacturing products has also become simpler for retailers. Finally, retailers are able to tilt the balance in their favor by providing premium shelf space to their products, thus catching the customer's eye and boosting sales.

The industry knows that while online sales continue to lead growth, brick and mortar retail is far from dead. If anything, it is evolving into a highly sophisticated science. A leading example of this evolution is the Amazon Go store equipped with cameras, sensors and monitors that enable cashless checkouts .

Innovation is taking retail to new levels of consumer engagement. Stores are becoming available on WhatsApp in other parts of the world, bringing m-commerce, live video interaction, automated chatbots and customer support to the instant messaging environment.

It is difficult to predict what the next big innovation will be, but CPG organizations must be prepared to absorb and leverage the change at all times.

In summary, the pressure on CPG organizations is relentless. They must, however, think of ways to improve efficiencies across their value chain and boost productivity to unlock savings. These savings can then be channelized towards business transformation and experimenting with new products, technologies and business models.

4 Business models are transforming radically:

The industry's new drive is to 'own' the consumer and grow wallet share. This philosophy departs from traditional product performance (margin, volume) as stand-alone measures. Amazon cares only about owning as much of the consumer as it can. The company is not fixated on inward-facing measurements like product margins. Instead, attributes such as frequency of buyer touch, niche exploitations and the power to cross and upsell have become important to growth. As wallet share becomes important, being present where the consumer is becomes critical. That is why omnichannel strategies have become important, allowing consumers to buy any product, anytime, anywhere, anyway.

Omnichannel, in turn, has also raised the bar on consumer expectations. So the online and physical worlds are moving closer to each other at a rapid pace in what is being referred to as phygitization.

There are new business models that are redefining differentiators such as the `Sharing Economy' (example: renting apparel rather than buying) and the 'Subscription Economy' (example: auto-replenishment of household goods). Omnichannel innovation has become table stakes as "the whole is now the goal." Beauty companies like L'Oreal, and Estee Lauder use omnichannel and e-commerce to enhance brand allegiance. Gillette has a subscription service that sends shaving blades to consumers at set frequencies offering great price and convenience. From washing machine detergents to coffee pods, every CPG company is trying to offer subscriptions and same day delivery.

Business models are getting another twist at the hands of a new breed of gazelle and micro brands. These brands are silent, super agile and hyper social. They are establishing new benchmarks in D2C models by cutting out middlemen, lowering costs and opening the battle for CPG organizations on yet another front . CPG organizations are practically helpless, and unable to compete. Their higher cost of customer acquisition, lack of technological dexterity, rising production costs and increased mergers and acquisitions is a key concern. There is an urgent need to challenge gazelle and micro brands and to move into high volume selling. But many CPG organizations don't know where to begin.

However, the challenges and opportunities make this an exciting period for CPG. We can expect to witness unprecedented product innovations, brilliant new business models and smart strategies that build customer intimacy. The CPG industry, once caught flatfooted, is now ready to regain control of the new industry landscape.

Leveling the playing field for CPG organizations

The dominant trends (discussed above) have been forcing change in the industry and in turn shaping our services for CPG organizations.

We want to ensure that CPG organizations can use technology to understand, interpret consumer trends and use this to build more intimate relations with them for long-term loyalty.

We believe that when CPG organizations collaborate with consumers and retailers they strengthen their ability to develop innovative products and penetrate new markets.

Our experience shows that when CPG organizations digitize their core enterprise systems and reinvent processes they become as nimble and responsive as their retail counterparts and as competitive as the new crop of aggressive gazelles.

Most importantly, we understand that these new strategies must be realized without adding exponentially to costs. These overarching considerations have forged our four key strategic pillars for the CPG industry.

Pillar 1. CONSUMER INTIMACY

Our CPG expertise delivers best in class consumer experience. This is achieved by anonymizing over 500 discrete consumer profile attributes and creating consumer personas that places unprecedented power in the hands of organizations to engage target consumers.

Personalize

Gain insights into consumer demand that keep your brand, product and channel strategies informed. These insights are central to the delivery of personalized interactions that go into building intimate and long-term relationships.

Achieved through: Omni channel experience, Personalization Processes, Loyalty Programs, Consumer360 and Data Analytics.

Develop
accurate data-driven marketing

Reimagine sales and marketing processes/models to create practically zero-waste brand marketing and consumer engagement across the consumer's lifecycle.

Achieved through: Marketing and Sales Transformation, Pre-built Business Metrics, Automation Frameworks, Influencer Intimacy, CRM and Marketing Automation programs

Adapt & innovate

Capture new opportunities by developing new products/models (often involving consumers through crowd sourcing) faster than competition. This can also be achieved through new channels like voice technologies and AI/IoT driven product recommendation tools.

Achieved through: End-to-end Digital Transformation and Best-fit Cloud Enablement along with innovation driven by the tools, accelerators and IPs from our co-innovation lab (Digital Pumpkin) that specializes in CPG solutions.

Deploy new commerce models

Engage the consumer in one-on-one communication, loyalty and influencer programs; adapt to consumer expectations by offering products in new sharing and subscription models.

Achieved through: E-commerce Platforms, Digital Marketing, and D2C Programs

Create Customer Intimacy like Coca Cola, think out of the can

Last year Coca Cola premiered the Share Chair, an oversized armchair for two that doubles as a "shareable" vending machine. The chair vends personalized mini beverage cans through its arms while a camera automatically captures the moment, allowing the consumers to share their experience on social media. The beverage giant has taken personalized marketing to a new level with ShareaCoke.com. Fans visit the site to customize 8-oz. glass bottles of Coca-Cola, Diet Coke and Coke Zero Sugar with two lines of text (Donnie McGilvray of Scotland even used this to ask his fiancée, "Beautiful Eloise Will You Marry Me") and share "social postcards" with friends and family.

Customer Intimacy:
Mindtree creates bespoke beauty for all

Mindtree created a next-generation CRM data and analytics platform devised to provide a 360 degree view of consumers for a global leader in beauty products. The engagement saw Mindtree enrich 220 million consumer personas on 500 attributes for personalized engagement across 1 billion touchpoints. The program reinvented processes for advertising, marketing and loyalty to deliver contextual experiences in real-time.

Pillar 2. CHANNEL COLLABORATION

By forging enhanced channel collaboration and partnerships across connected home vendors, online market places and brick-and-mortar retailers, we reset the power equation within the ecosystem, build great experiences at the First Moment of Truth for consumers (especially Gen Y and Z) and deliver a win-win-win for CPG organizations, retailers and consumers.

With this you can:

Leverage sales & marketing automation/prescriptive AI

Build visibility, transparency and efficiency into decision-making across sales, assortment optimization, ordering and promotions to drive category growth across channels and audiences.

Achieved through: Advanced Sales Intelligence and Retail Analytics

Optimize Go-to-Market

Bring products to market based on demand then follow it up with omnichannel strategies to capture consumer interest and trigger demand tempting retailers to readily provide premium display and shelf space, restoring the balance between partnering and competing.

Achieved through: Retail Execution for existing and emerging markets, Trade Optimization and On-time/In-full Perfect Order Fulfillment

Be like Nike (or Prada), work with Amazon

Despite concerns about losing the customer relationship, partnering high-profile multi-brand e-commerce sites is essential to a healthy channel strategy. The online traffic they bring in makes the partnership worth it. That is why Nike agreed to sell its athletic gear through Amazon and Instagram. Brands participating in Amazon's Prime Wardrobe — where members can order clothes without paying and get discounts on the pieces they keep — include Levi's, Kate Spade and Theory. Prada too sells its ready-to-wear outfits via third-party websites in Europe and has plans to replicate its e-commerce success in Asia.

Channel Collaboration: Mindtree designs system to uplift revenue

Mindtree digitized the entire supply chain, built data feed analytics algorithms, and generated smart promotional spend reports for a global CPG leader as part of their effort to streamline and optimize their trade promotions (budget: $1.5 billion across 35+ countries) for maximum revenue and uplift. The solution brought in uniform Trade Promotion planning and evaluation processes, integrated disparate systems and addressed the complex channel structure across different markets.

Pillar 3. DIGITIZE THE CORE

For decades, CPG organizations have used their monolithic structures to follow linear processes, from demand planning to distribution to front end consumer engagement We change that by applying Agile, Cloud-first approach, API/Microservices-led architecture and Automation to digitize core front and back office systems. This transformation allows CPG organizations to become proactively disruptive instead of being sluggishly responsive.

With this you can:

Enable new business models

Reinvent the organization to address new market trends with modernized capabilities around Order Management, Warehouse Management, Logistics, Finance, Marketing and Sales.

Achieved through: Cloud-first Approach, API/ Microservices led architecture and Legacy Modernization

Become data-driven

Use data to extract insights from market signals, consumer behavior, competition, supply chains, warehouses, inventory and channel factors to inform strategic operations across the enterprise.

Achieved through: Demand-driven Business Planning, BI Analytics and Visualizations Programs, Consumer Research, Data Engineering and Data Management

Confidently leverage innovation and emerging tech

Adopt Cloud, AI, IoT and other emerging technologies for continuous innovation on scalable systems for breakthrough experimentation and innovation.

Achieved through: ML/AI, Blockchain, IoT, Natural Language Processing (NLP), Chatbots, etc.

Be the next Zara, create legendary responsiveness

Zara, the clothing chain, has become the text book example of how to use digital technology to re-invent supply chains, manufacturing and distribution to meet consumer needs. The retailer has achieved what is described as "mind-spinningly supersonic" demand-sensing and manufacturing processes that allow it to produce thousands of new designs a year with only 10 to 15 days required to move from design to having the product in its 4,400 stores. By comparison, most competing fashion businesses need 10 to 18 months for the same cycle. Zara has developed these superior capabilities by using digital technologies, data and advanced analytics. As a consequence it is able to sell 450+ million items a year without fancy marketing budgets. As a bonus, it also saves on markdowns with its tightly controlled inventory.

Digitize the Core: Mindtree delivers high availability through Cloud Transformation

Mindtree is the Services Integrator for a US-based food manufacturer that collaborates with 20+ digital agencies in 180+ countries. The engagement enables the manufacturer to launch critical digital marketing initiatives that drive brand excellence. This engagement includes the management of platform hosting over 500 digital properties for 30+ brands. As part of its cloud-first approach, Mindtree engaged with the manufacturer on AWS Cloud migration of platform for higher availability and stability. Appli-structure, cloud-ops and DevOps have been applied to keep platform availability at 99.9%

Pillar 4. **LEAN & NIMBLE**

Applying emerging technologies like AR/VR, NLP and Chatbots in combination with Lean principles, Agile and DevOps we are enabling organizations to improve efficiency and productivity.

With this you can:

Control costs

Mimic and compete with online giants and agile newcomers who have low operating costs by transforming current infrastructures, processes and operations through Lean methodology and scalable technology.

Achieved through: Cloud Transformation, Lean transformation, IT Debt Reduction

Deploy efficient change management

Use scalable infrastructures and software systems that provide continuous opportunity to optimize and realize better inventory tracking, warehouse management, forecasting, predictive analytics and pricing.

Achieved through: Agile Transformation through our Agile CoE, Robotic Process Automation and Managed Services

Become responsive

Apply, design, deploy and manage your IT or innovate at scale while keeping costs down. Quickly address market shifts with Lean and Agile technology and processes.

Achieved through: Innovation, Cloud Transformation, Cost Management and Managed Services
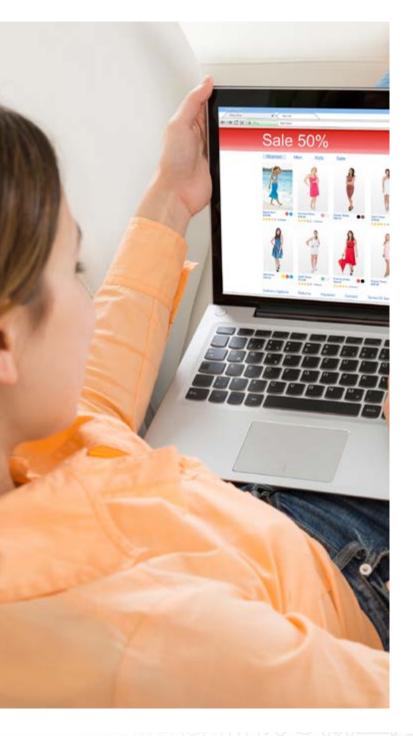
Follow Nestlé BabyNes to boost marketing efficiency and consumer service

When Nestlé BabyNes expanded from Switzerland and France to China, Hong Kong, and the United States it felt the need for a centralized, multilingual customer management platform, fully integrated with BabyNes' internal systems that would provide a comprehensive and coherent service to consumers regardless of location or language spoken. Nestlé integrated telephony, social media, text messaging, chat, and email into a single CRM platform that could provide agents with deep customer and product knowledge in order to deliver great parenting support. Nestlé used Oracle Service Cloud to implement the centralized, multilingual, omnichannel CRM platform to improve marketing and achieve savings (by eliminating licensing costs and agency fees) .

Lean & Nimble: Mindtree uses power of AI for Assortment Optimization

Mindtree built a classification-based feedforward Deep Neural Network for a global CPG leader. This was the foundation for a self-learning model based on a variety of data sources including sales and sales executive behavior. This exercise involved constructing a predictive model and implementing a back propagation process using an iterative technique. Approximately 160 million rows of information were processed by close to 900 Deep Neural Models where each Neural Network takes anywhere between 20 minutes to 1.45 hours to execute. With close to 3 million iterations, the process was orchestrated using a DevOps automation framework on AWS and resulted in more than a 2-fold increase in the number of recommendations aimed at assortment optimization.

Growing with Mindtree

Mindtree has extensive experience in providing innovative solutions that leverage the latest technological developments like AI/ML, RPA, NLP, AR/VR, MR, IoT and Chatbots.

Whether it is delivering high performance predictive analytics using NLP for a global CPG leader, using MR to enable Do-It-Yourself (DIY) for a US-based home improvement retailer, building a next-gen analytics platform with advanced visualization for a leading gaming provider, performing predictive quality analysis on semiconductor data for a leading semiconductor company or cloud transformation for a leading food manufacturing company, Mindtree has always been at the forefront. Providing future oriented, transformative and high value driven solutions makes us the partner of choice for global CPG leaders.

These leaders succeed by leveraging the key solutions/accelerators that are aligned to our four strategic pillars:

CONSUMER INTIMACY

Decision Moments for insights

- Preset ML Algorithms
- Business Apps
- Prepopulated Datasets
- Modeling Sandbox

Digital Marketing Framework for standardization and speed to market

- Site Design Standardization
- Advanced Analytics, Social Integration, Mobile Enablement
- Roll-out Factory

CHANNEL COLLABORATION

TradeSmart & PoSmart for data consolidation and analytics increases profitability using:

- Data Cleansing and Harmonization
- Post Event Analytics
- Demand Signal Repository
- Trade Promotion Analysis, Spend Accrual Management, Margin Simulation

Apex for assortment planning that results in faster growth by leveraging:

- Metrics and data-backed decision making, cross sell recommendations
- Predictive analytics for greater POS visibility
- Real time analytics that optimizes supply chain and lowers stock outs

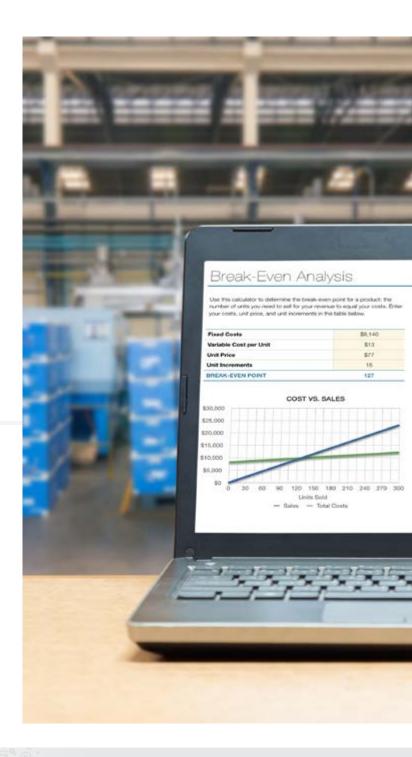**MOTIF for on-time & in-full perfect order fulfillment to achieve:**

- Supply chain optimization and avoidance of costly penalties
- Deep operational insights (KPI)

DIGITIZE THE CORE

- ComPass - Discovery, Automated App Analysis and Cloud Assessment
- MVC – Templatized Cloud Foundation Setup
- MWatch - Cloud Monitoring Framework
- Mindtree Application Assessment Framework for Legacy Modernization

LEAN & NIMBLE

- CAPE (Composable Automated Platform for Enterprises) - DevSecOps platform for the Enterprise
- ATLAS – Tool-based Transition Management and Lean Transformation
- Intelyzers – Automation for Predictive Maintenance
- BOTs library covering Business processes, Reporting activities, Database tasks, Access automaton, etc.

OUTCOMES

Mindtree's CPG solutions have delivered path breaking outcomes with quantifiable benefits.

For the largest US-based multinational household goods giant - Created a unified digital marketing experience across 70+ brands and 100+ countries with:

- 60% reduction in time to market via assembly line approach
- 30% - 40% reduction in cost via Lean digital operations

For a UK-based food, home and personal case giant – Overhauled existing distribution management systems via cloud-based SAP spanning 18,000 distributors in 22 countries for:

- 60% reduction in Order-to-Cash cycle
- $1.5 million in savings via improved distributor management
- 8% improvement in D&E market turnover

For a US-based multinational food manufacturing company - Integrated services across 20+ digital agencies in 180+ countries driving brand excellence with:

- 20% reduction in cost for incumbent contract
- 30% capital unlocked through cloud transformation

For a Germany-based global sports goods corporation – Managed enterprise IT applications for 33% of the organization's brands to deliver:

- 10 % Y-o-Y productivity improvement with Lean-based support
- 50% reduction in time for Concept-to-Shelf process

Our expertise is validated by the fact that seven of the Top 10 global CPG organizations and another 50 global CPG leaders are our customers. Using our experience, these CPG organizations are investing in re-balancing the equation between their retail partners and consumers to create a win-win-win for everyone.

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3. Amazon's automated grocery store of the future opens Monday, Reuters, January 21, 2018: *https://www.reuters.com/article/us-am-azon-com-store/amazons-automated-grocery-store-of-the-future-opens-monday-idUSKBN1FAORL*

4. *https://ondemand.gillette.ca/*

5. PepsiCo Introduces Social Vending System™, the Next Generation in Interactive Vend Technology, April 27, 2011: *https://www.prnewswire.com/news-releases/pepsico-introduces-social-vending-system-the-next-generation-in-interactive-vend-technolo-gy-120769284.html*

6. The growth of microbrands threatens consumer-goods giants, The Economist, November 8, 2018: *https://www.economist.com/busi-ness/2018/11/08/the-growth-of-microbrands-threatens-consumer-goods-giants*

7. *https://www.mindtree.com/services/digital/digital-pumpkin*

8. #ShareaCoke Marriage Proposal Goes Viral, August 24, 2014: *https://www.coca-colacompany.com/stories/shareacoke-marriage-pro-posal-goes-viral*

9. Polka Dots Are In? Polka Dots It Is! Slate, June 21, 2012: *https://slate.com/culture/2012/06/zaras-fast-fashion-how-the-company-gets-new-styles-to-stores-so-quickly.html*

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10

Mindtree is in the Top 10 CGT Outsourcing/ IT Integration Provider list for 2019

(source: *https://consumergoods.com/readers-choice-survey-2019-outsourcingit-integration)*

Conclusion

Our deep partnerships with platform vendors such as SAP, Microsoft, Salesforce, Amazon and Google and our own IPs and platforms make Mindtree an ideal digital-anchor partner to power your digital transformation. Mindtree can help you accelerate your consumer intimacy levels through artificial intelligence, machine learning and deep learning to keep pace with industry changes - and stay ahead of competitors. Visit Mindtree at *www.mindtree.com* to learn how we can help you transform your CPG industry and become an intelligent enterprise.

About Mindtree

Mindtree [NSE: MINDTREE] is a billion dollar global technology enterprise, focused on delivering excellence in complex digital environment, with relentless dedication in IT consulting and services. "Born Digital" in 1999, Mindtree has been working with Fortune2000 companies to help them achieve business agility, competitive edge, and growth. With AI-first consulting approach, we have conceptualized our "Digital Next" offerings that enables our customers to experience transformation, leverage connected operations and reimagine IT infrastructure with core modernization. Mindtree with its 20 years of legacy in driving the spirit of entrepreneurship, collaboration and dedication through "Mindtree Minds," is regarded among the best places to work.