

Getting started with Demand Signal Repository

Part 2 – Evaluating DSR for Your Organization

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Consumer product companies have worked with downstream point-of-sale data from their retail sales channel for many years. But a Demand Signal Repository (DSR) approach represents a more optimal way of leveraging that data to achieve greater consumer insights and market responsiveness.

In [Part 1 of this article](#), we discussed how the DSR approach is more beneficial than traditional downstream data. In Part 2, we answer the key questions:

- **How can you evaluate the potential benefits of DSR for your organization?**
- **How can you begin to implement a DSR initiative within your company?**

A DSR enables consumer product companies to take reporting and analyses performed in silos and apply it more consistently across the enterprise. Companies may then realize synergies from bringing multiple sources of demand data together and apply a common master data management approach. This allows analysts to spend more time evaluating downstream data versus cleansing and standardizing it, which accelerates the discovery of useful insights.

A recent survey by AMR Research revealed that 56 percent of consumer product companies are currently using or implementing a DSR. If your company is among the more than 40 percent that are not, how can you proceed towards building a DSR asset? What is the best way to evaluate its potential impact for your organization and start the process?

Taking the Initial Steps

Assessment. First, take stock of what is actually happening in the company today: What downstream data is available? Which parts of the organization are using it? Who is analyzing the data? How is it being managed? How is it being governed and attributed? What insights are being achieved? What are the challenges and gaps? During this assessment process, make sure to:

- Identify people/teams that are analyzing and using downstream data in similar ways and understand their process and needs.
- Identify people/teams that could benefit from having more or improved downstream data – those who really want or need downstream data but are not able to make use of it currently.

Define a Pilot DSR Initiative. In a relatively short timeframe, your assessment will likely reveal key business issues that downstream data could help solve. You can then select one of these business issues to be a pilot DSR initiative. Aim for the “low hanging fruit” – business issues that are relatively simple to address with better data, and where a “win” would provide immediate and obvious value.

56 percent of consumer product companies are currently using or implementing a DSR

Source: AMR Research

For example, a number of companies have benefitted from using a DSR to identify distribution voids. DSR analysis will show where there are zero (\$0) sales in a channel where you would normally expect to have activity, pinpointing problem areas. Honing in on those areas, a company can achieve fairly immediate revenue improvement. The problem areas – for example, a supply chain breakdown, a customer who isn't fulfilling agreements, or an out-of-stock situation that hasn't been solved – can often be addressed by the field sales team and yield a relatively quick fix.

Above all, keep it simple. When implementing a pilot project, pick just one sales team focused on a major retailer to keep the project from getting too complex and to make sure results will be clearly identifiable. The entire pilot project could be as brief as 90-120 days.

How are CP Companies Using DSR?

- Demand planning and forecasting (56%)
- Channel inventory (49%)
- Category management (47%)
- Managing 3rd party inventory levels (47%)
- Sales force account targeting (47%)
- New product launch opportunities (44%)
- VMI decisions (44%)
- Replenishment (42%)
- Managing promotions (40%)
- Revenue recognition (40%)

Source: AMR Research

Making Sense of the Data

The thought of gathering, integrating and harmonizing mountains of data may seem daunting, but companies will start receiving the benefit from small-scale DSR initiatives without having to implement a comprehensive DSR all at once. For example, companies with successful DSR programs have already found that insights gleaned from one retailer's data can typically be repeated across the entire channel landscape, if the right parameters and approaches are used.

Most companies recognize the "80/20 rule" – i.e., typically about 80 percent of a consumer product company's revenue comes from 20 percent of their customers. The 20 percent of customers for the most part are the larger retailers, most of whom are already providing POS data to DSR data aggregators. So a consumer product company doesn't have to track down 100 percent of its customer POS data before being able to make an impact with a DSR initiative – or in other words, you don't have to "boil the ocean." Working with a DSR data aggregation vendor(s) and focusing analysis on just your top customers will enable most companies to harmonize, cleanse and report on a meaningful pool of data that can provide enough value to justify the investment.

Working With a Data Vendor. Once you've defined the pilot, the next step is to choose a third-party DSR data aggregation vendor to work with your organization. Working with a vendor will give you the benefits of accessing both downstream data sources and expertise.

Data aggregation companies play a key role in effective DSR initiatives. Typically, they collect data from multiple retailers, and can thus provide it to you in a usable format from a single source. Some of the benefits of working with a DSR data provider include scalability and consistency. Their services typically include data collection and aggregation, cleaning/harmonization, data hosting, analytics engines, and more.

In our study with AMR Research, we found that consumer products companies who have a DSR in place are typically using from one to three different DSR data vendors, so this is definitely a best practice.

Making the Business Case for DSR

The primary objective of a DSR pilot is to demonstrate the value for your organization and help establish the business case. Once the pilot results are in, extrapolating the results across the enterprise can show significant potential. Even a small or incremental improvement in one area can often yield a large dollar value return when extended across the entire retail landscape.

For example, if you are analyzing distribution voids, and have found that the company is missing certain points in its distribution, an improvement of even a few percentage points may translate into significant increased revenue. Calculate the dollar value of the increased revenue across all the relevant market segments and divide that by the cost of implementing an ongoing enterprise DSR program. That's a simple way to derive the return on investment (ROI).

The DSR is like "the gift that keeps on giving," because there are so many different ways the data can be used once it is collected and attributed in usable form. For example, trade promotion can be measured much more effectively by leveraging the DSR. Once the results of the pilot have been quantified, you can then make a case for the value of further investment to expand the program, incorporating more data sources and bringing in additional retailers.

Conclusion

A DSR doesn't have to be a complicated project to initiate. It requires pulling together the key stakeholders, agreeing on a roadmap and strategic approach, refining standard processes and defining a set of clear (and achievable) goals. A three-to-four month pilot using downstream data is usually enough to demonstrate the value that exists for your organization and the type of activity visibility that can be gained. This will provide enough information to determine at least a high-level ROI analysis and drive the decision around how much more to invest in a DSR.

We're finding that consumer product companies working with a DSR are typically realizing tremendous benefits. Traditional downstream data analysis just doesn't compare with the powerful, repeatable, and in-depth insights that a DSR can provide. In the competitive consumer packaged goods market, the ability to leverage downstream data more effectively can provide the edge your company needs.

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Visit www.hitachiconsulting.com or contact Brad Hairston for more information on DSR and AMR Research's report.

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Choosing A DSR Data Aggregation Vendor

How do you choose the right vendor company for your organization? Some criteria to look for:

- Can the vendor handle data from retailers most relevant to your company?
- Is the vendor collaborative and easy to work with, presenting solid references?
- Does the vendor have a strong Business Intelligence offering?
- Can the vendor host the downstream data for you?
- Does the vendor handle attribution of the data (matching raw data feeds with your organization's corporate master data such as product hierarchy, retailer, sales territory, distributor, etc.)?

There's no need to make this an elaborate vendor selection process at the outset. Just do a pilot project: a small investment of time and resources for a no-strings attached try-out.