

# Is the Demand Signal Repository Paying Off?



Consumer product companies have spent significant time and money over the past few years building out a consumer-driven supply network, the centerpiece of which is the Demand Signal Repository (DSR). The DSR harmonizes downstream data (mostly point-of-sale) from the manufacturers' retailer channel to provide more real-time visibility into consumer demand than previous solutions based on shipment and/or syndicated data. Recently, Hitachi Consulting teamed up with *Consumer Goods Technology* on an industry survey to take a pulse check on the DSR and see what kind of results companies are getting from their investments to date.

## THE DSR IS PERVASIVE AND GAINING MATURITY

- Only 18% of companies surveyed have not started building a DSR. A DSR survey conducted 16 months ago revealed that 40% of companies were still not off the ground, so progress has been really good.
- The Sales and Supply Chain functions continue to be the primary drivers of the DSR, with Demand Planning close behind. Companies who are newer to the DSR space are attracting more cross-functional involvement (e.g., Brand Marketing, Trade Marketing). 16 months ago, IT seemed to be playing a bigger role in the DSR. That may no longer be the case.
- The DSR is no longer limited to a handful of retailer data sets. 61% of companies surveyed have six or more retailer data sets in their DSR. This is no longer a "pilot on a server under the desk"...this is a program.
- The CPG segment of companies surveyed appear to have the most mature DSRs (84% of CPG companies surveyed have been working on the DSR for over a year, 53% for over three years).
- The largest companies (>\$10B in revenue) have made the greatest strides with the DSR. Most have been working with DSR data for over three years and have six or more retailer data sets.

## Key Findings

- The DSR is paying off. The leaders in this space who have invested the most to date are benefiting from their aggressiveness.
- The pace of value recognition from the DSR, in addition to the ability to sustain its value, is directly correlated to how effectively companies address data management disciplines (quality, integration, governance, etc.) with process and technology. Much like any Business Intelligence solution, the state of the data foundation determines success.
- Consumer product manufacturers are more in tune with consumer demand than ever before. It is anticipated that more and more companies will take advantage of this capability to re-engineer their most important operational processes (such as demand planning) in the near future.

## VALUE RECOGNITION COMES QUICKLY

- 61% of companies surveyed realized value/ROI from their DSR within two years. 16 months ago, nearly 80% of companies surveyed said that they expected payback on the DSR in less than two years. It looks like most of them guessed correctly.
- Companies are using three primary metrics to assess the value of the DSR:
  - ✓ Sales
  - ✓ Out-of-Stocks
  - ✓ Forecast Accuracy
- The DSR is perceived to be as good (52%) or better (42%) than other Business Intelligence capabilities (e.g., trade analytics, profitability analytics) in providing insights. This would suggest that companies view the DSR as complimentary to but not a total replacement for their other BI tools.
- The top three identified benefits of the DSR are:
  - ✓ Better demand forecast accuracy
  - ✓ Better management reporting
  - ✓ Better on-shelf availability (lower out-of-stocks)

These are consistent with the top benefits identified 16 months ago, although “better demand forecast accuracy” swapped places with “better on-shelf availability.”
- The most common DSR benefit for the largest companies (>\$3B in revenue) surveyed is improved ability to analyze pricing and promotions. It is primarily the CPG companies who have leveraged the DSR to gauge pricing and promotion effectiveness.
- Only consumer durables companies cited “lower inventory levels” as a top benefit. The other segments do not appear to be leveraging the DSR as effectively as they could in the area of inventory.
- Overall, the survey results showed that companies with more mature DSRs are seeing benefits in several areas – reporting, on-shelf availability, price/promotion analysis and category trend projection. These companies are also using a broader variety of key metrics such as days of supply inventory, sales lift from promotion and distribution voids.
- 70% of companies surveyed feel positively overall about the DSR results achieved to date. Over half of this group says their results have been overwhelmingly successful.
- 91% of companies surveyed say retailer collaboration has improved as a result of the DSR. Over half of this group says the improvement has been significant.

## DATA INTEGRATION AND QUALITY CHALLENGES CONTINUE TO BE PREVALENT

- The top three DSR challenges cited by companies surveyed are:
  - ✓ Integration of retailer data with internal/external data
  - ✓ Incomplete and/or inaccurate data
  - ✓ Lack of required funding
- Even though “lack of required funding” ranked high on the list, companies with more mature DSRs rated that challenge lower. They appear to have an easier time getting funding for their initiatives which may be a sign that senior management is pleased with the results they are seeing from the DSR.
- Food and Beverage companies with a DSD distribution model were the only companies to identify “inability to scale retailer-specific solutions” and “attribution of data for analysis purposes” as top challenges. They would appear to be the companies who are decorating DSR data the most and experiencing issues with the process.
- A lack of good tools to analyze the data was not cited as a top challenge, which may imply that DSR vendor reporting capabilities are meeting expectations.
- No survey participants cited data storage as a key challenge in their DSR initiative, which may be a function of external hosting (45% of companies surveyed said they are externally hosting some or all of their DSR data).

## SO WHAT'S NEXT FOR THE DSR?

- The top three future priorities for the DSR identified by companies surveyed are:
  - ✓ Leverage the DSR to strengthen collaboration with retailers
  - ✓ Integrate the DSR with the Demand Planning process
  - ✓ Increase the number of retailer data sets
- “Integrate with Demand Planning” was exceptionally high up the list for the largest companies and those in the CPG and Consumer Durable segments. They appear to be the segments who will lead the charge on that front.
- The companies that are planning to increase the number of retailer data sets also plan to standardize the way retailer data is managed/ analyzed. This is not surprising, as those two things tend to go hand-in-hand.
- Interestingly enough, “Pushing DSR insights/alerts to mobile devices,” which came in at the bottom of the list, was only identified as a priority for companies that were 100% DSD or 100% WD.

## BEST PRACTICES THAT CONTINUE TO DELIVER

- Make shorter-term investments in targeted solutions and pilots to prove out approaches, get quick wins and establish momentum for the DSR program.
- Secure strong executive sponsorship for the DSR. This cannot be successful as a side project funded by leftover dollars.
- Make longer-term investments in building a scalable foundation. This includes:
  - ✓ DSR technology approach (build versus buy, hosted vs internal, etc.)
  - ✓ Master data/hierarchy integration and management
  - ✓ Data quality and data stewardship processes
  - ✓ Data warehouse integration
  - ✓ Syndicated data integration
  - ✓ BI approach

The DSR has a lot of moving parts. If you don't take care of them properly, you can end up with a lot of tedious, manual processes that bog down the flow of information and ultimately discourage use of the DSR.

**Contact Hitachi Consulting to discuss how our DSR Advisory Services can help your company make the right moves.**

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## About Hitachi Consulting

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