

Thorogood case study
Consumer Packaged Goods

A Consumer Goods Giant's Revenue Management Transformation

How can a business maximize the amount of profit and revenue that it returns from its brand and product portfolio? And what is the quickest and most efficient way to surface the insights necessary to accomplish this?

These are questions that sit at the foundation of Net Revenue Management (NRM), a framework of principles that originated in the travel industry in the 1980's and which, in recent years, has attracted a number of adherents at prominent companies across the globe.

Realizing that advances in data collection and technology offered lucrative new methods for optimizing pricing and costs, a leading consumer packaged goods firm enlisted Thorogood to help it reorient its analytics strategy around the NRM philosophy. The project included the development and deployment of a powerful new price and cost optimization tool that offers a keen example of the way in which an NRM-focused analytics strategy can improve a company's business performance and position it ahead of the competition.

The five levers of NRM

Are your competitors achieving significant success in areas where you are currently not operating?
Are your promotional activities appropriate for the current circumstances? Getting the right product in front of the right customer at the right

time and at the right price point is the essential objective that NRM's five-levers aim to achieve by providing answers to questions like these.

1. Brand portfolio pricing

How can we improve the aggregate value that we derive from the brands in our portfolio?

2. Channel pack pricing

How can we better offer consumers the right product in the right format at the optimal price?

3. Mix management

How can we better drive our brand, pack and channel mix to a place where profit grows proactively?

4. Promotional management

How do we improve our return on investment in promotions from the perspective of brands, channels and customers?

5. Trade terms management

Can we use data to identify ways in which we can better motivate the behavior we seek out of trade partners?

Real business problems, real solutions

Prior to embracing NRM as fundamental, Thorogood's client was exploring the possibility of expanding its existing channel reporting dashboard, a solution built around profit/loss and supply chain KPIs which already yielded insights that fit into NRM's areas of inquiry. The motivation behind this was to improve its ability to analyze and optimize the granular mechanisms of the retail markets in which its frontline competitive battles took place. Understanding the flexibility and value that this would bring to decision makers, Thorogood designed a solution consisting of a series of Tableau dashboards constructed for the express purpose of surfacing insights into each of NRM's five levers. This included enhancements that incorporated price elasticity and brand position data to help identify areas of potential demand growth while optimizing price points. It also included an assessment of a potential move of the company's on-premises databases to the cloud, where improved flexibility and scalability could make of the new NRM Dashboard suite an even more responsive and robust tool.

To fully understand the utility of the new solution, consider a hypothetical business instance involving one of our client's body lotion brands that competes for customers against a similar offering from Competitor X. One way to increase sales might be to offer individual units in a package volume that the competitor does not, an objective that fits within Lever 2 of the NRM framework. For instance, a Pack Price dashboard that Thorogood developed might reveal that a certain retailer is only carrying Competitor X's body lotion in 50 mL size bottles. This might lead a user of the tool to suggest that introducing a 100 mL bottle of its body lotion would enable it to put a product on shelves that has no comparable offering from Competitor X. Analysts could then use the Brand Pricing and Willingness to Pay dashboards to formulate an optimal price for the product, both of which fit within Lever 1 of the NRM framework.

Arriving at a point where answers such as these appear on a screen with a couple of clicks of a button requires diligent planning, development and implementation on the backend and a user-focused approach on the frontend. While the Levers give the insights, sustaining

Revenue Management as a practice requires an integrated internal and external data platform, as well as flexibility of structures to accommodate change and facilitate collaboration across the organization. In our client's case, that meant pulling data from a variety of external data vendors, standardizing and storing it in a series of SQL databases, and building a data model that could feed applications such as Power BI, Tableau, and Excel. It also meant developing dashboards on an iterative basis that enabled Thorogood to solicit feedback from users and incorporate it into the next version of the dashboard.

Given the realities of the packaged goods marketplace, our client needed any NRM solution to be adaptable for use in different geographic regions. Consider, for instance, the ice cream markets in Italy and Spain, where a significant percentage of individual units are sold at beach-side kiosks rather than chain grocery or convenience stores. Thorogood and its client needed to design a global template that could be customized to suit the unique needs of the analyst teams in Italy and Spain, which might differ from the needs of its teams in the UK, where ice cream sales are more traditional and lower volume makes it less of a focal point than, say, shampoo.

A well-positioned future thanks to NRM and Thorogood

Creating such a solution with monthly automatic refreshes required a long process of reconciling internal and external data sources while paying attention to the requirements of each market. But with the heavy lifting now complete, Thorogood's client has a foundation that it can use to continue to build its Net Revenue Management operation. Its revenue managers now have the ability to harness the latest consumer and market information to analyze the market, adjust the product mix and target consumers through the right channels, at the right time and at the right price.

At the moment, our client's NRM application is among the Top 10 of most used apps at the company, with Thorogood providing continuing support and working with the Global Center of Excellence to assess what further enhancements might be made.



Find out more:

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