Making better decisions faster

Using driver analytics to change the game and boost performance in consumer products
“Our management data came in the form of a 700-page report of financial line items. We spent 90% of our time playing detective – trying to assemble the data and ask the right questions – and 10% on the issue. Those proportions needed to be reversed.”

CEO, global consumer products company
What’s the issue?

Slow decision-making is compromising your company’s agility

Consumer products companies that stay flexible and make quick decisions are more likely to succeed in today’s brand new order – a highly complex and fast-changing environment.

Are you confident you can make the right decisions against a backdrop of continuous change?

Although the vast majority of consumer products executives – 81% – agree that faster decision-making can improve organizational agility, they struggle with planning, decision support and decision-making because information is too detailed and too slow. Often they focus on items listed in the financial statements rather than the forces that drive value in their business.

This means they are unable to link strategy, resource allocation, planning and reporting. They must rely on a combination of instinct and experience, supported by one-off analysis. This personal, somewhat ad hoc approach rarely optimizes decisions, and the rest of the organization may struggle to understand and support decisions because the rationale is unclear.

If you can’t make decisions quickly, you can’t compete effectively

Slow and inefficient decision-making is a real concern in the brand new order, where two-thirds of consumer products companies feel under pressure to reappraise their operating models and almost three-quarters believe significant changes are needed just to sustain historic margins.¹

In particular, ineffective analysis and information exchange between local units and central headquarters fail to generate insight at the corporate level and enable autonomy at the local level. Instead, they keep everyone tied up in unproductive detail and encourage proliferation rather than streamlining of decision-making layers. As a result, companies miss the ripple effects of issues that impact the whole organization, fail to spot operational improvements and are unable to test the “what if” scenarios that improve tactical and strategic decision-making.

¹. Disrupt or be disrupted: creating value in the consumer products brand new order. EY Global Consumer Products Executive Survey 2012.
What are the pain points?

- Lack of leading indicators
  - Root causes unclear
  - KPIs not correlated
  - Too much data
  - Lack of confidence in making decisions
  - Compromised organizational agility
  - Poor management insight
  - Executives rely on “gut feel”
  - Financially focused information
  - Poor linkage between strategy, planning, resources and reporting
  - Business units operate in silos
Turning data overload into strategic insight requires vision and stamina

The biggest challenge in making better decisions faster is to identify the market, competitor, operational and financial forces that really drive value creation, and then correlate them to each other and to outcome metrics like market share, revenue or margin. We call this “driver analytics.”

Many businesses understand the forces that drive value. But the level of effort required to continually and consistently correlate the impact of the most significant drivers across a variety of dimensions (including product, channel, geography, market, segment or business unit) and to understand their impact on output metrics is a level of insight that few companies have achieved.

Although some leaders will say that value drivers are built into planning models or that market analytics are built into the financial data, the reality is that few have the capacity or tenacity to perform such analysis continuously.

Why does it matter?

Failure to identify the critical drivers and to correlate their impact on performance means companies struggle to understand why a performance metric has moved. So while they may know, for example, that sales have fallen in Brazil and risen in Uruguay, they won’t know why – and don’t respond. Or they might conclude that exceeding a revenue target means a job well done, but in fact it could be hiding poor performance.

Drivers add insight when performance metrics are misleading

Revenue targets exceeded

Driver-based analysis reveals root causes:

- Units are twice the planned amount, yet the market size is three times the planned amount
- Market share is lagging plan despite aggressive discounting that has driven down net price
- Strategic focus: invest more in this growing market?
- Tactical focus: share growth and pricing are poor
“I asked the team to identify the drivers of market share. They all had an answer. Then I asked them to correlate the drivers of market share to each other mathematically. No one had that answer. We knew some of the drivers, but we didn’t know that 80% of our market share correlates to promotional spend and consumer preference scores. Now these marketing correlations are on the driver dashboard alongside financial data, and now we have more insight and can make better decisions.”

Andrew Tivey, EMEIA Driver Analytics Service Offering Leader, EY
How do you get it right?

Create the ‘single thread’ that links performance drivers to performance outputs

In our view, using driver analytics to mathematically link outcome metrics with the market, competitor, operational and financial forces that drive value is fundamental to good decision-making. This process is what creates the “single thread” that enables you to trace the impact of a changed driver – for example a shift in consumer demand – across every element of your planning and management cycle, from forecast, capital allocation and operational planning to performance reporting.

Decision-makers can prioritize actions on the highest-impact drivers, as shown in the drill-down revenue driver dashboard

The biggest drivers of variance are quantified in terms of impact to the selected outcome metric (revenue).

The trend of the highest-impact driver is highlighted automatically, but users can select any drivers.

Compare revenue by category and product.

Year-over-year comparisons are enabled to show monthly trends.

Drilling into geography shows insights into revenue trajectory for the North America, compared to South Asia, for example.
“Driver-based analytics enable companies to tune out the noise and ‘connect the dots’ between financial outcomes and the market and operational value drivers that really matter. They can help you understand the impact of a changed driver and test revisions to strategy via scenario testing. This means you can spotlight operational improvements, run ‘what if’ scenarios, test and refine strategies and make better decisions faster.”

Gregg Sutherland, Global Leader, Strategy Consulting, EY

Having this kind of insight moves you from a position where decision-making is difficult, time consuming and inconsistent to one where analysis is standard, repeatable and integrated across your business. And by streamlining decision support you can improve your company’s agility and ability to thrive in an environment of constant change.

Maturity path for performance management

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<tr>
<th>Value-added</th>
<th>Level one: Ad hoc</th>
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<tbody>
<tr>
<td>• Planning is rudimentary; reporting is limited to external financial standards</td>
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<td>• Planning calendar and templates change frequently</td>
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<td>• Management reporting is inconsistent over time and across the organization</td>
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<td>• Tasks are highly manual with low repeatability</td>
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<td>• Decision support is not a priority</td>
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<td>• Reporting and planning take place within G/L and spreadsheets</td>
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<th>Level two: Business intelligence</th>
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<td>• Planning and reporting are automated, but analysis is labor-intensive, highly variable and overly detailed</td>
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<td>• Demands for decision support are addressed by brute force</td>
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<td>• Spreadsheets are stand-alone with centralized consolidation</td>
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<th>Level three: Integrated decision support</th>
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<tr>
<td>• Strategy, planning, investments and management reporting are integrated</td>
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<td>• Rolling forecast shows continuous improvement</td>
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<tr>
<td>• Planning and management reporting shift to a driver-based approach with less detail</td>
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<tr>
<td>• Analysis is standardized across drivers and dimensions</td>
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<td>• Decision support becomes an integrated part of planning and management reporting</td>
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<td>• Purpose-built, multidimensional tools automate entire process and data management</td>
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<td>• Analysis is driver-based and root cause</td>
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Business alignment

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What's next?

Define your drivers
We can help you implement driver-based decision-making at any, or every, level in your business, from strategy to corporate, from business unit to brand. We hit the ground running with a library of consumer products driver maps we can test and customize depending on which drivers are most significant for your business.

Determine your dimensions
Our quick and efficient methodology can work on a modular basis — producing a desktop trial for different dimensions of a driver, be it a product, channel or market. For those projects that touch different parts of your business, the implementation of driver analytics will forge links across functions and markets, promote greater transparency and help to unite your decision-making.

Refine your processes
We will work closely with you to re-tool the decision-making processes to be more driver-based so that everything from your strategic long-range plan through to capital allocation, production planning and management reporting is built on driver analytics.

Focus on change management
A focused change management effort is essential if you are to embed driver-based decision-making successfully in your organization. Communicating the vision, establishing the case for change, gaining and maintaining stakeholder alignment and managing the change process via ongoing communication and training are key elements in supporting an organization-wide change to decision-making processes.

Deliver the insight to change your business
Driver analytics help you understand what drives value in your business, test the impact of different “what if” scenarios and build the decision-making flexibility and organizational agility that help companies succeed in today’s brand new order.

“No matter what the technology or scope, a feature of how we work is that we focus up front on your priority areas to build support and momentum.”

Andrew Tivey, EMEIA Driver Analytics Service Offering Leader, EY
Why EY?

While the principle behind driver analytics is simple, the reality is quite robust, requiring a high level of data integration across many different parts of your business. We understand the results you’re driving for and we work with you to get there.

We have a library of drivers for every consumer products subsector and a proven track record of linking drivers with clients’ planning, management reporting and decision-making processes and tools.

Our unique market-tested methodology helps deliver rapid and efficient progress and can be tailored to work with any tool, including SAP, Oracle, Cognos or Excel.

By drawing on our insight from previous successful projects, we can help you break down the barriers to faster and more effective decision-making for maximum, sustained business impact.

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How EY’s Global Consumer Products Center can help your business
Consumer products companies are operating in a brand new order, a challenging environment of spiraling complexity and unprecedented change. Demand is shifting to rapid-growth markets, costs are rising, consumer behavior and expectations are evolving, and stakeholders are becoming more demanding. To succeed, companies now need to be leaner and more agile, with a relentless focus on execution. Our Global Consumer Products Center enables our worldwide network of more than 18,000 sector-focused assurance, tax, transaction and advisory professionals to share powerful insights and deep sector knowledge with businesses like yours. This intelligence, combined with our technical experience, can assist you in making more informed strategic choices and help you execute better and faster.

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EYG no. EN0533
CSG/GSC2013/1115394
ED 0414

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