

Cool Vendors in Consumer Goods, 2008

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There is nothing more simple and yet more elusive than having the right product and having it available for consumers to purchase. With overseas manufacturing and complex distribution channels, consumer goods manufacturers must get back to the basics. Here, we focus on "cool" solutions that get the right product on the shelf and keep it there.

Key Findings

- Specific solutions are now available to enable the product development cycle in the fashion industry within a broader context from sourcing to sale.
- Supply chain has been a never-ending focus for decades. Capabilities have improved across many dimensions, but having more real-time visibility to take corrective actions is one of the last mountains to be climbed.
- Winning the battle at the shelf has new allies, with more visibility into actual shelf conditions and better ability to engage in the in-store merchandising activities that will have the most impact.

Recommendations

- Consider whether spending more money on trade programs each year is the best use of resources, or whether focusing on in-store execution is a new and better approach.
- Acknowledge that technology is a critical element to enabling new product development and in-store execution.
- Establish an emerging technology workgroup to identify game-changing capabilities that will address critical strategic requirements such as product development and retail execution.

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ANALYSIS

This research does not constitute an exhaustive list of vendors in any given technology area, but rather is designed to highlight interesting, new and innovative vendors, products and services. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

1.0 What You Need to Know

Manufacturing companies are under tremendous competitive pressure that ranges from low-cost imports to regulatory compliance. Competitive advantage is transient, and manufacturers are constantly looking for ways to improve performance, be more effective or bring the next cool product to market. Traditional enterprise system vendors help in the day-to-day operation of the business, but rarely are on the cutting edge when it comes to innovative breakthroughs. Instead, manufacturers turn to small, innovative vendors that can provide the differentiating product or process technology to gain at least a short-term advantage. Encouraging adoption of these solutions on the shop floor will require manufacturers to recognize the potential, and in many cases, it will require effort to be invested in selling the concepts to the appropriate retailers.

Axind, Gurgaon, India (www.axind.com)

Analysis by Peter Bambridge

Why Cool: Axind is a software and services vendor with a flexible Web application framework focused to meet the needs of the fashion industry through a product suite called ChainReaction. What makes Axind unique is its ability to configure the flexible framework to meet the workflow-driven business processes that are specific to the needs of fashion customers. The suite of products (ChainReaction, Source, Make and Sell) are seamlessly integrated to cover all the major business processes from concept to sale. For example, in the product life cycle management (PLM) area, Axind exploits the workflow capabilities and strong collaboration features to model product development critical paths — not only to manage activities and tasks both internally and externally, but also to provide an effective decision support tool to model what-if scenarios and address the challenges as business changes impact the critical path. Examples of the built-in industry-specific capabilities include the underlying comprehensive fashion data schema, management of the complexities of product style/color/size, detailed product bill of materials and material requirements planning, sample management, integrated visuals/image management, and e-mail distributed smart forms to enable direct data capture for processes such as "request for quotation" and "compliance." The unified architecture, built on Microsoft .NET, provides a familiar Windows-like interface over the Web, and the configurable application framework also enables simplified upgrades. Typical implementations are swift, with an emphasis on mapping the applications to existing systems using XML tools, as well as configuring the business processes, models and forms to meet specific customer requirements. The solutions are offered in a traditional licensed model or through software as a service (SaaS); this dual approach is scalable and designed to enable adoption by large numbers of companies with small user communities, as well as by larger enterprises.

Challenges: Axind will need to stay focused on its fashion solution area while it balances the rate of business growth with resource growth. As Axind moves up scale in its target customers, it will need to learn to compete with both established niche solution vendors and larger enterprise solution vendors. Geographic coverage will also be a challenge, because it will require a network of partners acting as sales agents and also implementation partners globally that have local expertise. Their ability to support a growing range of languages, including double-byte support, will help to accelerate international adoption.

Who Should Care: Business and IT management in manufacturers looking to change the way their business is managed to become more workflow-driven should consider Axind and its Source, Make and Sell solutions for critical business processes.

Other solution vendors in the apparel sector should assess if this sort of workflow-driven business process approach could benefit their customer base, and whether partnering with Axind would deliver mutual commercial benefit.

Recommended Reading:

"Market for PLM in the Apparel, Footwear and Accessories Industry"

"Critical Requirements for PLM in Apparel Footwear and Accessories"

"Fast Fashion Demands PLM"

Goliath Solutions, Deerfield, Illinois, USA (www.goliathsolutions.com)

Analysis by Peter Bambridge

Why Cool: Goliath Solutions provides unique, empirically based performance data to retailers and consumer packaged goods (CPG) companies that help them maximize the sales and profitability of their promotional merchandising programs in grocery, drug and convenience retail. By providing real-time visibility of in-store promotional displays across all stores, the sales impact can be assessed. Head office buyers and merchandisers can work with store management and field personnel to react by putting up/taking down displays during a promotion while sales can still be impacted in response to store-specific alerts. Replacing limited, out-of-date projections from manually intensive in-store audits with extensive real-time data enables users to have visibility through secure access to authorized campaign data. The data is collected from credit-card-size battery-powered long-range radio frequency identification (RFID) tags embedded between the layers of the display materials. In-store tag readers identify the displays by reading the tags and feeding the data through store communications hubs, feeding a central database. The central database then provides a rich source of analytics, as well as triggering the alerts where attention is required in the store. The RFID tags can be embedded in a wide variety of displays, ranging from freestanding floor displays, to countertop units, trays, pallets and signs. A single RFID reader can cover an area of 15,000 square feet of shop floor, at read distances of more than 30 meters (100 feet). Small stores may only need one RFID reader installed in the ceiling of the sales floor; larger stores will require multiple readers to cover the whole sales floor area. Goliath Solutions is unique in using this type of RFID technology to address the critical business pain point of in-store promotion performance optimization. Goliath Solutions has assembled the technology infrastructure to provide promotion performance to both retailers and manufacturers as an information service that is paid for as it is used. This low-cost approach is anticipated to facilitate swift rollout across retail chains.

Challenges: Installing the hidden ceiling-based tag reader infrastructure in stores has been greatly simplified through Goliath's patented process and technology, but a careful balance will have to be struck between growth rate and funding as large-scale rollouts take place within and across chains. Moving from 1,000 store installations to many thousands this year will require careful management as the solution scales, but will significantly increase the interest levels from leading consumer goods manufacturers. Goliath's business model is to carry the installation cost of the system and then charge all users for use of the system on an ongoing basis. Experience to date has shown that the benefits to both the retailers and the manufacturers are significant and more than justify the effort and expense of the installation process. Goliath Solutions will have to invest significant effort in "selling" the solution to the target retailers to ensure these potential benefits are understood.

Who Should Care: All manufacturers should be interested in measuring the effectiveness of in-store advertising — they currently invest approximately \$20 billion in the U.S. every year for creating, producing, and distributing promotional displays and signage, with very little visibility into their use. According to the trade association Point of Purchase Advertising International (POPAI), approximately half of all promotional materials delivered by manufacturers to retailers never get put on display. Apart from wasting a great deal of money, time and effort, this also distorts the performance, which is then used to plan later promotions. Early-adopter retailers and manufacturers have found that reacting on a timely basis to store-level opportunities and accurately assessing overall program effectiveness can significantly boost sales and profitability for both parties; this is helping to drive adoption. This also enables past contention about effectiveness versus deployment of specific promotion programs to be transformed into joint goals for manufacturers and retailers. More importantly, both can — for the first time — measure progress toward those goals. What gets measured gets improved.

Recommended Reading:

"EPCIS Enables RFID Value Realization"

"Key Issues and Research Agenda for Consumer Goods, 1H08"

Right90, Foster City, California, USA (www.right90.com/index.php)

Analysis by Dan Miklovic

Why Cool: Right90 supplies a collaborative platform with a SaaS delivery model, which enables consumer goods manufacturers that sell through a combination of channels to more accurately forecast sales and manage their responses to demand more effectively. By providing a platform that enables a consumer goods manufacturer to have real-time visibility into forecast sales and make corrective pricing actions, they can manage around revenue shortfalls. In almost any consumer goods company, demand is closely tied to price, particularly in product categories where new model introduction occurs regularly. An example from consumer electronics illustrates this best: If a product is priced at X and a next-generation product enters the market at X+, demand will fall based on consumer willingness to pay the premium for new features, functionality or the cachet of "new." This will soften demand for the original product. Until now, that softening demand was generally not visible until after a period close. With the Right90 solution, manufacturers gain real-time visibility as channel partners (including direct sales activities) update their sales forecasts. Not only the change in volume but also the reason for the changing forecast is available. In the example, the reasons most channels would likely cite would be "competition from Vendor Y driving demand down." By setting alerts to falling demand sales, marketing and product management can know when volumes fall below forecasts and understand why. The manufacturer can then make a pricing decision and immediately communicate it to the field and get near-real-time feedback (typically within 24 to 48 hours) of new volume forecasts. Because most consumers will pay only a small incremental price penalty to have the new product, volumes of the older product can be supported, clearing inventory and frequently allowing revenue retention. Alternately, if production is limited and demand exceeds supply, the impact of a price increase can also be seen to balance demand with volume, as well as maximize profitability. The coolest aspect of the Right90 solution is not just the timeliness of the information but the collaborative nature of the solution, so that management sees in real time the reasons for variations and gets feedback on the results of their corrective actions.

Challenges: Right90 today has been most successful in consumer electronics, predominantly upstream producers in high tech, although it has customers in other areas like medical devices. It will need to stay focused on this solution area while it balances the rate of business growth with resource growth as it tries to penetrate adjacent sectors, including consumer end products. As Right90 moves into these adjacent sectors, it will need to learn to compete with both established

legacy in-house solutions and larger enterprise solution vendors. Its biggest challenge will be the dominance of these legacy in-house solutions, mostly built with spreadsheets. Cultural change and reliance on a solution that is only available as SaaS but yet must be tightly integrated with other sales force automation tools could be a difficult sell. It has demonstrated the ability to integrate with salesforce.com and soon will release integration with Oracle, and it will need to grow to include SAP and Microsoft CRM integrations. Geographic coverage will also be a challenge because it will require a network of partners acting as sales agents and also implementation resources to expand significantly beyond its footprint today (U.S., U.K. and Taiwan, although it has users in more than 20 countries).

Who Should Care: Business and IT management should investigate this technology for manufacturers looking to change the way their businesses are managed, to become more real time in their reaction to demand fluctuation. Any manufacturer that is looking for a collaborative sales volume forecasting platform that can change the business from being reactive to proactive is also a candidate. While it could also be used in a retail setting, the reality is that it is best suited for the manufacturer looking to optimize pricing versus volume across a more complex distribution chain.

Recommended Reading:

"Sales Performance Management: How It Relates to and Differs From CPM"

"Sales and Operation Planning Demand IT, Organizational and Process Alignment"

RW3, Alamo, California, USA (www.rw3.com)

Analysis by Dale Hagemeyer

Why Cool: RW3 is a longtime player in the retail execution and monitoring space. It has recently upped the stakes though by porting direct point of sale (POS) data to its solutions. By doing so, RW3 enables the retail organization to act on yesterday's POS data and do so today. Therefore, the opportunities — such as product out-of-stocks, approved items not in distribution or pricing discrepancies — can be seized more quickly. RW3 processes the POS data itself in order to not rely on a third party. As quickly as the retailer makes the data available, RW3 can normalize and have it flowing through handhelds or other devices. This is consistent with a vision that Gartner outlined more than a year ago in its Generations Model for CRM Sales Solutions. RW3 is the only vendor that we know of that has the direct POS data made available to the field sales force in the same solution as its retail activities. The return on investment is substantial because of a manufacturer's increased ability to address issues and opportunities in retail stores much more rapidly. It allows the field force to literally determine which stores to visit and what activities to conduct based on the greatest needs and return on efforts. Subsequent pulls of POS data can be used to validate whether the appropriate action has been taken at the store level. Conversely, it keeps field personnel from traveling to retail stores when there is no need to do so. The RW3 solution is completely hosted and also offers analytical and reporting services.

Challenges: Manufacturers often chase a single initiative at a given time, and many are currently focused on trade promotion management. What they need to realize is that monitoring the promotions and other in-store activities in more real time will greatly increase promotional execution. Manufacturers need to see retail execution and monitoring as adjuncts to trade promotion management. This does not present a large challenge to RW3 because it has a substantial installed base to which to offer the POS-enhanced solution. It does, however, find this solution bounded by the availability of direct POS data from retailers, a practice that is widespread in the U.S., somewhat supported in Europe and Australia, but not practiced (and in many cases not possible) in Latin America or Asia.

Who Should Care: All manufacturers interested in increasing the effectiveness of the in-store activities of their field forces should be very interested. Given that retail sales representatives and merchandisers spend 40% to 60% of their time traveling from store to store and also have no way of knowing which stores are in need of attention, it is safe to assume that they could double their productivity by focusing on the right activities in the stores where their efforts will yield the greatest returns — and by skipping the stores where nothing may be required. Hence, any consumer goods manufacturers that want to improve execution while reducing overhead should care very much.

Recommended Reading:

"Consumer Goods CRM Sales Applications: A Generations Model"

"Next-Generation Retail Execution and Monitoring Solutions for Consumer Goods"

Store Eyes, Allentown, Pennsylvania, USA (www.storeeyes.com)

Analysis by Dale Hagemeyer

Why Cool: Store Eyes is cool because it is tantamount to having constant visibility to the actual store shelf. This isn't data; it is an actual digital impression. A bit more explanation of the market will help to underscore this. Consumer goods spend a disproportionate amount of their advertising and merchandising funds on in-store promotions. Once the promotions are purchased, they must be monitored, which is expensive, and there are often data latency issues. Retailers tend to dispute the data even when it is their own. The market is rushing toward digital media delivery vehicles in store, and yet the basic requirements of knowing what is happening on the shelf are still a bit fuzzy. In other words, what is the point of having a device on a shopping cart that is designed to encourage impulse shoppers to buy a product (using a coupon or some messaging) if the shelf is empty, the promotion hasn't been set up or the pricing isn't right? Therefore, technology is required to capture actual in-store conditions (think digital view in full color) and quickly make them available. Store Eyes is offered as a syndicated source. It provides not only the pictures but also key metrics such as census-level share of display, weekly views of shelf planogram execution and a "single view of the truth" for merchandising compliance.

Store Eyes uses a cool cartlike mobile capture unit that reads the store shelves and uses video stitching technology, data storage capabilities and profiled alert reporting with a 24-hour turnaround to provide the virtual view of store conditions in near real time. The patent-pending collection technology is cool, but it also dovetails well with in-store activities to create task lists, monitor progress against initiatives and report to the head office.

Challenges: Perhaps the biggest challenge is to get consumer goods manufacturers to focus more resources and attention on the store shelf and less on giving money to retailers with hope that merchandising activities will take place. Because manufacturers don't have to purchase the technology, just subscribe to the service, they can focus on process change management and the best utilization of the insights.

Who Should Care: Managers of sales and marketing, sales operations, and the IT managers who support them should all be interested — essentially anyone who wants to improve retail execution while reducing the cost of physically having people go from store to store to conduct retail audits.

Recommended Reading:

"Use the CRM Competitive Advantage Model to Strengthen Your Position in the Consumer Goods Industry"

"Manufacturer/Retailer Beliefs About Analytical Capabilities Underscore Need for Increased Dialogue"

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