From Good to Great: Overcoming the Data Challenge in Revenue Management

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Executive Summary

A transformation is needed in retail and consumer goods revenue management. Despite the potential to unlock hundreds of millions of dollars of value, commercial teams are held back, spending too much time collecting and preparing data and not enough time on revenue and margin-generating insights.

To accelerate performance and deliver new value streams in the post-pandemic world, revenue management teams need a scalable data foundation. That foundation must combine granular internal and external data sets and enable rapid analysis and targeted, timely insights.

Building such a foundation is not a small exercise. Learning from other industries and partnering with experts is the key to success. Teradata has decades of experience helping leading global companies achieve transformations through data and analytics with a focus on the fundamentals. Teradata's technology and consulting experience can enable retail and consumer goods revenue management teams to accelerate value delivery and realize their full potential.

"A modern-era revenue management capability can generate benefits equal to 3 to 5% of gross profit, while creating value for retailers and consumers."

– **Source: Deloitte "Magnifying Revenue Growth Management"**

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Data Complexity Hampers Effective Execution

Revenue management executed effectively and at scale can deliver hundreds of millions of dollars to the bottom line of the largest retailers and Consumer Packaged Goods (CPG) companies.

But getting it right is a complex task. Revenue management (RM) combines pricing, promotions, range management, and trade investment capabilities. It brings together teams from commercial, finance, and marketing. Critically, the data needed to support these teams and capabilities comes from diverse sources in different formats. To generate the most timely, actionable insights requires this wide variety of internal and external data to be merged, organized and made available to hundreds of people in a digestible format.

Despite a big acceleration in digitization over the last decade, revenue management is being left behind. Whilst marketing builds customer data platforms and operations talks about manufacturing 4.0 capabilities, RM leaders say their efforts to generate impactful insights are being hampered by manual data collection, and basic challenges matching internal and external data. Eighty percent of the effort is spent collecting and interpreting RM data, only twenty percent on actual insights and decision–making to improve business performance.

"It's great to dream about a future of AI and ML in revenue management," said one European CPG RM leader, "but in reality, we lack a core of harmonized sales, product, and finance data that links up to our retail customer data. We still have a long way to go."

Start with the End in Mind: An Insights Foundation for Speed, Granularity and Agility

If the challenge wasn't already tough enough, the COVID-19 crisis is piling even more pressure on RM teams to move away from manual processes. Whatever "new normal" emerges from the pandemic, observers agree

Combining Data Silos and Gaining New Insights

A global logistics provider struggled to understand the true cost to serve and the profitability of its customers, routes, and products. After integrating a core set of internal data across millions of logistics touchpoints, tens of thousands of vehicles, and thousands of customers in more than 200 countries at the most granular level, the company now boasts of having a surgical approach to managing revenues and profitability. The business need for integrating SAP and non–SAP data, merging finance and operations data, and building a granular, drill anywhere capability closely matches the needs of the Revenue Management team.

Before

Siloed Insights   Siloed Insights   Siloed Insights

CUSTOMER BILLING | SUPPLY CHAIN MANAGEMENT | FINANCE CONTROLLING

Separate systems for customer, supply, and finance created a narrow view of business performance based on pre-set, inflexible, and aggregated reporting

After

New Insights

CUSTOMER BILLING | SUPPLY CHAIN MANAGEMENT | FINANCE CONTROLLING

An integrated granular data foundation built from the most detailed, up to date data enabled new "surgical" insights around costs, profitability and service by customer, route, and product

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that the commercial future will only be more volatile:

- Shopper behavior will fragment and become more dynamic.
- Retailers will accelerate the evolution of their business models to meet shopper needs.
- Nimble start-ups will continue to eat away at the core business and capture new growth segments.
- The need for rapid and targeted insights to defend and grow market share will increase.

A U.S. revenue management leader commenting on the post-pandemic challenge observed, "Speed, granularity, and agility are table stakes…the days of averages are gone."

To meet this challenge head–on retailers and CPGs need to rethink the foundations of revenue management and move beyond siloed approaches of the past. A key issue is existing point solutions that provide narrow, inflexible insights into pricing or trade promotions. These narrow applications create a heavy burden of manual workloads, requiring data to be extracted from one system and combined with another for richer insights. (Fig 1.1) A different approach is needed.

The next stage in the evolution of revenue management must be the development of a revenue management foundation, a granular up–to–date and widely accessible foundation for all relevant RM data. (Fig 1.2) It must balance the need for a stable base of customer, product and market activity whilst allowing the rapid development of new insights as new information becomes available and new ideas are generated.

The revenue management foundation will seamlessly integrate finance, sales, customer, and POS data, dramatically cutting data prep time, allowing analysts to focus on value-added work. Granular, aligned data will enable analysts to drill up or drill down through customer and brand/product hierarchies. Precise assessment of the impact of price, range and promo changes on revenues and margins across customer, product, channel, and geo dimensions will be possible. Near real-time insights will be available when needed.

Current state RM data flows are costly, time consuming, slow insights and reduce agility
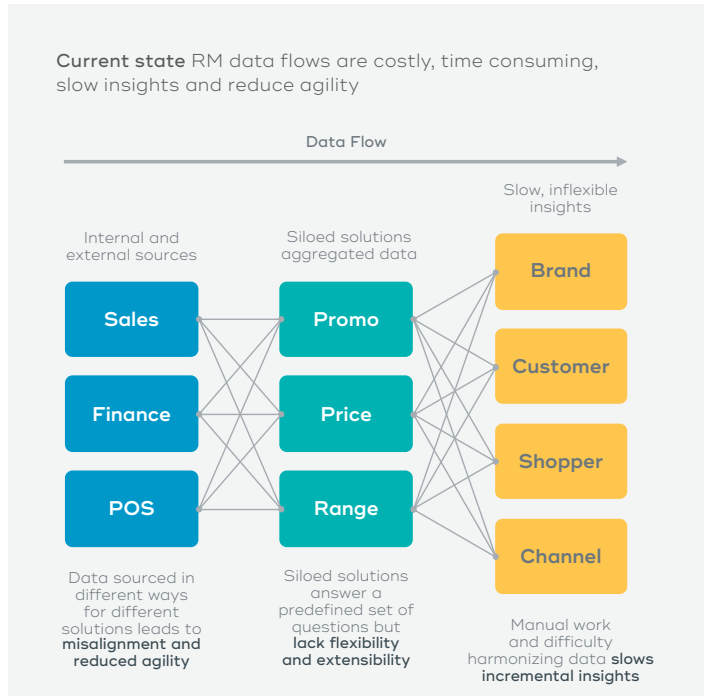
Figure 1.1: A different approach is needed

Future ready RM foundation provides agile and granular insights for evolving business needs
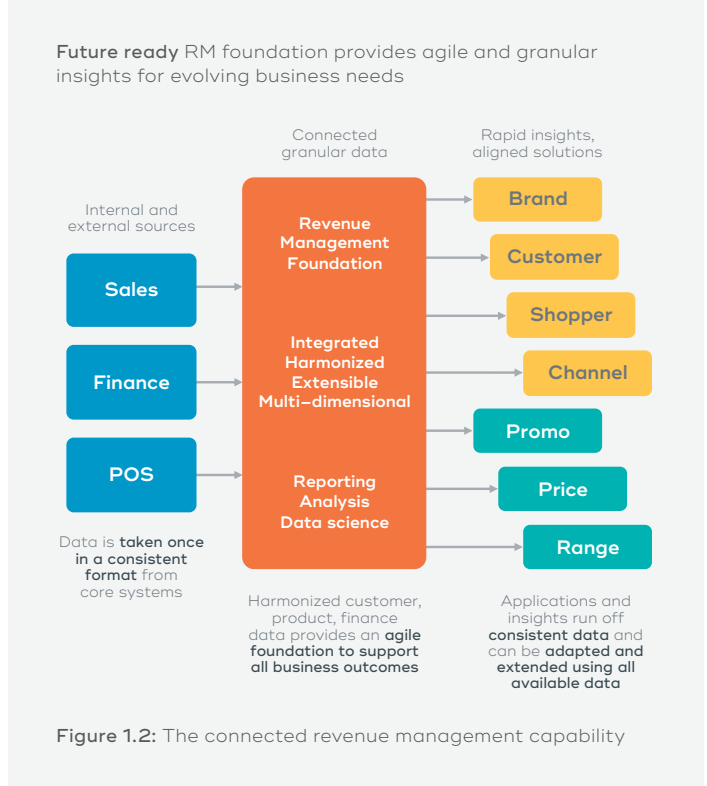
Figure 1.2: The connected revenue management capability

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Whilst the headlines are all about the promise of AI and ML, predictions, and automation, what revenue management teams are really crying out for is access to clean, interoperable, harmonized, up–to–date and usable data. After decades of investments in ERP systems and retail collaboration, it seems the basic capability to power revenue management at scale simply isn't in place at even the biggest, most well–resourced companies.

First Things First: Do the Basics and Learn From Other Industries

Building an agile foundation that takes data from any source and provides it to any user is a complex challenge, and despite what some might say, there are no quick fixes. If you think you can fast track your way via an AI-driven crowd-sourced data lake on the cloud, good luck with that.

But it's not all bad news. The data needs of revenue management fit a pattern of data-driven capability building that is well established over decades across other data–driven businesses.

Banks, retailers, and telcos have all faced similar challenges harmonizing and leveraging internal and external customer, product, marketing, and pricing data to build competitive advantage. Lessons have been learned, accelerators established, and pitfalls identified. Whilst business outcomes and user needs differ across industries, there are consistent requirements for a data foundation.

Think Win-Win: Focus on Business Outcomes and Partner with Experts

Addressing business requirements for a revenue management foundation is not a trivial task. Working with a partner that has experience in all aspects of establishing a data foundation at enterprise scale will dramatically accelerate your revenue management capability.

For more than 40 years, Teradata has helped the world's biggest retailers, telcos, banks, CPGs, and others address their complex data challenges at scale.

Whilst other companies talk about data clouds, AI, and machine learning quick fixes, Teradata knows that great
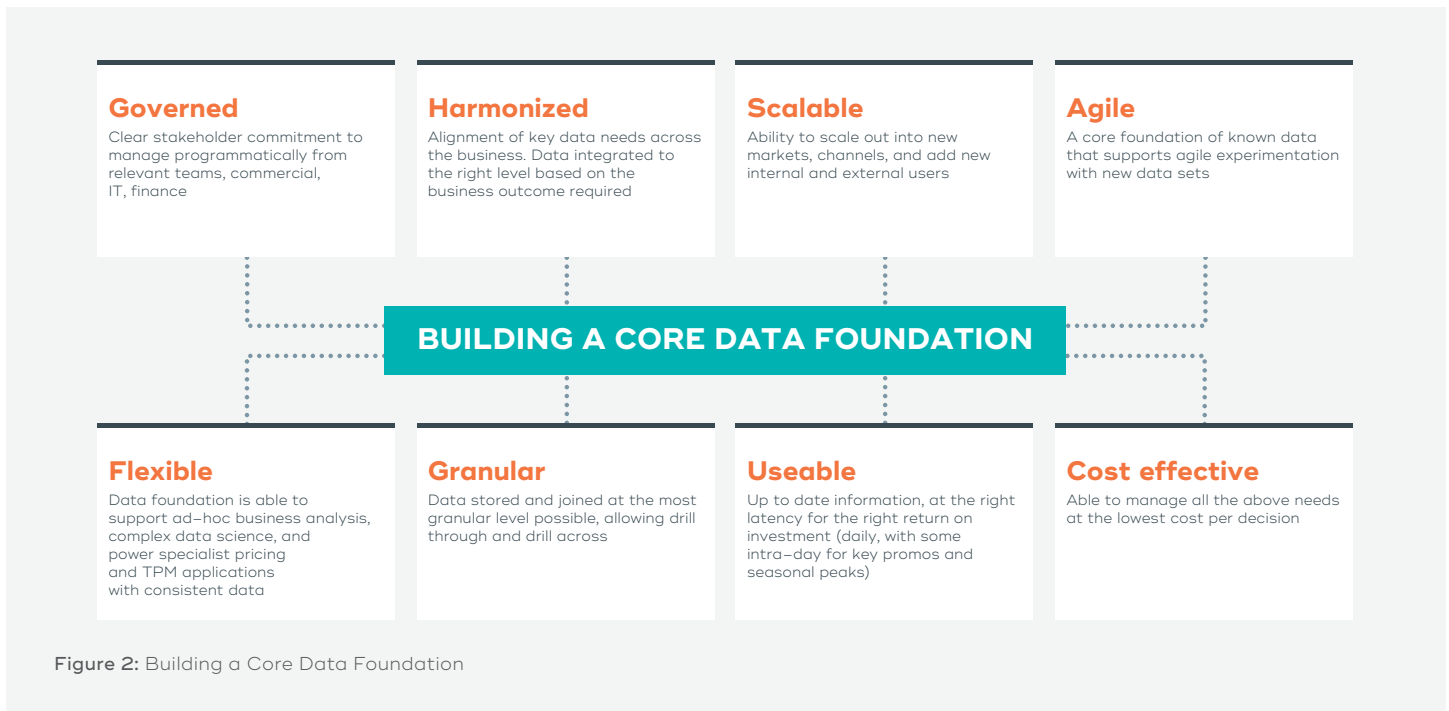
Governed
Clear stakeholder commitment to manage programmatically from relevant teams, commercial, IT, finance

Harmonized
Alignment of key data needs across the business. Data integrated to the right level based on the business outcome required

Scalable
Ability to scale out into new markets, channels, and add new internal and external users

Agile
A core foundation of known data that supports agile experimentation with new data sets

BUILDING A CORE DATA FOUNDATION

Flexible
Data foundation is able to support ad–hoc business analysis, complex data science, and power specialist pricing and TPM applications with consistent data

Granular
Data stored and joined at the most granular level possible, allowing drill through and drill across

Useable
Up to date information, at the right latency for the right return on investment (daily, with some intra–day for key promos and seasonal peaks)

Cost effective
Able to manage all the above needs at the lowest cost per decision

Figure 2: Building a Core Data Foundation

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business insights and outcomes are built from good data that is well organized and accessible to users, analysts, and analytic tools. Once the data is in place and aligned to business needs, then value, advanced insights, and agility quickly follow.

Teradata offers the most performant technology to integrate, organize, and access key data. Under the hood, sophisticated software enables access and integration of any data in any timeframe. Simple reporting of aligned metrics, exception alerts, and data science predictions are all supported against the same consistent data foundation, reducing duplication and misalignment across teams and functions.

Ask Any Question Across Any Data

Teradata enabled business users at a global shipping company to bring together all key enterprise data. Users could ask questions and run predictions against more than 100 dimensions, such as location, product, customer, channel, revenue, margin, and cost, all from a single consistent data set.

Since its early days supporting companies like WalMart and WellsFargo, Teradata has placed a sole focus on data integration, insights, and analytics to generate business value. Addressing data challenges like those faced by consumer goods revenue management teams is something Teradata does every day. We are confident you can use our knowledge and expertise to accelerate your business outcomes.

If you are interested in learning more, we would be delighted to set up an introductory meeting to explain how we can support your revenue management programme.

Insights at the Speed of Business, Adaptable for Future Needs

A North American beverage manufacturer wanted to combine core enterprise data with external retailer and panel data for commercial insights. Pre-built data integration accelerators were used to establish a useable internal data set. Then external data was integrated and the commercial team was given a flexible tool to define customer and channel hierarchies that could be easily adapted in response to market changes.

The same data foundation provided top-to-bottom insights, from store-level insights to aggregated customer, channel, and category level analysis. The same data fed simple KPI tools, self-service insights, and complex data science models.

About Teradata

Teradata is the connected multi-cloud data platform company. Our enterprise analytics solve business challenges from start to scale. Only Teradata gives you the flexibility to handle the massive and mixed data workloads of the future, today. The Teradata Vantage architecture is cloud native, delivered as-a-service, and built on an open ecosystem. These design features make Vantage the ideal platform to optimize price performance in a multi-cloud environment. Learn more at **Teradata.com**.

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