



Boosting your bottom line: A modern blueprint for Revenue Growth Management

Defining a modernized approach for Consumer
Packaged Goods companies



Executive summary

Revenue Growth Management (RGM) is a strategic business approach that aims to maximize overall revenue performance by analytically optimizing the five RGM levers: **optimal pricing, price pack architecture, assortment mix management, promotions management and trade promotions management.**

In this whitepaper, we explore the growing enthusiasm around RGM practices. Our document distinguishes the differences between traditional and modern RGM methodologies and examines the elements that define a modernized RGM approach. Additionally, we discuss the transformative role of Generative AI (GenAI) and how it can enhance RGM practices by delivering value across different domains and personas. Finally, we emphasize the need for cautious integration of GenAI to drive enhanced revenue growth strategies, with a particular emphasis on Consumer Packaged Goods (CPG) brands.

Levers



Table of contents

Introduction.....	4
Inflationary headwinds: Challenges and trend reversal.....	5
The rapid uptake of RGM	6
Embedded in culture: RGM cutting across functions.....	7
Climbing the RGM maturity ladder through automated capabilities	8
Success stories	9
The emergence of GenAI in RGM	10
A cautious approach to GenAI.....	13
Conclusion.....	14
Why Cognizant?	15
Authors	16
References	17



Introduction

RGM adoption in the CPG industry is still limited, despite the widespread use of AI to drive business growth. The primary challenges observed include, data integrity, change management, rudimentary techniques and limiting the analytics discipline to only **5% to 20%** penetration of its target audience. And industry-specific obstacles, such as evolving consumer expectations, shifting competitor dynamics, supply chain disruptions and retail consolidation are prompting CPG leaders to reevaluate their methodologies for managing top and bottom-line growth while enhancing organizational maturity.

Notwithstanding the limitations, investments in RGM levers are expected to increase as the adoption becomes mainstream in the next two to five years.

A compounding factor to the increased interest among leadership is access to previously unknown consumer insights and expectations. Access to this information has been made possible through the democratization of innovative analytical techniques, access to synthetic data, cross-functional collaboration and automated technologies, such as GenAI.



Inflationary headwinds: Challenges and trend reversal

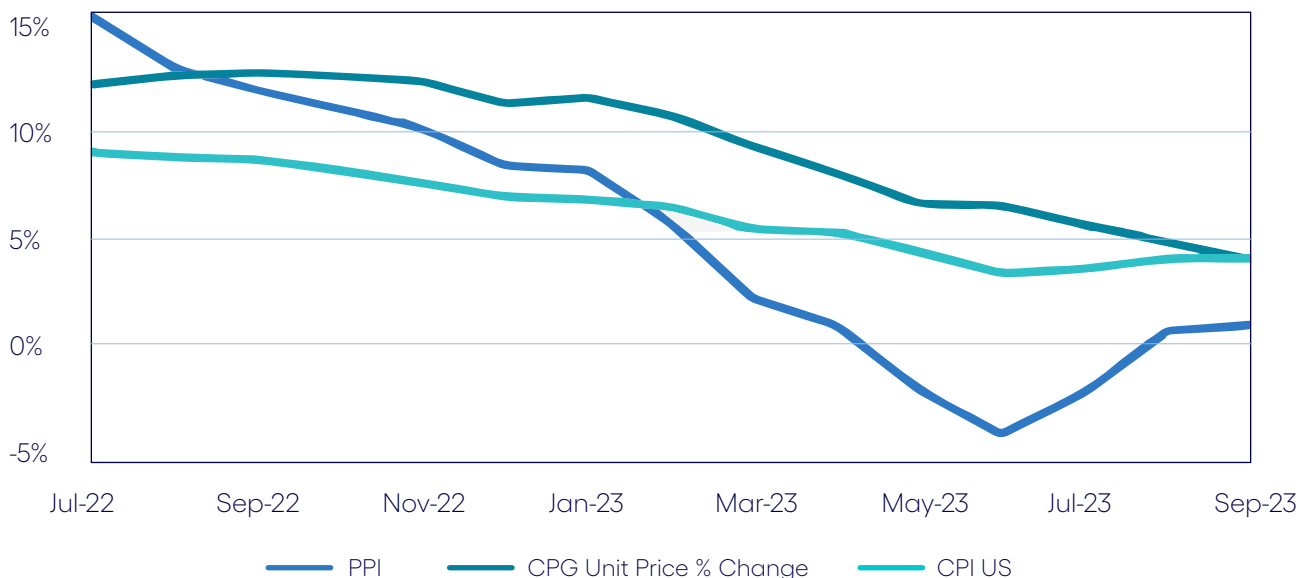
A recent survey by **Gartner** found that 78% of CIOs and technology executives expect to increase investment in BI and data analytics. Their three top priority outcomes from these investments are generating revenue, improving operating margins and excelling in customer experience.

The increased demand for digital investments is driven by the significant global inflation experienced in recent decades. Rising prices impact both consumers and producers, compelling CPG companies to strengthen their strategies to achieve growth targets.

Historically, the percentage change in CPG unit prices has trended below the Producer Price Index (PPI). However, recent data indicates a shift in this pattern. Despite rising product selling prices, producers are experience shrinking profit margins.

According to the **Bureau of Labor Statistics**, CPG companies have experienced an average unit price increase of 8.9% between July 2022 and September 2023. This significant increase is well above the normal 2-3% range. The average United States CPI inflation rate is 5.7%, whereas the PPI for the same period is only 4.9%.

This highlights a clear business challenge: despite consumers paying higher per-unit prices for products, producers are retaining a smaller portion of the increase. This situations arises due to factors such as cost of goods sold, global supply-chain disruptions, record labor shortages and limited capacity. While these challenges initially emerged during the pandemic, they are likely to persist in the long term.



Comparison of PPI, CPI US and CPG unit price change

The rapid uptake of RGM

A focused strategy revolves around creating an ecosystem of informed decision-making by utilizing the pillars of RGM. An effective RGM program uses advanced analytics to identify shopping and consumption patterns to determine the right pack assortment, pricing and promotions for consumers to maximize revenue growth.

Modernizing the RGM approach

While many CPG companies have explored the realm of RGM through various levers such as Optimal Pricing, Price Pack Architecture, Assortment Mix Management, Promotions Management, and Trade Promotions Management, the execution and revenue generation have been inefficient for many brands due to an unstructured and outdated approach.

A traditional RGM approach relies on streamlining the individual performance of the five foundational RGM levers using data, tools and methodologies. Current practices, relying on incomplete historical and internal data, manual analysis lacking perception and isolated operational execution obscure valuable insights related to customer and competitor activities. Consequently, decision-making often relies on assumptions.

To embrace the 'modern RGM' approach, CPG companies must not only excel in the core RGM levers but also prioritize ongoing development in people, processes and technology.

The 'modern RGM' model thrives on the principle of perpetual enhancement of methodologies, maintaining a constant readiness to seize opportunities and implement the five levers collectively, rather than as separate projects.

The following attributes of a 'modern RGM' model facilitates continuous improvement:

- Embedded in culture: RGM cutting across functions
- Climbing the RGM maturity ladder through automated capabilities

04

Optimized

Integrate & Embed
"RGM culture"

03

Effectively managed

Transform digitally
"Performance leadership"

02

Proactive

Create value
"Strategic & precision RGM"

01

Reactive

Drive foundation
"Capability building"

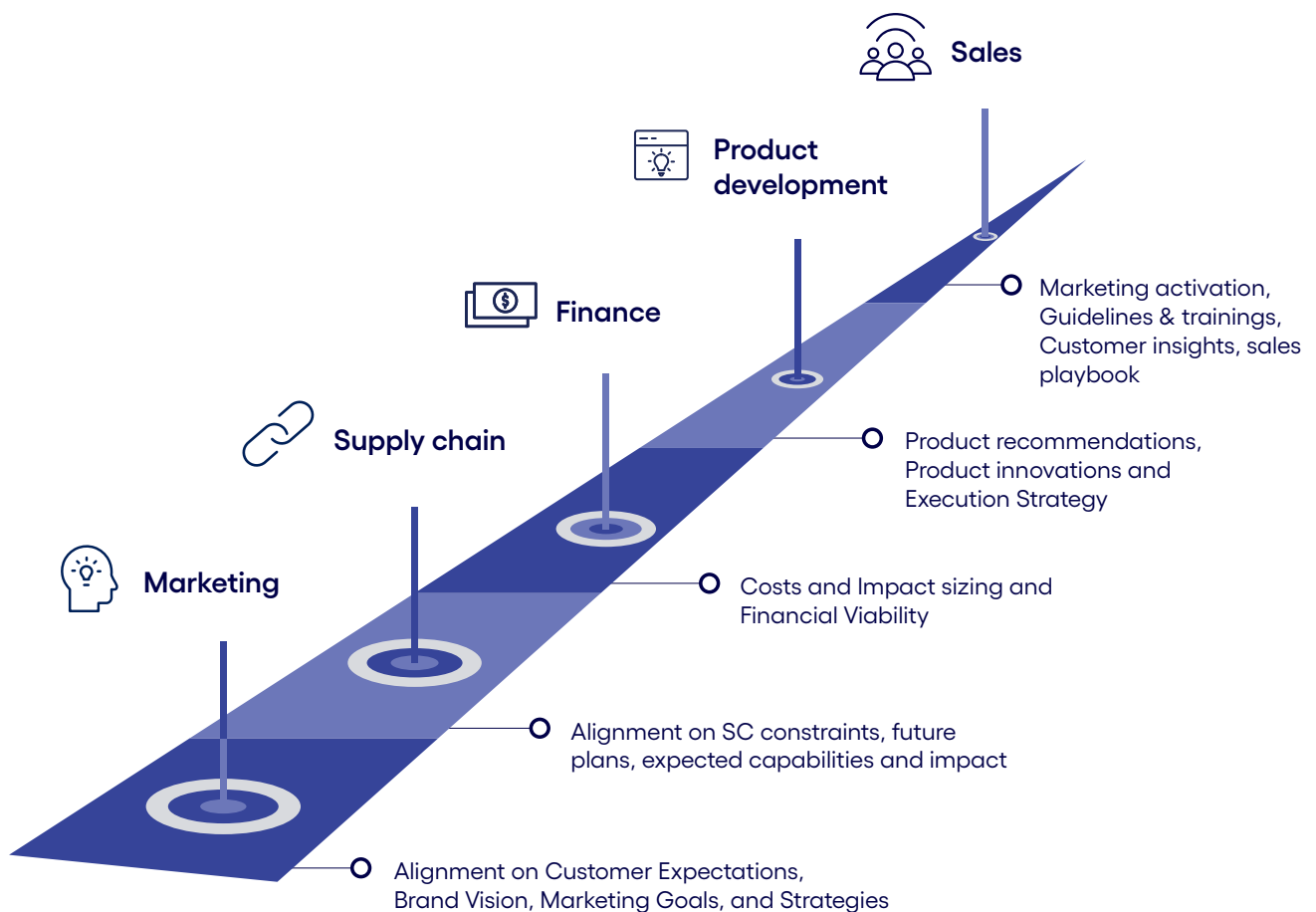


Embedded in culture: RGM cutting across functions

As CPG companies rise the RGM maturity ladder, a culture of collaboration and synchronization within the organization begins to appear, leading to shared sustainable growth. An RGM practice embedded into an organization's culture allows all adjacent stakeholders and departments to have a voice in strategic decision-making. A highly collaborative and cross-functional environment that offers visionary guidance for comprehensive growth management significantly increases the likelihood of capturing and sustaining value from RGM activities.

Cooperation with retailers becomes more vital at a time when CPG companies are spending roughly **a third or more** on revenue on promotions. CPG companies are rapidly bringing retailers within the decision ecosystem by heavily investing in tools, such as Trade Promotion software, that enables visibility into previously unavailable retailers' perspectives of customer engagement.

One way to keep track of the ever-changing nature of the CPG industry is to establish an 'RGM Center of Excellence' (COE), consisting of collaborators from adjacent departments. A COE enables the facilitation of thought leadership, faster innovation and responsiveness to market challenges. A data-focused COE is responsible for mapping customer expectations and competitor landscapes, augmenting methodologies and analytical standards in addition to establishing a vision for growth and an engagement roadmap.



Climbing the RGM maturity ladder through automated capabilities

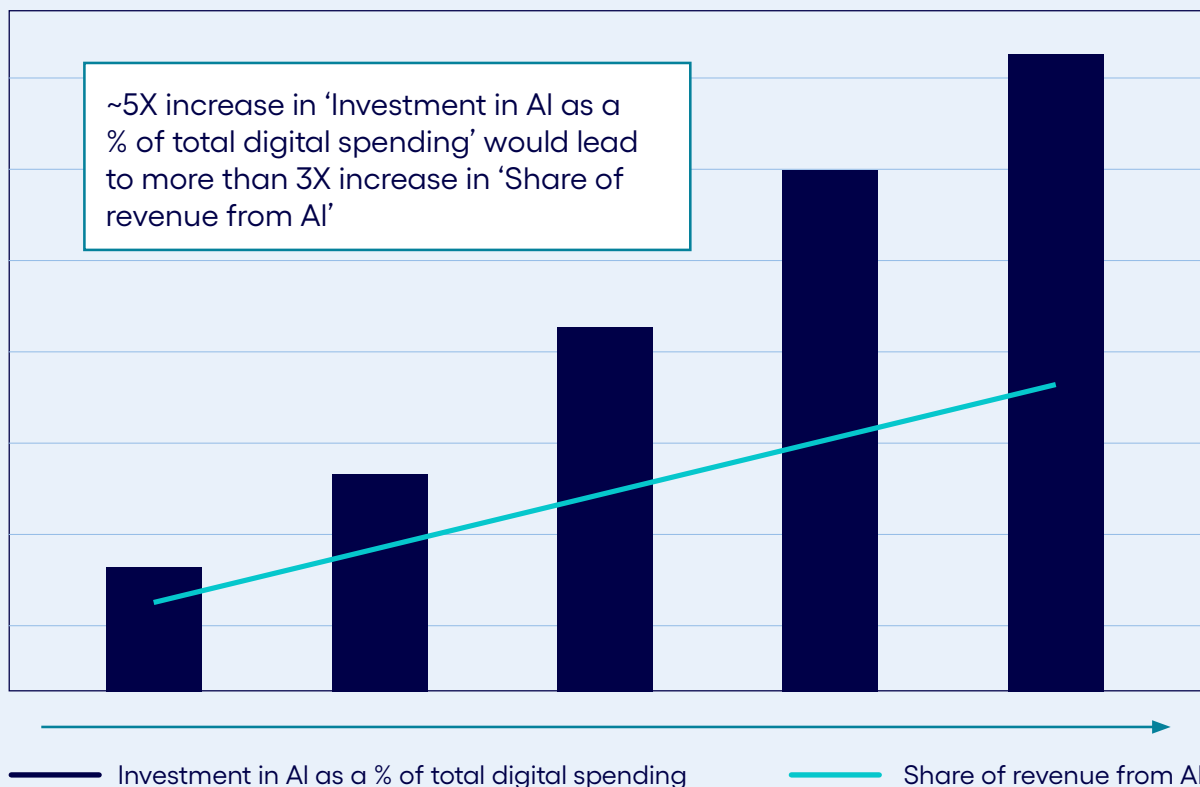
A 'modern RGM' approach, also known as Precision RGM, is powered by advanced analytics tools using Artificial Intelligence (AI) and Machine Learning (ML) for predictive and cognitive analysis. This approach transcends conventional perspectives to unveil a comprehensive view of growth and efficiency.

Through Precision RGM, CPG companies can successfully pinpoint microsegments within their broader customer base. This enables them to provide customized, omnichannel experiences throughout the entire shopping journey. As a result, these companies remain dynamic and agile in their pricing strategies, packaging designs and promotional campaigns.

AI-driven platforms not only enhance top and bottom-line performance through personalized recommendations, but they also establish a closed-loop, data-driven feedback system for post-event analysis. This system informs future predictions, recommendations and simulations.

However, it is important to note that successful implementation of advanced technologies requires significant investment in technology and talent, as well as a strategic approach to data management and analysis. Cognizant has been an advocate for increased investment in AI as a share of total investment in digital transformation. We firmly believe that our clients can achieve non-linear boosts in revenue and significant cost reductions with an increased investment in AI.*

Cognizant closely monitors industry standards and believes that customers who implement a structured RGM strategy can experience an average revenue uplift of 1% to 1.5% in the first year, 1.5% to 2% in the second year and approximately 3% in the third year.



* Studies from other major global companies verify our analysis that AI use cases have the potential to boost revenue by 6% or more, and as investment in AI grows, the impact on revenue grows as well.

Success stories

Client	Description
Global F&B leader	<p>A global F&B leader planned to roll out a Revenue Management System across six regions using advanced analytical models and AI to boost revenues through optimized pricing and product mix strategy.</p> <p>Cognizant successfully completed the engagement resulting in:</p> <ul style="list-style-type: none">• \$2M revenue uplift through ML-based pricing strategy• Enhanced operations for analysts with Customized Revenue Management Apps featuring automated data provisioning• Deployment of 75+ Descriptive Analytics, 'What If' simulators, and visualizations
Consumer products major	<p>A consumer products major aimed to develop a pricing intelligence engine using AI to improve pricing strategy, analyze price impact on margins, and establish an automated price recommendation system with what-if simulation capabilities for pricing and promotions.</p> <p>Cognizant delivered state of the art machine learning algorithms for analyzing the elasticities for 22 SKUs and enabled price recommendation system for data-driven decision around:</p> <ul style="list-style-type: none">• Product Price Elasticity (PPE) to build SKU level price elasticity models• Product Pricing Simulator (PPS) that can enable analysts to record pricing impact• Optimal Pricing Recommendation (OPR) that can suggest optimal weekly price
Leading bottled water division of Global CPG leader	<p>A global CPG leader in the bottled water division needed to develop a RGM strategy to drive overall revenue improvement. This involved creating customized pricing offers tailored to boost both top line and bottom line performance.</p> <p>Cognizant helped to identify the key levers to target the right customer groups by:</p> <ul style="list-style-type: none">• Segmenting customers based on the customers' purchasing patterns• Identifying the best price offers to these customer groups• Benchmarking data to define price optimization dashboards, which were instrumental in providing the final recommendations to the business team <p>The customized pricing offers based on customer segmentation resulted in improved consumption and led to incremental ROI from marketing spends and increased customer loyalty.</p>

The emergence of GenAI in RGM

Based on our experience, the most significant challenges in the field of analytics are achieving high accuracy and keeping up with the rapid deployment of insights. The complex task of managing large quantities of intricate data, which is fundamental to traditional models, compromises the efficiency of decision-making.

With the arrival of GenAI, the noise of the data can be used to organizations' advantage by providing insights to guide overall strategies, limit biases in the data and to improve the performance of RGM activities.

According to a recent **McKinsey study**, it is estimated that GenAI has the potential to add \$310B to the retail and CPG industry by meeting market and customer expectations more efficiently.

This section covers the reasons for the widespread enthusiasm among various personas who seek to streamline end-to-end supply chain capabilities. Additionally, we'll delve into the anticipated benefits of GenAI across various domains within RGM.



Empowering personas: Benefits of GenAI across diverse business roles

Stakeholder	Description
For leadership and internal collaborators	<p>The unprecedented, (yet expected), economic impact of GenAI within organizations has caught the attention of leaders globally. Recent research by social scientists reveals that teams using GPT tools outperformed traditional benchmarks. On average, they completed 12.2% more tasks, reduced completion time by 25.1% and improved quality by a remarkable 40%.</p> <p>GenAI has already become a champion of accessibility by providing actionable insights to decision-makers at all levels. It is quickly accelerating the democratization of digital environments, (including RGM and consumer behavior), beyond the jurisdiction of digital pundits to integrate the entire supply chain through scalable use cases. Leadership can now assess and prioritize initiatives and opportunities within their organizations by identifying which ones support the achievement of their vision. Additionally, they can create strategies and campaigns that provide value and contribute to the growth of key financial metrics.</p>
For data professionals	<p>While it is obvious that GenAI will improve insights, forecasting and enhanced decision-making for all personas, arguably the greatest benefit of GenAI for data professionals is access to unlimited data.</p> <p>Synthetic data refers to artificially generated data points that mimic real-world patterns, industry trends and characteristics in the CPG industry. The value increases multifold in the wake of privacy preservation and scarcity of first-party data due to regulatory actions on using customers' personal information. Augmented GenAI modeling techniques, such as Generative Adversarial Networks (GANs), Autoencoders and Recurrent Neural Networks (RNNs) aid the controlled proliferation of dataset diversity and scale by generating additional synthetic data points.</p> <p>By 2025, it is estimated that the prevalent utilization of synthetic data will reduce the volume of real data needed for ML by 70%. GenAI combined with a vast library of synthetic data will allow data professionals to reduce reliance on extensive real datasets, build more robust foundational models and identify hidden anomalies. This approach leads to significant cost savings in collecting and managing customer data, enhancing scalability within the data science field and improves overall efficiency.</p>
For external stakeholders (retailers, distributors, suppliers)	<p>CPG companies and retailers need to come together and broaden their view in order to evolve from customer support use cases to next-generation GenAI-powered use cases, which command largely untapped shared growth.</p> <p>One of the most sought-after use cases is leveraging GenAI to design playbooks for retailers and distributors that recommend supply chain, SKU-based analytics, inventory and channel best practices. Another use case engages GenAI models to generate a 'digital twin' of a retail environment to optimize and automate planogram development. This is achieved by processing customer shopping behavior and purchasing data to ensure maximum product turnover, which creates an accurate and efficient plan for product placement.</p> <p>These use cases strengthen relationships with external collaborators to accurately forecast demand, optimize inventory, plan trade promotions, reduce stock-out revenue losses and minimize disruption to the supply chain.</p>

Augmenting RGM one domain at a time

Domain	Description
Building a flexible pricing strategy	<p>Given the narrowing profit margins for CPG companies, the ultimate goal is to equitably share rising costs with customers. GenAI enables a deep understanding of 'customers' willingness to pay' by analyzing marketing conditions, competitor pricing data, historical sales and customer preferences. It recommends flexible real-time pricing strategies that maximize revenue while preserving profits.</p> <p>Additionally, self-learning and predictive models can suggest adaptive pricing approaches, explore 'what-if' scenarios and assess the long-term revenue impact of techniques like Everyday Low Price (EDLP), considering dynamic factors such as product cross-elasticity, channels, geography and customer segments.</p>
'Always On' marketing and promotions	<p>As we shift from an era of mass advertisement to hyper-personalization of promotions, the emergence of GenAI could not have come at a better time. It is estimated that by 2025, 30% of outbound marketing messages will be synthetically generated, up from 2% in 2022.</p> <p>Marketers are trying to capture customers in the moment by reaching them with the most relevant service at the right time to provide them with maximum incentives to purchase.</p> <p>GenAI-powered 'Always On', real-time promotions and marketing tools can automate the process of marketing content creation, in addition to identifying targeted microsegments. It can go a step further to compare ongoing and past campaigns to provide the statistical likelihood of succeeding in the market.</p>
Staying relevant through continuous product mix	<p>CPG companies can stay ahead of the competition by identifying the whitespaces in current market offerings, including new product development, product designs, package architecture and personalization of assortment. Using GenAI can help automate parts of this process.</p> <p>By leveraging massive catalogs of product information, GenAI can generate multiple digital product iterations and accelerate speed to market, considering SKU-level whitespaces, competitors' offerings, market demand and geographical preferences, which leads to reduced research and development (R&D) expenses. Furthermore, GenAI can simulate the financial impact of product cannibalism and recommend the most suitable product concept to be developed further.</p> <p>A recent McKinsey & Company study showed that GenAI can enhance productivity gains in product development equivalents by 10-15% of total R&D expenditure. Aligning product assortment with demand creates a sustainable competitive advantage, reducing the need for price markdowns and reliance on push marketing, which allows companies to maintain healthy profit margins.</p>

A cautious approach to GenAI

According to a recent survey by [Gartner](#) 64% of CIOs stated that they have either deployed or intend to deploy GenAI within the next 24 months across various domains. When it comes to implementing GenAI, thoughtful caution and strategic planning are crucial. Leaders aiming for financial and operational gains should approach this process with care, taking into consideration the entire lifecycle.



Data Privacy, Fairness and Equity:

Large Language Models (LLMs) in GenAI may need to train on sensitive and confidential customer information to generate effective RGM outcomes. Consequently, these models are susceptible to various privacy risks and data breaches. Ensuring the secure handling of customer data and other sensitive information through encryption and strict adherence to data usage, privacy and regulatory requirements is crucial.

To prevent biases, avoid hallucination, and to achieve accurate and reliable results, it is important to use high quality and diverse training data.



Responsible AI:

With the rise of disruptive technologies like GenAI, regulators face increasing pressure to maximize potential benefits while also ensuring regulatory compliance. This often leads to prolonged exchanges with regulators, resulting in uncertainty, unstandardized templates, and diverse outcomes. Therefore, RGM should embrace responsible AI as the integration of AI is central to RGM's strategy.



Use Case Adoption:

According to a study conducted in 2023, 80% of respondents lack a strategic roadmap for investment priorities in the implementation of GenAI. Overcoming this hurdle requires establishing a long-term digital vision planned through a set of measurable business goals. These goals will help identify and prioritize GenAI initiatives based on their effective contribution towards achieving the ultimate objectives of top and bottom-line growth.



Investment:

The implementation of GenAI tools can have a substantial impact on financial costs and human capital investment. Developing extensive LLM models is not only expensive, but also demands investment in the development and cultivation of specialized expertise for successful GenAI implementation. Organizations should be prepared to commit to implementation projects that can vary in duration, depending on skill availability and the scope of functionality.

Conclusion

A well-structured RGM model integrates data, processes, and human expertise to provide comprehensive analysis. These insights empower businesses to proactively achieve desired outcomes across various brands. Once a robust RGM strategy is established, leveraging consumer-centric insights and advanced technology can maximize revenue potential for the company and contribute to sustainable profit growth.

The CPG industry is investing in RGM by adopting AI and advanced technologies like GenAI to improve bottom-line performance. However, companies must strategically embrace these technologies to fully realize their potential benefits. It is imperative for companies to craft a future-proof roadmap, allocate a defined budget, onboard subject matter experts (SMEs), and secure the appropriate strategic partner to achieve a competitive edge.



Why Cognizant?

Cognizant's RGM offering aims to accelerate growth and enhance revenue by implementing pricing rigor and realization across various brands, channels and customer segments. Leveraging data and AI, this approach facilitates dynamic product offerings, optimal pricing, effective promotions and trade promotions. Additionally, it identifies untapped opportunities in the existing product-price mix.

The offering combines our expertise in handling intricate RGM projects with advanced data and analytics capabilities. This helps organizations adapt to the evolving market landscape and enhance both top-line and bottom-line performance.

Our proven frameworks and accelerators combined with a structured RGM roadmap, enable us to deliver exceptional results for our clients. By adopting 'Think Big', 'Start Smart', and 'Scale Fast' approach, we design and execute winning RGM strategies to drive quick returns on investment.

Opportunity:



Incremental revenue:

Enhance RGM maturity from a discrete approach to a centralized and unified model and improve insights from descriptive to prescriptive analytics with seamless integration and a strategic roadmap.



Predictable outcomes

Focus on scalability, adaptability, seamless integration and predictive analytics rather on unreliable insights.



Climbing the RGM maturity ladder

A governed RGM model will leverage data, process and people to provide meaningful analysis that the business can use to proactively drive desired outcomes across geographies, brands and models.



Cognizant IP frameworks, accelerators and roadmap

Design and execute winning RGM strategies to drive quick returns on investments by utilizing our proven frameworks and accelerators.

Think big

Strategy/ Assessment

Start Smart

Design

Scale fast

Build & Operate



Maximize Revenue (Potential ROI)

Cognizant sees 1% to 1.5% revenue uplift from successfully implementing RGM in year one, 1.5% to 2% in year two, and 3% in year three, which is consistent with industry standards.

Authors



Anup Prasad

Senior Vice President Consumer Business Unit Head

Anup Prasad is SVP & Business Unit Head for the Consumer Business in the Americas. In his role as BU Head, Anup is responsible for strategic direction and operational performance of Cognizant's business in the Consumer Industry in Americas, which includes clients in the consumer goods, travel, restaurant and hospitality sectors.

Anup has been with Cognizant for 20+ years and has been responsible for winning and nurturing many marquee client relationships. He thrives at the confluence of technology and industry expertise and is known for his client centricity and building high-performance teams. He has been recognized as one of the "Top 25 Consumer and Retail Consultants and Leaders" of 2023 and 2024 consecutively by an industry publication.

Prior to his current role, Anup was heading retail and consumer goods business for the Central US region at Cognizant. He started his career at Cognizant as a business analyst and has spent all his time in the Consumer industry growing up through the ranks.

Before beginning his career at Cognizant in 2001, Anup worked as a SAP Consultant at IBM and was part of core team implementing SAP at Arvind Mills in India. He earned a Bachelor of Technology from the Indian Institute of Technology, Delhi and an MBA from XLRI – Xavier School of Management, Jamshedpur in India. Anup relocated to US in 2001 after joining Cognizant and calls Dallas, TX his home.



Vinay Swarup

AVP – Consumer BU Strategy Office

Vinay leads the Strategy office for the Consumer Business Unit, backed by over 18 years of consulting expertise in the CPG and Travel & Hospitality (T&H) sectors. As a trusted advisor to CIOs and CDAOs, he specializes in developing data and AI strategies, bringing valuable insights for creating effective go to market strategies for CPG and Travel & Hospitality clients.

Before joining Cognizant, Vinay managed numerous digital and data transformation projects for prominent CPG and airline companies. His experience includes setting up and leading data and AI Centers of Excellences at top global consulting firms, demonstrating his capability in spearheading innovation and growth in digital transformation and data analytics.

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Cognizant provides targeted solutions to CPG companies, helping them stay at the forefront of technology. From trade promotions management and sales effectiveness to marketing services and supply chain management, our industry expertise combined with our extensive consulting experience enables us to future-proof brands to help them thrive in an ever-changing business environment. Our solutions deliver enhanced customer experiences and provide value across the entire customer ecosystem.

Cognizant Consumer Goods



Cognizant (Nasdaq-100: CTSH) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at www.cognizant.com or follow us @Cognizant.

World Headquarters

300 Frank W. Burr Blvd.
Suite 36, 6th Floor
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277

European Headquarters

280 Bishopsgate
London
EC2M 4RB
England
Tel: +44 (01) 020 7297 7600

India Operations Headquarters

5/535, Okkiam Thorajpakkam,
Old Mahabalipuram Road,
Chennai 600 096 India
Tel: 1-800-208-6999
Fax: +91 (01) 44 4209 6060

APAC Headquarters

1 Fusionopolis Link,
Level 5 NEXUS@One-North,
North Tower, Singapore 138542
Phone: + 65 6812 4000

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