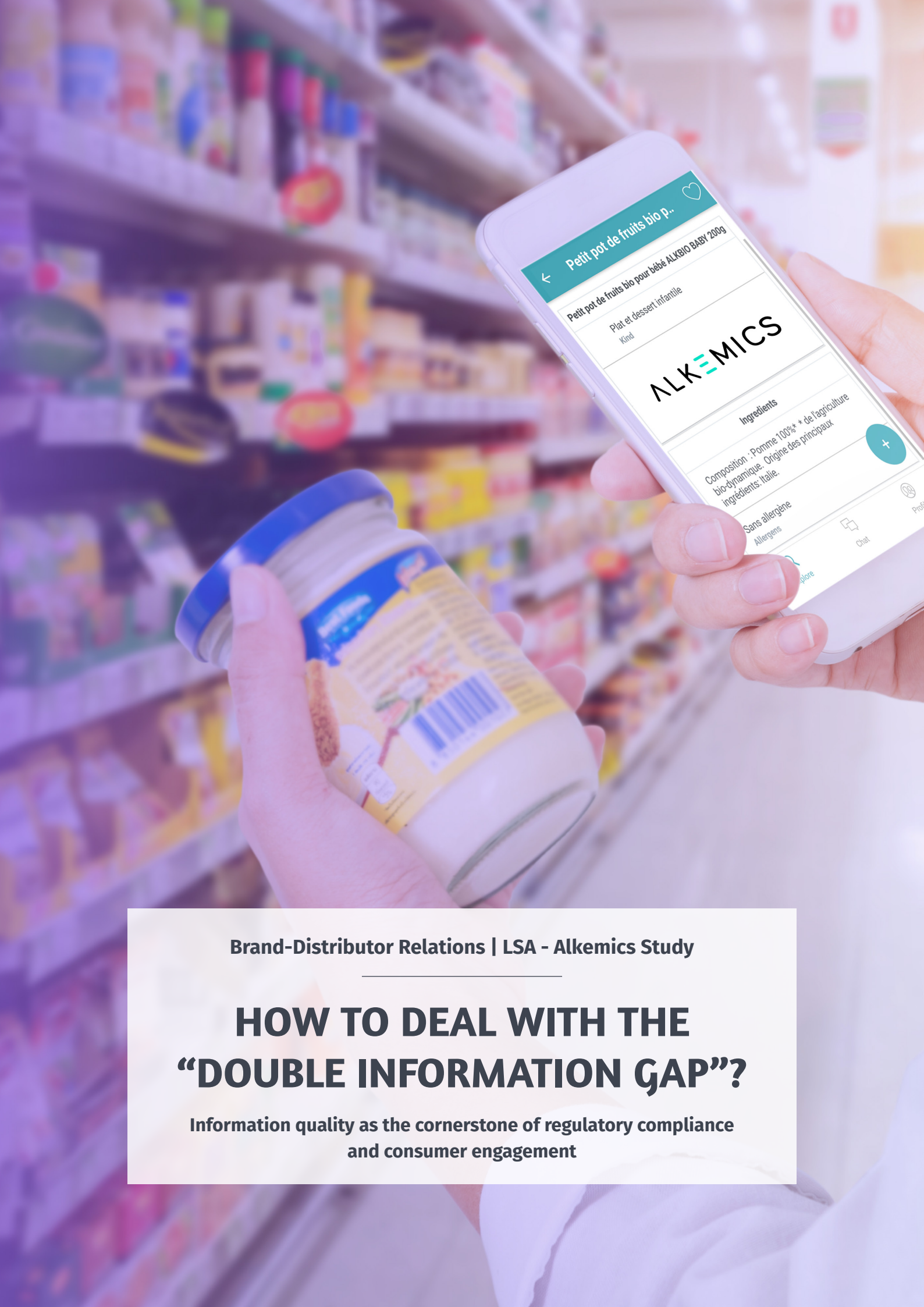

Brand-Distributor Relations | LSA - Alkemics Study

HOW TO DEAL WITH THE "DOUBLE INFORMATION GAP"?

Information quality as the cornerstone of regulatory compliance and consumer engagement

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UNDER THE DUAL GAZE OF THE LAW AND CONSUMERS

Between the hammer and the anvil: the expression sums up quite well the feeling, which dominates among distributors and manufacturers. In the role of the hammer, regulations (INCO, CELEX, CLP...) that no longer leave room for approximation and require very strict management of product information. In the anvil, the 2.0 consumer, informed, demanding to the point of becoming a participant in the design of products – something we will come back to. Between the two, is a piece to continuously be forged: trust. The one that consumers are willing to give to a brand or a logo. It is also the one that proves indispensable to amplify growth or even create it.

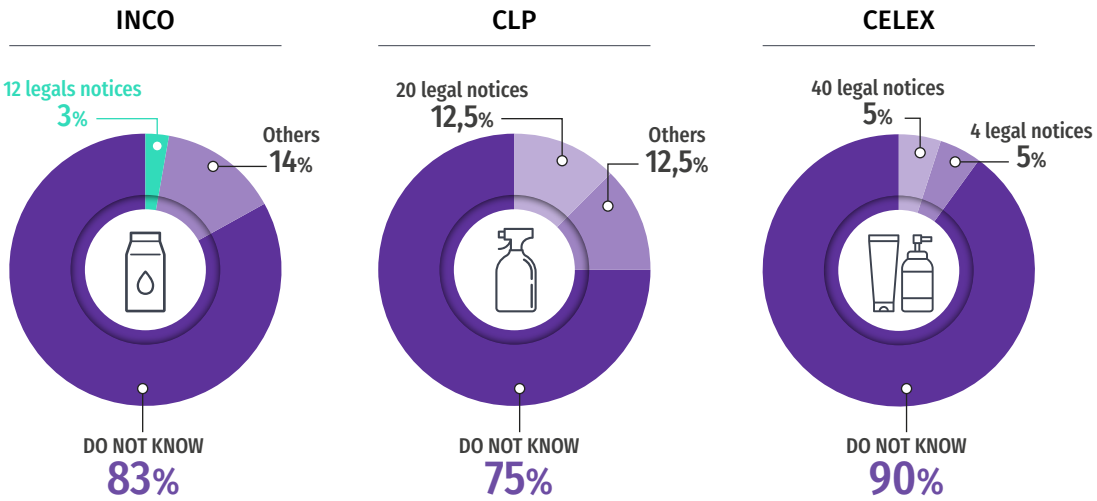
How can we forge this trust (and we will stop using metaphor) in a highly regulated world, with consumers whose demands are changing significantly? At Alkemics, we believe that the answer lies in strong collaboration between brands and distributors. And to collaborate is first and foremost in the process of being informed. A subject on which there is still clear room for improvement, as confirmed by the LSA-Alkemics study administered at the end of 2017.

Comply with the regulations: tedious?

To the question "within the framework of INCO regulations, do you know the number of mandatory indications to be provided on your product categories", 83% of the manufacturers and distributors answered "I do not know", 14% provided incorrect answers and only 3% gave the correct information (12 mandatory indications). This raises questions about the proportion of the 54% of respondents who consider themselves in compliance with the regulations...

Regulation rules INCO / CLP / CELEX

As part of the INCO regulation, do you know the number of mandatory information to provide on your product categories?



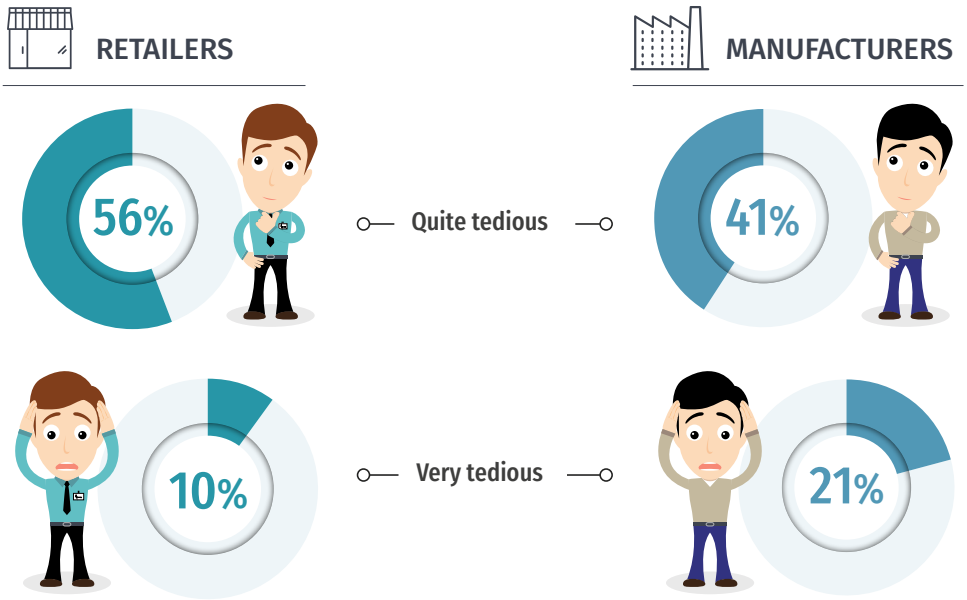
In fact, whether it is food, household or cosmetic products, regulatory pressure on labelling has increased significantly in recent years. On the food side, the INCO regulation made nutritional declaration mandatory since December 2016. For cleaning products, the CLP (Classification, Labelling, Packaging) regulation gradually began replacing the existing European system before completely replacing it in June 2015. Finally, on the cosmetics side, the new regulatory framework that came into effect in 2013 takes the form of an annual audit.

This explains the difficulties experienced in exchanging the information required by the regulations: this sharing is considered "tedious", even very "tedious" by 66% of sales outlets and 63% of manufacturers. While 51% of stakeholders see this as an "opportunity" to gain transparency and improve customer communication, however the road to reaching or even pursuing a goal of 100% compliance still seems long and full of obstacles. However there is another certainty, time is running out.

The Mintel study (world market analysis agency) reminds us that 2018 is a pivotal year on the food market. Among the key trends, the agency points out transparency and self-care. In other words, consumers have become suspicious by default and expect explicit information on the content of products, particularly because food is now perceived (and managed) as a key factor in good health. Mintel is also seeing an increase in product launches with "natural" arguments (+29% between September 2016 and August 2017). Like the range of pesticide-free fruits and vegetables launched by Auchan in 2017, which already has around twenty references.

Simplicity of sharing mandatory informations

How is the sharing of this regulatory information between retailers and manufacturers?



Support responsible consumption? Not so simple...

Through their food, consumers want to take care of themselves and the planet. According to a survey conducted by OpinionWay for Max Havelaar France, 79% of French people would like to see the supply of fair trade products develop, particularly in mass distribution and 33% would like these products to be systematically offered. A request to which the brand "Who's the boss?!" intends to answer. Its principle? A consumer cooperative model that defines the specifications of a product to control both its composition and the difference between local producers. Initially launched with milk cartons, the model quickly convinced many distributors and now also extends to other products.

> *The expectations of consumers are more and more pointed, variabilized and segmented according to moments of life*
>
> Corinne Aubry-Lecomte, director of the industrial, innovation, quality and mediation producers department of the Casino Group.

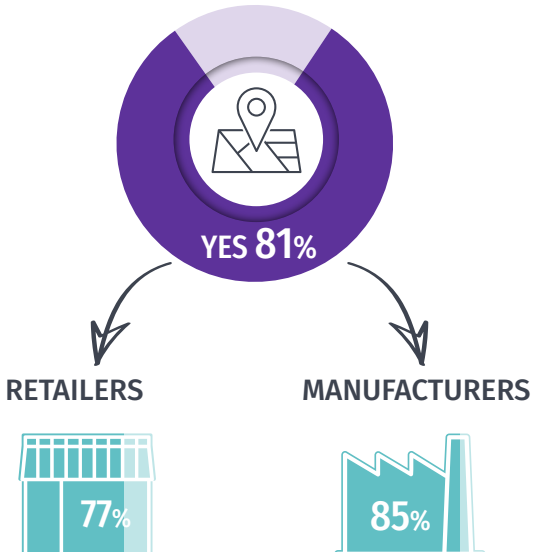
This success, which is obviously relative to the scale of the CPG market, nonetheless represents a real marker of trends. Manufacturers and retailers recognize it massively - 81% estimate that the level of requirements from the consumers have evolved - just as they admit –it is the same case with 88% of them - their difficulties in the listing of local products. Almost a third (31%) confirm that they are unable to measure the extent of the range of local products on offer.

These difficulties for manufacturers and distributors in meeting consumer demands are palpable: after three years of growth, large retailers in France recorded a 3 point drop (to 75%) in customer satisfaction measured by the Ipsos - Trusteam Finance barometer in 2017. This decline, is all the more remarkable as the other distribution sectors are progressing. While the Net Promoter Score (NPS) for the mass retail sector remains stable (+7), it also remains significantly below the score for specialised distribution (+26).

These indicators all converge towards the same observation: the on going transformation of mass distribution requires a qualitative leap in terms of information and not only for regulatory compliance purposes. The challenge is much broader: it is to align with consumer requirements, an alignment that involves promoting comprehensive, explicit and consistent information from one channel to another. A construction site in its own right.

Evolution of the level of requirement concerning local products

Regarding local products over the last two years, do you see an evolution the level of consumer demand?



A VERY TANGIBLE THREAT: THE "DOUBLE INFORMATION GAP"

Large and complex information

76% and 62%. In March 2018, the regulatory and overall compliance rates for the products listed by the 2,700 brands present on the Alkemics platform were respectively posted. The first statistic assesses the level of completeness of the information required by the various regulations, while the second measures the correct entry of the data requested by distributors. Brands that rely on Alkemics can also follow the suggestions of the platform to enrich their product sheets with non-binding but desirable data to improve the information provided to the consumer. The Nutri-score, for example, a nutritional labelling device, currently only recommended by public authorities, represents one more informational element to make a product's nutritional profile more clear. Each brand or distributor can choose to make use of it... or not.

> *The availability and consistency of this information across channels is key*
>
> Frédéric Loriaux, Chief Data Officer at Nestlé

Once this information has been collected and assembled, we still need to ensure its consistency from stores to e-commerce sites. "The availability and consistency of this information across channels is key. If a consumer receives a product that is different from what they have seen or read online, it is negative for a brand's image. It is our responsibility to do our utmost to ensure that this information is complete and consistent across all channels available to the consumer," explains Frédéric Loriaux, Data Quality Manager at Nestlé France. This is a challenging objective in the universe of CPG. On the Alkemics platform, from children's products to gluten-free products and AOCs, nearly 10,000 attributes are used to describe the products.

Behind the "Double Information Gap", a double sanction

The number of products, the evolution of their composition over time and the channels to be introduced pose a threat to all companies: the "Double Information Gap". "Double" because it is indeed a double gap:

- **The one between the information expected by consumers (expectations that exceed the strict regulatory framework) and the information that is actually offered to them**
- **The one enters the proposed information from one channel to another**

Each of these differences results in a penalty for the brands and distributors involved. Too little information frustrates the consumer, reinforces their suspicion and helps to disengage him. Inconsistent information, whether textual or visual (for example product packaging) disrupts or may even destroy the buyer's experience. If it is not filled, this "Double Information Gap" thus results in a loss of consumer confidence with immediate effects.

A lack of collaborative agility

Reducing the "Double Information Gap" starts with collaboration around comprehensive information. But, on this ground, obstacles persist. As far as distributors are

concerned, the offer is too dense to be well referenced, marketing kits are too low quality, product characteristics are incomplete or communication with manufacturers is not fluid enough. For local products, the difficulties are even more tangible whether it is to bring these products into existing referencing processes or simply to contact distributors.

On the industrial side, the system is perceived as too favourable to large companies with numerous and complex technical interfaces. Unsurprisingly, communication (to make a product known as to identify an interlocutor) suffers. The LSA - Alkemics study draws an environment in which the lack of collaborative agility increases the "Double Information Gap" and penalizes all participants.

The situation entertains the paradox: manufacturers and distributors share the same analysis of consumer trends and at the same time, note that information exchanges are not yet equal to these new challenges. "It's obvious, we can improve a lot in the relationship between brands and distributors," confirms Antoine David, category manager at Essity. "Information transfers are still very manual. The more we can automate these exchanges, the more relevant the content will be to consumers." The result is increased commitment.

> *Information transfers are still very manual. The more we can automate these exchanges, the more relevant the content will be to consumers*
>
> Antoine David, category manager at Essity.

Distributors: Top 4 difficulties encountered in listing local products

1. Difficulty integrating those listing in the process of my stores brand
2. Hard to recover related information to products
3. Hard to know the offer
4. Hard to get in contact with the supplier

Manufacturers: Top 5 difficulties encountered in listing local products

1. A system that favours big manufacturers
2. Too many different interfaces different (as much than retailers)
3. Difficulties to get in contact with the right person at each retailer
4. Retailers technical interfaces too complex and not very intuitive
5. Difficulties to make known our products

HOW BRAND-DISTRIBUTOR COLLABORATION SERVES CONSUMER ENGAGEMENT

Solution #1: Digitize data

It is impossible to fill the "Double Information Gap" without collaboration. But... no effective collaboration is without digitalised, automated and standardised information. This is the observation of brands and distributors at the time of the omni-channel. "Whether in terms of the cost and duration of an upgrade project or the responsiveness of our company, our existing tools did not meet the growing need to share more data with more people and channels," observes Frédéric Loriaux, Data Quality Manager at Nestlé France. That's the difficulty: with omni-channel, data governance tools must extend from upstream to downstream. In other words, from the collection, to distribution of data, in a coherent way from one channel to another through formation in a standardised and structured information model.

For data collection, there is no miracle. "Great teamwork" emphasises Sabine Level, Bonduelle Europe Long Life's Quality Director, as the key. It is not simple because, like everyone else, we have small and large suppliers, European suppliers and other Americans, who do not necessarily have the same sensitivity to regulatory issues as we do. "A necessary hard job therefore. Once the information has been collected, it still needs to be distributed. And in an omni-channel context, guaranteeing a broadcast aligned with updating information requires some automation, more or less advanced depending on the information systems in place.

Solution #2: automate and synchronise

For some, this synchronization takes the form of an Excel matrix, loaded regularly on the Alkemics platform. For others, equipped with a PIM (Product Information Management) solution, the use of APIs allows near real-time synchronisation. In all cases, the objective is posted: to set up an omni-channel sharing hub to put an end to bilateral exchanges with each distributor. "It is enough for us to create a product sheet on Alkemics once and then be able to share it without any additional effort with all the partner distributors," summarizes Philippe Briffault, co-founder, sales and marketing director of Yooji, a young brand specializing in baby food.

> *It is enough for us to create a product sheet on Alkemics once and then be able to share it without any additional effort with all the partner distributors*
>
> Philippe Briffault, co-founder, sales and marketing director of Yooji

There is the same echo from Nestlé's side. According to Frédéric Loriaux, "Alkemics' APIs and native connections to many distributors provide great flexibility in sharing product data. On the customer side, our teams are working to connect our sites such as croquonslavie.fr and we can easily add applications and other channels in the future. This is a real gain of agility in the use and standardization of our product data."

Solution #3: standardize text and visual information

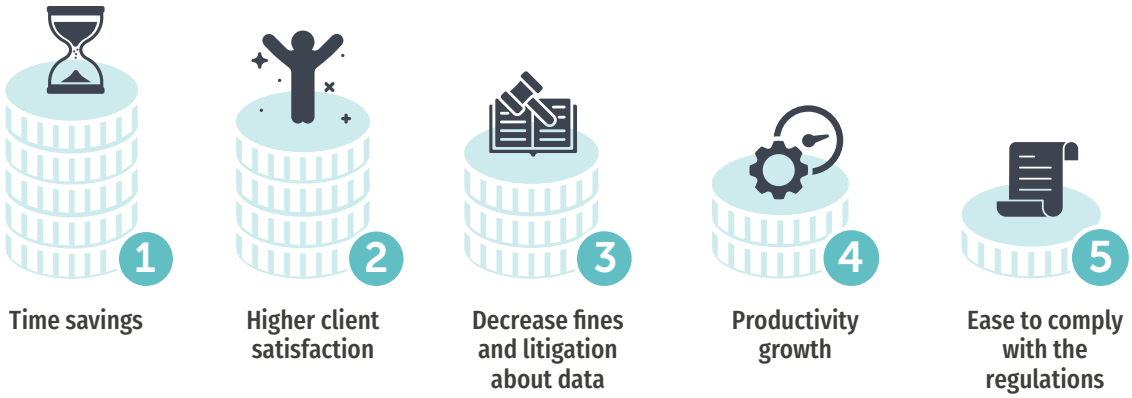
For the standardisation of product data, rely on existing standards such as GS1's GDSN 3.1 without being restrained from enriching the models. "Through the extended data dictionary and Alkemics APIs, we can easily share new data. And this, while ensuring an optimal compatibility with market standards such as GS1", specifies Frédéric Loriaux.

This standardization also applies to the visuals. "We can try to improve many things in terms of UX but as long as the visuals do not gain consistency, our efforts are inevitably limited," says Marion Vergnet, e-merchandising manager at Carrefour. "It is as if we were inviting our customers into a store with different lighting from one department to another. All this poses a real problem of customer experience," explains Emmanuel Delorme, web project manager at Casino.

But the subject is complex. If distributors complain that they are unable to recover the visuals produced in formats that allow them to be properly used, at the same time, each of them has their own requirements. Hardly justifiable for brands. A work was thus engaged by Alkemics with representatives of Casino, Auchan, Système U and Leclerc to specify a dozen characteristics: definition, format, weight, routing, transparency and dressing. Good news: the initiative is about to be recognized by GS1, the only organization capable of issuing standards. This standardisation should quickly be adopted as it can improve the efficiency of collaboration and contribute to reducing the "Double Information Gap".

> *Through the extended data dictionary and Alkemics APIs, we can easily share new data. And this, while ensuring an optimal compatibility with market standards such as GS1*
>
> Frédéric Loriaux, Chief Data Officer at Nestlé

Manufacturers and retailers : Top 5 profits recorded following investments



Benefit #1: Facilitated regulatory compliance

According to the LSA-Alkemics study, 56% of retailers and brands that have invested in digital solutions have seen a reduction in the time spent on good product referencing. "For us it is a time saving of around 90% on all these tasks of updating and exchanging product information," estimates Philippe Briffault. Among other gains, respondents also mentioned an increased ease in complying with regulations. Notably, this profit is also the most anticipated by the 59% of companies that intend to invest in such solutions. A strong expectation that can be explained by the fines being paid and the complexity of the subject.

"Distributors are naturally demanding and we have the duty to be irreproachable towards our consumers. Allergy risks exist and it is up to us to do everything we can to provide the best possible information," recalls Augustin de Villartay, Category Developer of e-commerce for Henkel Beauty Care. Henkel Beauty Care must comply with the so-called CELEX regulation for cosmetic products. "It's difficult to manage because when an ingredient in one of our products changes, the EAN code does not necessarily change." It is not easy in these conditions to track all developments. Another key topic is the packages and precautions for use indicated. "It is a question of making sure that the card exposed on a site corresponds to the product in stock at the distributor".

To achieve this, Henkel Beauty Care uses the functions of the Alkemics platform such as centralising the processing of compliance notifications and, of course, reporting. "Alkemics gives us the rate of conformity of the product sheets and, above all, characterises the types of unconformities, from the visual whose format is inadequate to the missing information," says Augustin de Villartay. Bonduelle also supervises the completeness of the information and the quality of the visuals. "Based on the EANs, we dispatch this infor-

70 % *of retailers found that the use of digital levers reduces the time spent to list a product*

mation to alert the users concerned and continuously improve our compliance," explains Eric Cybulski, PIM-MDM-GDSN manager in Bonduelle's Information Systems department.

Benefit #2: Accelerated time-to-market for products

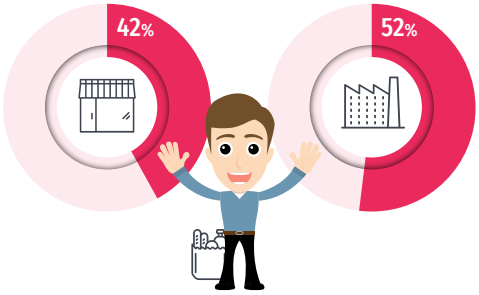
With what expected profit in the end? For Henkel Beauty Care, the impact on the time-to-market of products with compliant information is tangible.

"Once the content is created by marketing and validated by R&D, the e-commerce team retrieves information on new products. Generally, in November, explains Augustin de Villartay. We must therefore be able to update the product sheets as quickly as possible in order to comply as soon as possible. This year, we set ourselves the target of achieving a 100% compliance rate by the end of April. Our ambition for the future is to reach this rate one month after receiving the product information." An example of reducing the "Double Information Gap" which, automatically, must contribute to consumer satisfaction.

Benefit #3: an enriched shopper experience

Because this is the final challenge: 42% of distributors and 52% of brands consider "increased customer satisfaction" the 2nd expected benefit of an investment in a platform such as Alkemics. A satisfaction that also depends on the enrichment of information. "Providing content, especially videos, means giving ourselves the means to reassure customers," says Karolyn Trehel, e-merchandising manager at Auchan Drive. Of course, it is not a matter of spreading ads in the product sheets but useful content such as tutorials for example. A well-perceived concern at the 2018 edition of the NRF event. "You have to have real content management, otherwise you can have conflicting messages. The development of video is a real essential for brands," says Yannick Franc, director of retail strategy and e-commerce at Equancy, a consulting firm.

Higher client satisfaction



is the 2nd awaited benefit from an investment in a platform such as Alkemics

This enrichment is considered critical for some brands like Yooji. "On the consumer side, we are a very involved purchase," points out Philippe Briffault. We must explain the benefits, give instructions for use or give advice. At the time of the purchase, this prosperity of information puts us on an equal footing with the major brands and avoids us having to deploy expensive advertising devices being out of reach for an SME like us." It is still necessary to be able to industrialise the distribution of this content. "This is exactly what the Alkemics enriched product sheet brings to us with the ability to add photos of our products in situation or a video tutorial."

Enriched and massively distributed content therefore passes through the various channels to end the "Double Information Gap" and renew the shopper experience.

FROM PLATFORM TO DIGITAL ECOSYSTEM

Hyper-personalized, conversational, empathetic and of course, "data-driven": these are some of the characteristics that define the relationship between brands and distributors with their audiences. A relationship that is now part of a complex environment where stores, apps, websites and (soon) voice assistants live side by side. An environment in which it is vital to be able to try new solutions at lower cost and within strict deadlines. An issue summarized in one word: agility. And that is why Alkemics has created the App Store, a catalogue of business applications natively integrated into its platform.

The 25 referenced applications all have one thing in common: a few clicks are enough for a brand to connect one of these applications to its data referenced on Alkemics. And this for all application categories, whether it is innovating in terms of consumer experience, marketing campaigns, brand asset management or even data management. Unilever has activated Shopadvizor's solution to better capitalise on consumer reviews and ratings. "Solutions such as ShopAdvizor require our product data and we need to become more agile by automating the way we share and maintain it in these tools," said Laurent Kircher, e-commerce manager at Unilever France. The Alkemics App Store is an opportunity to accelerate these initiatives and access new solutions. "An opportunity far from being reserved for major brands...

Evidence by the accessibility of the Nielsen app which, from €560 HT per year, excluding VAT allows access via EAN to 4 major groups of indicators (sales, distribution, product rotation and price). An app selected by Good Goût to improve the management of its activity. "The fact that Nielsen is directly integrated into the Alkemics platform allows us to gather all the data related to our products in one place. This saves us from having to connect to multiple platforms and scatter our data. We are gaining in operational efficiency and consistency of analysis," summarizes Julia Perroux, Marketing Director of Good Goût.

Above all, access to these sales and product distribution data provides the brand with the basis for exchanges and negotiations with distributors. "The figures speak for themselves and can help convince us of the interest of our products in the growth of sectors in retail chains," notes Julia Perroux.

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>
> s Julia Perroux, Marketing Director of Good Goût.

Here again, the information feeds collaboration and reduces another "Information Gap", that separates the perception of the brand from that of the distributor. A "gap" that must also be filled in order to speak with consumers at an identical level, who are more sensitive than ever to dissonance.

LSA-ALKEMICS STUDY

BRAND-DISTRIBUTORS RELATIONS

METHODOLOGY

TARGET : RETAILERS, FRENCH CPG INDUSTRY

E-MAIL SELF-ADMINISTERED SURVEY

205 PEOPLE (52 RETAILERS / 153 MANUFACTURERS)

ANY QUESTION ? WOULD YOU LIKE TO ACCESS

TO FULL STUDY RESULTS ?

CONTACT US AT

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