HARNESSING THE POWER OF POS DATA

A Comprehensive Guide for CPG Manufacturers





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Introduction

Consumer Packaged Goods (CPG) manufacturers operate in an increasingly competitive environment, where the ability to access and analyze timely, accurate data can make or break a company's success. Among the various data sources at their disposal, point-of-sale (POS) data stands out as a crucial one.

POS data provides valuable insights into product performance that can help determine which products to stock and when, identify which stores or retailers are best suited for particular products, and inform how much promotional budget should be allocated for each item. When leveraged correctly, these insights can lead to increased sales, better customer satisfaction, and sustainable market growth in the fast-paced retail and ecommerce sectors.

About This Guide ...

This guide delves into the various nuances of POS data, outlines the challenges that CPG manufacturers face, and explores how they can make this data insightful to optimize their retail strategies. We also review real-world applications of POS data analytics, with special attention to sales and demand planning.





Key Challenges Associated with POS Data

For CPG manufacturers, POS data represents an unfiltered, real-time snapshot of how products are performing in the marketplace. Unlike other data sources, such as shipment or order data, POS data shows the exact point at which products leave the shelves and end up in customers' hands. This clarity allows manufacturers to understand real-time demand, track product performance at a granular level, and assess the success of marketing campaigns or promotions.

However, while POS data offers immense potential, manufacturers must overcome a series of challenges to fully unlock its value. On the next few pages we outline some of the most common hurdles and their implications.

Inconsistencies in Retailer Data Capture

One of the most significant challenges in analyzing POS data is the inconsistency across different retailers. Each retailer has its own method of collecting, storing, and reporting data. For example, while one retailer may track sales by individual stock-keeping units (SKUs), another may group sales by category or product family. Additionally, retailers often report data using different timeframes, units, and even definitions, making it difficult for manufacturers to create a unified view of product performance.

This lack of standardization can lead to discrepancies in the data, making it challenging for manufacturers to spot high-level trends or gain meaningful insights. Furthermore, the process of manually consolidating data from various retailers is time-consuming and prone to errors.





Data Quality & Reliability

Another significant challenge is ensuring the quality and reliability of the data. Manufacturers need comprehensive, timely, and accurate data to inform their decisions. However, POS data is often spread across individual retailer portals, making it difficult to get a holistic picture of product performance. The process of extracting data from these portals can be manual and time-intensive, and vendor portals are subject to outages or updates that disrupt access to critical data.

Moreover, the frequency of data reporting varies from one retailer to another. Some provide daily data updates, while others report weekly or even monthly, which impacts a manufacturer's ability to make timely adjustments to their supply chain or marketing strategies.

Plus, if a retailer's system fails to record customer details or product information correctly, the data that the manufacturer receives may be incomplete or incorrect. This inaccuracy can lead to flawed analyses and misinformed decision-making, causing brands to overstock, understock, or misallocate resources.

Other Challenges

CPG manufacturers must also account for chargebacks and void transactions in their POS data – typically stemming from late deliveries, incorrect orders, or promotional disputes. These chargebacks can come in various forms and are often communicated through complex PDF reports, making it difficult for manufacturers to understand and categorize them. However, careful tracking of them is essential to avoid financial losses due to erroneous charges and the risk of overspending or damaging their relationships with retailers.



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POS Data Insights: Tips & Best Practices

The value of POS data lies not just in its collection but in how manufacturers turn that data into actionable insights. To truly harness the power of POS data, CPG manufacturers must implement systems and processes that translate data into strategic improvements in sales, marketing, and operations. Below are some best practices for making POS data actionable

Gaining Access To the Right Data

The first step in leveraging POS data is to gain access to it. Retailers typically make this data available through proprietary portals, which may vary in terms of data granularity and update frequency. In many cases, manufacturers must subscribe to these portals for access.

Once the data is obtained, it must be exported and consolidated. Depending on the retailer, this can involve manually downloading files or using automated tools to pull the data into a centralized system. Manufacturers must ensure that they have access to data that is detailed enough to provide meaningful insights but not so granular that it becomes overwhelming to analyze.







Normalizing & Harmonizing the Data

After collecting POS data from various sources, manufacturers must clean and standardize the data to make it usable for analysis. This process is known as data normalization and harmonization. Each retailer organizes their data differently. They may sell a manufacturer's product using different naming conventions. They may include varying levels of detail in their POS reports. Their report formats may be inconsistent. And if they have store closures, their manufacturing partners face the daunting task of realigning locations within the POS data.

Normalizing data ensures that manufacturers can compare product performance across retailers accurately. This process, however, is labor-intensive and can require significant technical expertise. For some companies, it may be necessary to hire data scientists or invest in specialized software to manage this process effectively.

A supplementary approach is to use a data hubdriven platform like Silvon's Stratum solution, which consolidates data from multiple sources and can be used to resolve issues related to duplicates, formatting inconsistencies, and missing information.

The end result is an integrated, normalized and harmonized hub of POS and other operational information that can be leveraged by CPG brands to drive key performance insights – from high-level trends down to store-level details.

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Real-World Applications of POS Data Analytics

Sales Analysis

POS data provides manufacturers with a detailed understanding of how products are performing in the marketplace. By analyzing this data, brands can identify trends in customer behavior, assess the effectiveness of their pricing strategies, and evaluate the success of marketing campaigns.

For example, if a certain product performs well during a promotion, manufacturers can use this insight to inform future discounting strategies. Alternatively, if sales for a specific SKU are declining in certain regions, brands can investigate whether pricing adjustments, increased advertising, or changes in product placement are needed to boost performance.

Pricing Strategy Optimazation

Pricing strategy optimization is a crucial aspect of strategic business planning that can significantly affect a company's revenue, market competitiveness, and overall profitability. One effective way for CPGs to optimize pricing strategies is by analyzing point-of-sale (POS) data to understand the performance of their products at various price points and to adjust their wholesale pricing based in part on demand elasticity.

Inventory Optimization

POS data provides real-time visibility for manufacturers into their retailer shipments against actual sales performance, enabling them to effectively determine sell-through rates. With information related to which products are in demand and which are not, CPG brands can streamline their inventory management processes, reduce stockouts, minimize excess inventory, and improve overall supply chain efficiency.

This ability is particularly crucial for manufacturers when longer replenishment lead times need to be accounted for to ensure product availability when their retailers need it.

Distribution Growth & Retention

CPG manufacturers can use POS data to monitor the growth of their product distribution across different retailers and geographic regions. This data allows them to track how well their products are penetrating new markets, while also monitoring the health of existing accounts.

With this information, brands can take proactive measures to address performance issues, such as suggesting reorders to specific stores, adjusting promotional strategies, or even renegotiating contracts with retailers.

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Product Rationalization for Retailers

Many retailers require manufacturers to participate in annual reviews where they present data on the performance of their products over the past year. POS data analytics provides manufacturers with the insights needed to succeed in these reviews, including data on sales trends, customer preferences, and inventory management.

By presenting compelling data to retailers during these reviews, manufacturers can secure increased orders, gain better product placement, or expand their product lines within retail stores.

Chargeback and Deduction Management

As mentioned earlier, chargebacks and deductions are a common source of financial strain for manufacturers. POS data analytics can help manufacturers better track and understand the root causes of these deductions, whether they stem from trade promotions, penalties, or other fees.

By analyzing chargeback trends, manufacturers can identify areas where they can reduce costs, improve trade spend efficiency, and protect their profit margins.



Trade Promotion Evaluation

One of the key advantages of POS data is its ability to measure the effectiveness of promotional activities. Manufacturers can track how customers respond to discounts, coupons, and other sales incentives, allowing them to fine-tune their promotional strategies over time.

For instance, if a promotion significantly boosts sales for a particular product in one region but not another, manufacturers can investigate the underlying factors and adjust their marketing efforts accordingly.

Product Innovation

Finally, manufacturers can use POS data to drive product innovation. By analyzing how existing products are performing and identifying gaps in the market, brands can develop new products that meet emerging customer needs. In some cases, POS data can also provide insights into competitors' performance, helping manufacturers stay ahead of the curve in a highly competitive industry.



Using POS Data for Sales & Demand Planning

By leveraging POS data, companies can additionally (and accurately) forecast future sales, which is crucial for demand planning. This process ensures that sales and operational teams can align their strategies, anticipate consumer demand, and avoid overstocking or understocking situations. More importantly, POS data-based demand planning enables manufacturers to project future growth with greater precision, helping them meet market demands efficiently.

POS-driven demand planning has been highlighted by many researchers as a supply chain best practice because of the revenue gains it facilitates. These gains stem from improved demand visibility, higher perfect order rates, reduced inventory levels, and faster cash-to-cash cycles. The ability to anticipate demand more accurately enables manufacturers to reduce inefficiencies across their supply chains, thereby improving overall business performance.

Improved Forecast Accuracy/

Since POS data reflects real consumer purchases, forecasts based on this data are more accurate. This accuracy is especially important for new product launches, where early sales data can indicate future demand patterns. For example, one CPG manufacturer using Silvon's Stratum solution monitored daily POS data to spot early demand trends for newly launched products.

By focusing on these initial sales trends, the company was able to forecast future demand with a high degree of accuracy. This granular forecasting also allowed the company to avoid overstocking or understocking and ensure that the right products were available in the right retail locations during critical sales periods.

Distribution Growth & Retention

When leveraged for sales and demand planning, POS data allows companies to create highly responsive forecasts that take fluctuations in demand driven by promotions, discounts, or seasonal changes into account. Because POS data is collected at the store level and in real time, companies can adjust their forecasts quickly, ensuring that they meet demand surges without overwhelming the supply chain.

Traditional forecasting methods, like those based on shipment or order history, often miss real-time market dynamics. For instance, shipment data reflects orders sent to stores rather than actual consumer demand. This lag creates inherent biases in the forecast, whereas POS data provides a more accurate and timely demand signal. POS-based forecasting reduces reliance on lagging indicators and ensures that CPG manufacturers can respond proactively to shifting consumer preferences.



Localized Demand Patterns & Demographics

POS data allows CPG manufacturers to factor in local demand patterns more effectively. Consumer preferences often vary significantly from region to region, and even store to store. By analyzing localized POS data, manufacturers can develop forecasts that reflect these differences more precisely, ensuring that each location gets the right amount of inventory based on real demand patterns.

This level of granular insight is particularly useful for adjusting strategies in markets with diverse customer demographics. For instance, if a particular product sells well in urban areas but underperforms in rural regions, POS data enables CPGs to tailor their distribution and marketing efforts accordingly.

Reduced Latency and Eliminated Biases in Other Demand Streams

Traditional forecasting methods, such as relying on order or shipment data, introduce latency into the demand planning process. The time it takes for products to be ordered, shipped, and stocked in stores doesn't always reflect actual consumer behavior. In addition, shipment data can obscure the real picture because it's affected by out-of-stocks, bulk orders, and retailerdriven buying tactics.

POS data eliminates these issues because it captures demand at the point where it matters most: when the consumer buys the product. This direct visibility into consumer demand allows companies to make more timely and accurate forecasts, minimizing the negative effects of latency and biases that can distort other demand signals.



Rich Sales and Marketing Insights

Because POS data provides a clear view of what's happening on the retail shelf, it's an invaluable resource for evaluating the effectiveness of sales and marketing initiatives. Manufacturers can analyze how promotions, discounts, and marketing campaigns impact product performance and make adjustments in real time. POS data also reveals which products resonate most with consumers, allowing companies to refine their product offerings and better meet market needs.

For example, if a particular promotion leads to a spike in sales for a specific SKU, manufacturers can use this insight to plan similar promotions for other products or regions.

Enhanced Collaboration with Retailers

POS-driven forecasting also improves collaboration between CPG manufacturers and their retail partners. When both parties share POS data and forecasts, they can work together more effectively to optimize inventory levels, promotions, and product placements. This level of collaboration is particularly valuable for managing high-demand periods or new product introductions, where accurate forecasts can prevent stockouts and maximize sales opportunities.

By sharing POS data with their retail partners, manufacturers can also improve trust and transparency, strengthening their relationships and positioning themselves as strategic partners rather than just suppliers.



The Evolving Retail Landscape Adapting Strategies with POS Data _____

The retail landscape is constantly evolving, driven by changes in consumer behavior, technological advancements, and market dynamics. CPG manufacturers must be adaptable in their sales, marketing, and supply chain strategies to stay competitive in this environment. Whether it's improving forecast accuracy, evaluating promotion effectiveness, or tailoring products to local consumer preferences, POS data gives CPG companies a competitive edge in a rapidly evolving market.

Stratum™ by Silvon – Trusted Data Management & Analytics for CPG Brands

Silvon helps mid-market manufacturing and wholesale distribution companies accelerate growth through a suite of financial and operational analytics and reporting applications. Our Stratum[™] product suite offers a secure Data Hub for integrating, harmonizing and managing data from multiple sources; built-in analytics for measuring performance across the enterprise based on that data; and tight integration with 3rd party apps like Power BI and Excel to provide ultimate BI value.



