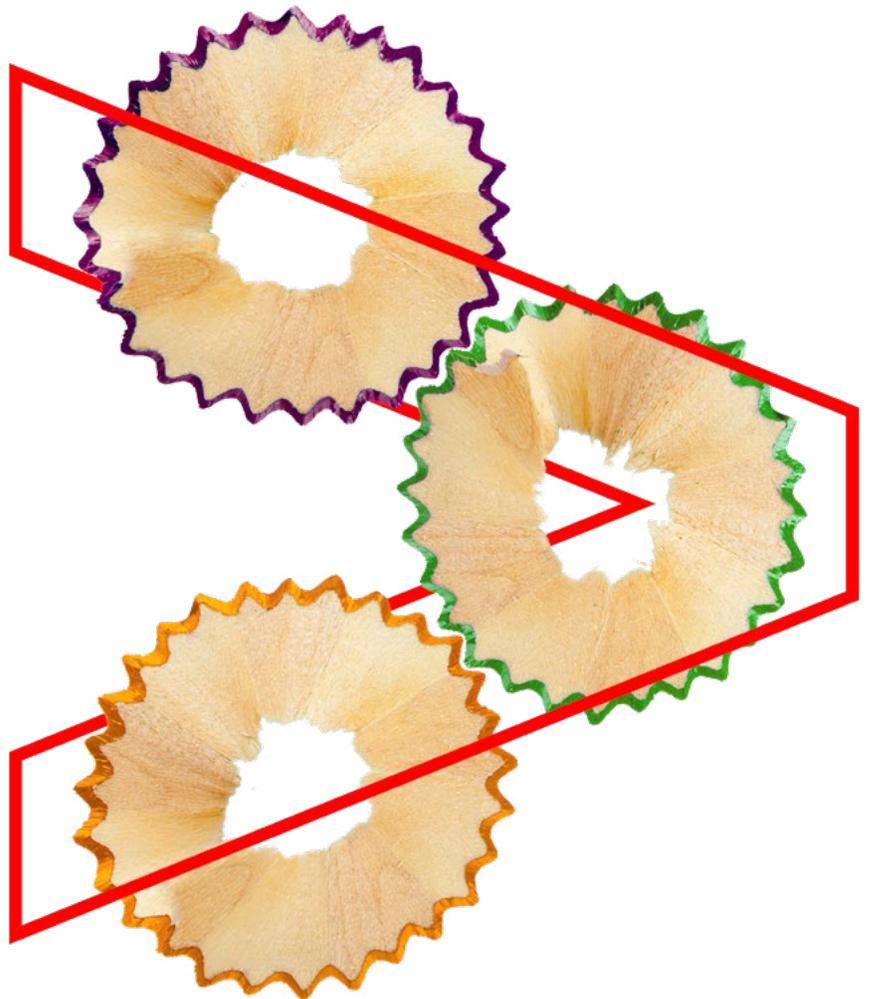


OPERATE LIKE A DISRUPTOR

**Welcome to
the future-ready
business**



Since 2000

41%

of S&P 500 consumer-centric companies have been acquired or gone out of business since 2000.¹

50%

of the current S&P 500 are predicted to meet the same fate within the next 10 years.²

Which begs the question: What must a company do to win in the digital era?

Some would say these companies are simply victims of the digital revolution. But, the revolution itself is not at fault. The actual issue is that established businesses are not transforming themselves as fast as the world is changing and the largest businesses are falling the most behind. For leaders, that means reinventing operating models takes on an urgency.

WELCOME TO THE FUTURE-READY BUSINESS

Nimble digital competitors are showing growth that the largest consumer goods and retail companies are not, for multiple reasons.

First, disruptive technologies have negated many of the advantages historically enjoyed by only large companies with scale. These same technologies have changed the way consumer goods and retail companies create value.

Second, digital competitors are using new business models to win. They attract and retain consumers by re-imagining products and services to meet the changing consumer's needs.

That changed consumer—an empowered consumer—is the third reason the growth game has changed. Market leadership will require companies to create distinctive insight about the consumers they serve, drawn from data that only consumers themselves can provide.

To learn more about the future of consumer-centric company operating models, read the Insight Report this document is based on: **Operating Models for the Future of Consumption, a World Economic Forum Report in collaboration with Accenture. (January, 2018)**

In short, established companies of tomorrow will behave more like their disruptive, smaller competitors of today.

Changing consumer needs and workforce expectations are transforming the competitive landscape, dictating transformation of existing company operating models. Companies are facing wholesale change—from defining how technology will transform entire functions, to how the organization manages new workforce models, to how to unlock value with cross-industry ecosystems.

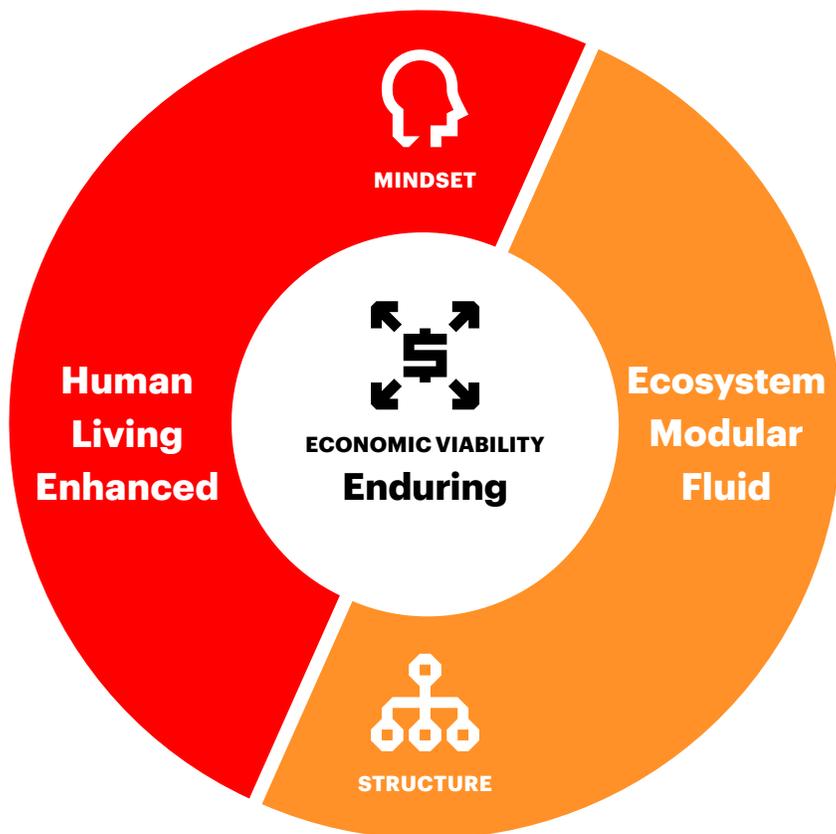
But it is not just the nuts and bolts of a company that need to change. Stakeholders demand a new level of accountability and corporate responsibility from the C-suite. To turn a profit is no longer enough. Outcomes must work not only for the business itself but also for the greater good of a larger group—consumers, the workforce, shareholders, communities and the environment.

Accenture, in conjunction with the World Economic Forum, has created a vision of the operating model of the future for consumer industries. As your company reinvents itself, we see seven transformative characteristics as essential in three main areas of your operating model.

THE DNA OF A FUTURE-READY OPERATING MODEL

Successful companies in the future will have operating models which exhibit seven transformative characteristics in three main areas: mindset, structure and economic viability.

Figure 1. Three core tenets of future operating models



MINDSET

Companies will create a profound shift in culture and ways of working. A future company's mindset will be:

Human: Purpose is deeply embedded in the organization of the future. Wise leaders will enable individuals to be entrepreneurs and masters of their own fate. Workers will be empowered to drive business outcomes, have material impact and continually develop their potential. From personal accountability at all levels to exchanging command-and-control management for “student” leadership, leaders and employees will change the way work is approached. Life-long learning becomes a central feature of daily life.

Living: Businesses combine external awareness and a highly agile organization that continually re-shapes and adapts to a volatile market. Nimble and self-organizing teams continually prioritize progress over perfection, with a willingness to disrupt the status quo, and acting at a vastly accelerated pace. Many digital disruptors are already there, with 62 percent saying their operating models can respond quickly to changing market conditions.³ Only 15 percent of today's industry leaders think the same of their own operating models.⁴

Enhanced: The use of technology and analytics transforms each function and, ultimately each worker's role. Think “Iron Man” versus “Terminator.” Workers will use technology to augment innovation and productivity, rather than the dystopian scenario of machines replacing humans at work. Already, consumer industry disruptors have digitalized 50 percent of their processes, compared to just 27 percent by incumbent consumer industry companies.⁵ It is imperative that analytics are central to day to day capabilities, so that people continue to remain relevant.

Portrait of a Pioneer: Picnic's “empowered employees”

Three out of every four Picnic customers joined the online grocer because of word-of-mouth. This statistic should not be surprising, as Picnic empowers its delivery people (“runners”) to determine the best way to mitigate customer service issues. After all, these runners are dedicated to specific customers, delivering again and again to the same homes. Runners are also empowered with data from corporate so they can more proactively address situations such as missing product or delivery preferences. The right resources—regardless of tenure—are mobilized and empowered to act on customer opportunities and to provide insights on how to do things better.

Portrait of a Pioneer: Graze's unusual agility

London-based Graze delivers natural foods to consumers in multiple ways. Whether direct to consumer, via retailers or through a personalized, monthly snack box subscription, Graze meets consumer needs rapidly and in tailored fashion. Just seven weeks after entering Sainsbury's, a leading UK retailer, Graze created an alternate full line of products with simultaneous packaging development, manufacturing and marketing. Once in market, teams took a test-and-learn approach, making immediate adjustments as necessary within days of product placement on shelf.

STRUCTURE

Enterprises will break down the boundaries between themselves and the broader market becoming:

Ecosystem friendly: A network of relationships enables participating companies to accomplish far more working together than they can alone. This requires a fundamental re-examination of what companies should do themselves and what they can do working with others. It extends into end-to-end consumer solutions, data sharing, and open innovation.

Modular: Companies enable diverse business models to leverage central capabilities, while also enabling external organizations to access their assets. By establishing a “plug-and-play” structure, company leaders efficiently accelerate the development and integration of new business ideas, start-ups, acquisitions and external capabilities.

Fluid: Companies source and manage their workforces by accessing the best talent at the right time. They seamlessly integrate and holistically manage talent across five workforce models that include permanent employees, company affiliates, partners, publicly available talent and consumers.

ECONOMIC VIABILITY

Companies will develop operating models that generate lasting performance and sustainable impact. A future competitor’s legacy will be:

Enduring: Companies will create organizations that can survive for the long term through building deep consumer understanding and robust supplier relationships that protect production in a resource constrained world.

Portrait of a Pioneer: Royal Philips creates innovation through ecosystem

Royal Philips is creating an ecosystem to deliver consumer solutions, transforming itself from a transactional, product-focused technology company to a solutions provider that puts customer needs front and center.

In 2013, it established Philips HealthWorks which runs 90-day programs for startups to help build, test, de-risk and scale new businesses in health technology. It selects a few of the most promising, building a collaborative cohort around a defined consumer challenge, and providing support and mentoring to validate the business model.

In 2017, Philips created the HealthTech Ventures investment organization to formalize partnerships with HealthWorks companies and other early-stage ventures. From seed funding to minority ownership, Philips exchanges capital and expertise for exposure to companies that are agile, flexible, and have innovative skillsets, building a healthcare ecosystem through which Philips can learn and strengthen its impact in the hospital and the home.



Portrait of a Pioneer: Louis Vuitton Moet Hennessy creates multi-brand platform

Luxury goods company Louis Vuitton Moet Hennessy (LVMH) launched 24 Sèvres, an ecommerce platform carrying not only its in-house brands but also those of other prestigious fashion houses. Customers benefit from a variety of features, including on-demand stylists and fast delivery. LVMH gathers and analyzes cross-brand consumer insights across the platform.

MAKING THE LEAP: OPERATING LIKE A DISRUPTOR

Figure 2. Making the leap: Operating like a disruptor

Established companies must look at every aspect of their operating model to move from the traditional mindset and approach to that of a digital disruptor.

	Traditional operating models	Disruptive operating models
 Governance & Decision Making	Top-down decision making, guided by experience	Data-driven decisions, individual empowerment with clear decision guardrails all the way to the front line
 Process	Functional silos, managing dependent but separate activities	Functions merge to deliver outcomes, enabled by combinatorial technology
 Organization & Workforce	Defined as an independent, individual company; maximizing company financial value	Porous organization with plug and play platform supporting self-organizing project teams focused on driving outcomes; multiple internal/external employment models
 Technology	Enterprise IT, with focus on standardization; shadow IT addresses specific business needs	Technology roadmap developed with intentionality and continually renews—scan and integrate new technologies creating business opportunities; AI and automation simplify activities
 Culture	Tradition and excellence; valuing experience and historical knowledge; focus on preserving and building on legacy. Value of leaders is determined by size of team and book of business managed	"Disrupt thyself" and learn by doing; risk tolerant; prizes individual entrepreneurship; student leadership; value of leaders is determined by impact to the business
 Metrics & Incentives	Premium placed on stability, longevity, predictable growth and profitability; standardization across business	Consumer value and forward-looking metrics; different metrics for different business models

MAKING REINVENTION WORK

Companies must reinvent their own operating models to stay relevant. This includes spending a higher percentage of time looking outside the organization to build the ecosystem needed for the operating model to succeed and endure. Several areas require immediate attention.

Worker enablement in the Digital Age

Helping workers acquire and apply new skills will become fundamental to enduring success. Seven out of 10 children today will work in future jobs that do not yet exist.⁶ A highly adaptive workforce requires career-long continuous learning. Over the next two years, WEF anticipates 52 percent growth in demand for cognitive abilities, 42 percent for systems skills and 40 percent for complex problem-solving talent.⁷ With the half-life of a learned skill clocking in at five years—and the half-life of a developer skillset at two years—constant reskilling of our students and our workers is the new reality.⁸ As automation changes the face of employment—with humans deployed to higher value, more human-oriented tasks that require critical thinking and social/emotional intelligence—reskilling becomes crucial.

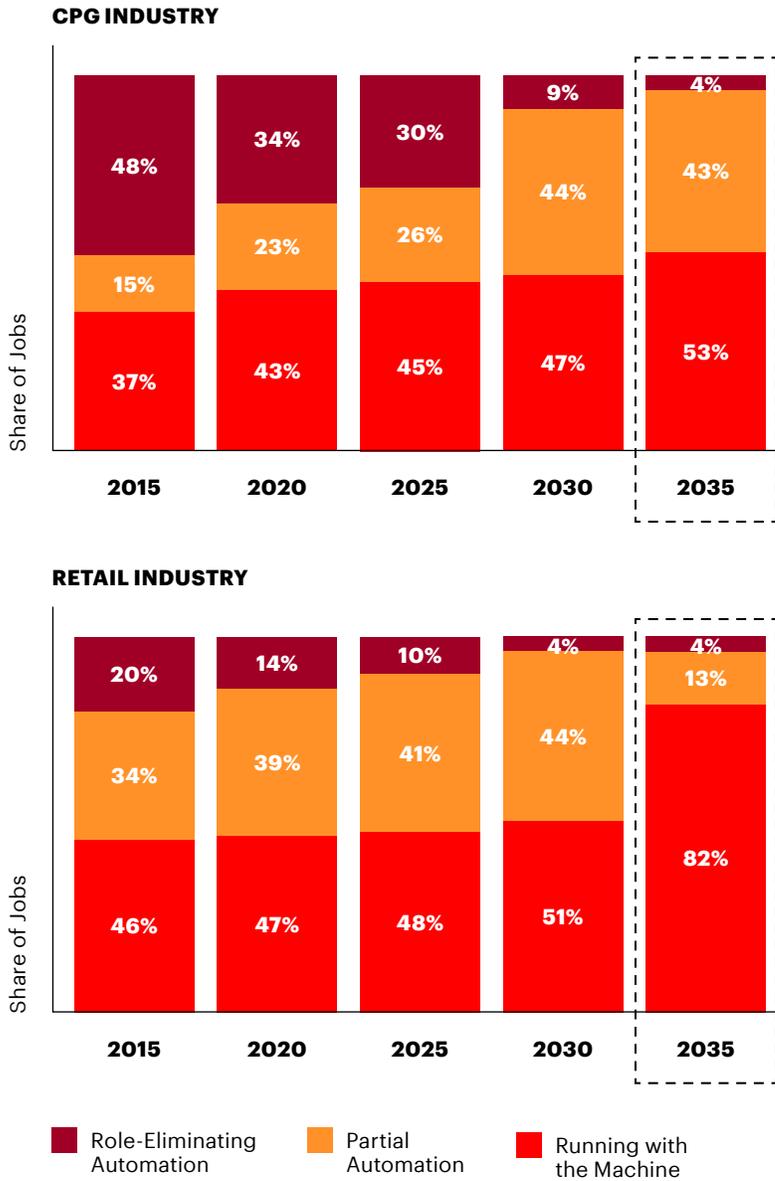
Radical reskilling key to reinvention

According to WEF's Future of Jobs report, 30 percent of consumer industry core skills will change by 2020, accelerated by new business models and technology. Workers are not ready. In the US alone, Accenture's 2017 econometric analysis on consumer industries shows 54 percent of the activities performed by consumer packaged goods (CPG) workers and 40 percent of those performed by retail workers can be automated. New roles and skills must be formed and acquired to transition workers, not displace them.

With an expected shortage of talent, companies that look to simply hire for the digital era will find themselves in an expensive talent war for scarce skills. Scaling up new skills develops workers' capabilities in all things digital—is 63 percent more cost effective than recruiting (and a more realistic option), according to General Assembly Benefits and ROI of Talent Pipeline-as-a-Service, 2017.



Figure 3. Estimated Impact of Automation on CPG and Retail Industries' Workforce in the United States*



Role-Eliminating Automation: More than 75% of activities can be automated

Partial Automation: Between 25% and 75% of activities can be automated

Running with the Machine: Less than 25% of activities can be automated; Running with the Machine considers that workers will reallocate time to more "human-like tasks" and work in a collaborative, fully integrated manner alongside machines.

*Source: WEF report 'Operating Models for the Future of Consumption' January 2018.

Flexicurity

Fluid career flexibility with transparency, social safety nets and transferable benefits will allow workers secure freedom to maximize their potential. Labor market workforce supports are stuck in legacy mode, designed for a business world in which full-time employment is the major mode of work. In a world where people have multiple sources of income, increasingly work for multiple employers and spend more time upskilling, "flexicurity" support will be required to tie benefits like pension and healthcare to the individual rather than the institution.

**Source: WEF report 'Operating Models for the Future of Consumption' January 2018.*

Consumer data principles

Consumer data is a key to corporate value but managing and protecting it is a major challenge of the Digital Age. To establish the type of consumer intimacy required for business success, a company requires copious amounts of personal data from its consumers. Artificial Intelligence and connected devices run on this data. Yet, seven out of ten consumers are concerned about how businesses use their information and six out of ten demand greater transparency into the same.⁹ A set of principles to guide collection, usage, privacy and security is essential to running a business in the digital era.

Data issues will only continue to come to the fore, because data serves as the primary input and building block for technologies such as artificial intelligence and connected devices. To get to value while addressing the important issue of consumer trust, organizations will have to align internally and externally with ecosystem partners and regulators on:

- Communicating consumer data collection and usage procedures in a simple, understandable way
- Outlining consumer data ownership and acceptable sharing practices
- Aligning on data monetization protocols
- Understanding the necessary infrastructure and activities required to support consumer data security

A set of principles to guide collection, usage, privacy and security is essential to running a business in the digital era.

MOVING FORWARD

Technology, new business models, and the empowered consumer are causing companies to fundamentally shift how they operate and organize. Changing the operating model is no small feat, but is necessary for companies to achieve sustainable results in an ever-changing world.

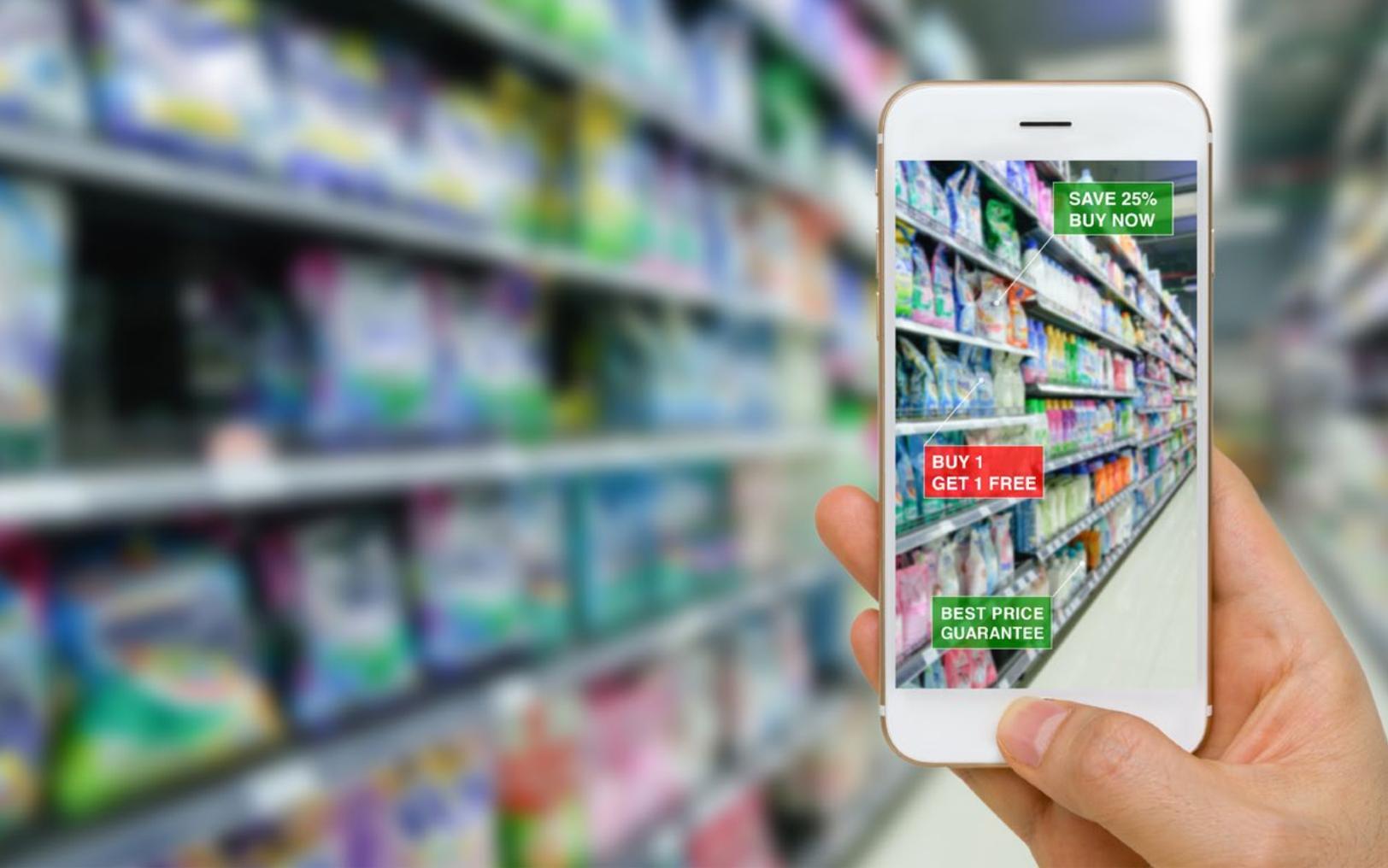
Prior to changing its operating model, a company must achieve clarity about its strategy and business models. Strategy defines the company's purpose and goals while business models set how the company captures value and goes to market. In defining business models, companies must consider not only where value comes from today, but where value is expected in the future. With this in mind, the operating model can be designed for long term success.

When companies design their operating model, they should take a zero-based "clean sheet" approach. They are building the organization to create value and deliver against the strategy; the core should focus on the muscles required to win. A company must deliver its core functions with efficiency and process excellence, leveraging the broader market and ecosystem for those that are not critical to win.

With a strong core, companies can utilize experiments to test new ideas and ways of working. This approach will require a departure from today's leadership model. Leaders will need to empower employees to experiment, building trust in data-led decision making.

Using data to seek opportunities, challenging the organization to continuously improve, and sharing the results will motivate change. Positive results can be integrated into the operating model design and scaled, having already been embraced by the business.

Working in this manner, the operating model will be fluid. This fluidity will eliminate the necessity for operating model redesigns and instead allow the operating model to evolve over time making the organization truly future ready.



GETTING TO FUTURE-READY

Reinventing operating models for growth and prosperity in a digital world means placing a premium on innovation, a willingness to disrupt current norms and collaborating for inclusive growth.

As consumer landscapes continue to rapidly transform over the next 10 years, incumbent consumer goods and retail companies have a window to transform and in doing so must adapt characteristics of disruptors.

Massive changes in the market require massive transformation within consumer goods and retail companies. Changing your operating model now is essential to claiming leadership in the digital age. There's no time to lose.

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