Is your supply chain an overlooked lever for growth in consumer goods?
Consumer packaged goods companies see the value in applying new IT to enhance supply chain functions, but they haven’t mastered how to prioritize a growth-led over a cost-led agenda.

Consumers have changed. More than ever before, they want personalized, convenient and responsive products and services—and they want them fast. Their brand loyalty is short-lived—sometimes non-existent. People have high expectations for a seamless omnichannel experience that offers complete transparency to available inventory, how the products are made, with what, and from and to where.

Newer, nimbler companies are seizing the opportunity to delight consumers with differentiated products and services, and new buying and delivery experiences, e.g. personalized subscriptions, same-day delivery.

To compete, traditional consumer packaged goods (CPG) companies need to continuously identify or create the impactful trends, adjust their product portfolios and service capabilities to take advantage of those trends, and establish a different operating model and capability infrastructure to enable them. For example, Coca-Cola Freestyle machines have redefined the consumption experience in purchasing a Coke product by providing all options to the consumer from a single source at the point-of-sale that is managed and replenished in a fully automated way. Coke is leveraging supply chain capabilities to create a completely different consumer experience.

As in the Coke example, companies are investing in new IT—innovative solutions such as artificial intelligence (AI), blockchain, automation, cloud infrastructure and advanced analytics to enable these trends.

Nearly half (48 percent) of executives surveyed see good “value potential” in these investments. However, their efforts fall short of (or they are missing) the major opportunity to capture value and power business growth through their supply chains.

CPG companies must begin to see their supply chains as a way to differentiate and grow. They should align their IT investments to their overarching business strategy and determine where they will have the greatest impact. By elevating the significance of the supply chain to a key element of the business strategy, and applying new IT to transform the value chain into a flexible network of capabilities, companies are better able to achieve profitable growth. New IT can help eliminate or redefine linear value chains and function silos, poor response times, conflicting priorities and inefficient fulfillment models, and enable the evolution to an intelligent supply chain that is, smart, agile, learning and service-oriented.

Accenture surveyed chief supply chain officers, chief operating officers and senior vice presidents/executive vice presidents of supply chain and manufacturing at consumer packaged goods companies headquartered in Austria, Canada, Germany, Ireland, Switzerland, United Kingdom and the United States in early 2018 to examine the impact of new IT on the supply chain.
FROM LINEAR...

Supplier | Distributor | Retailer
Manager | Logistics Provider | Customer

...TO NETWORKED

INTELLIGENT SUPPLY CHAINS

Customers | Logistics Provider
Suppliers | Plan
Design | Produce
Service Provider | Distributor
Service | Fulfill
SCATTERED IT INVESTMENTS WEAKEN GROWTH POTENTIAL

CPG companies are missing opportunities to use the supply chain to drive differentiation and profitable growth. They are taking a more cautious and traditional cost and efficiency-based approach to investing in new IT to improve the supply chain. Smaller-scale IT investments are spread across a wide range of supply chain functions and technologies (see Figure 1), rather than focusing on investments that can make an impact in key areas by elevating supply chain services and capabilities.

For example, investment in big data analytics and cognitive computing can have a multiplicative growth, service and cost impact on planning, fulfillment, sourcing and procurement functions. Yet companies are not targeting significantly higher investments there. Robotics and virtual reality can transform warehouse management operations, but investments are spread across many areas vs. the capabilities that may have the most significant impact.

Some CPG leaders are achieving success by placing the right bets on the right digital investments. PepsiCo is investing heavily in the digital capabilities behind its DSD distribution model to improve how the company plans its business, segments customers and deepens relationships. Danone is co-building a new warehouse with JD.com that uses big data analytics to offer precise replenishment and quicker inventory turnover for the Danone Waters business in China. These are the types of strategic investments that power differentiated results.

Figure 1

CPG companies are investing across a wide range of functions and technologies.
Looking at supply chain decisions as business strategy decisions

Chief technology officers (CTOs) and chief information officers (CIOs) are the top business stakeholders for technology investment decisions in the CPG supply chain (tied at 39 percent). These individuals are contributing the maximum amount of funding required to implement certain technologies within their organizations. Surprisingly, only 16 percent of companies said the chief executive officer (CEO) was the primary stakeholder for making IT investment decisions, and just 23 percent identified the chief financial officer (CFO) as the primary stakeholder.

While not minimizing the importance of CIOs and CTOs, this insight reveals that these investments are considered more IT capability enablers versus truly strategic business enablers that are driven from the top. For technology to significantly redefine the supply chain and contribute to the business strategy, we recommend that the CEO and CFO support more investments. At the same time, chief supply chain officers (CSCOs) and chief operating officers (COOs) can work with CIOs and CTOs to obtain sound guidance on the right technologies to enable leading-edge capabilities.

Man + machine

Michelin is using cobots, which can work flexibly side-by-side humans on manual tasks, on their factory floors. Employees can focus on more dexterous activities, while the cobots take on manual, arduous or physical tasks.
VALUE IS STUCK FOR SEVERAL REASONS

In addition to spreading investments “thin” and “wide,” this approach is struggling to create differentiated value. Almost half (47 percent) say the absence of a business case to integrate new IT has been a top three challenge. As with any transformation a strong business case will inform the right steps and key decisions to be made to enable change. Other challenges include inadequate skills within the workforce to drive value with new IT (45 percent) and a lack of compatibility with legacy systems (45 percent).

Companies must take a hard look at their existing skillsets and determine the right approach and balance for reskilling, leveraging ecosystem partners, hiring new talent and/or reimagining intelligent outsourcing to enable their vision. The future supply chain workforce will require greater end-to-end functional knowledge and skills as more cognitive computing and deep learning capabilities are applied to optimizing the entire enterprise.

Lack of senior sponsorship was the lowest-ranking challenge (see Figure 2). This is good news considering the aforementioned need for the C-suite to work together to unlock value from the supply chain by aligning IT investments with business strategy.

To achieve exponential value through IT, companies must measure value attained. Many CPG companies measure ROI on a cost-based business case. Instead, they need to place more emphasis on growth and differentiation. While this is not as easily quantifiable, the change can benefit the entire organization.

**Rapid production**

Voodoo uses combinatorial technologies—3D printing, robotics and custom software—to create an agile, iterative, design and production process. Without the time required to set up traditional production lines, Voodoo was able to respond to the fidget spinner craze two months before Chinese manufacturers entered the market.

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**Figure 2**

Top three challenges executives face while creating value with new IT across the supply chain.

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<table>
<thead>
<tr>
<th>% Ranking within Top 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence of a business case to integrate new IT</td>
</tr>
<tr>
<td>Inadequate skills within workforce to drive value with new IT</td>
</tr>
<tr>
<td>Lack of compatibility with legacy systems</td>
</tr>
<tr>
<td>Poor digital maturity of business partners</td>
</tr>
<tr>
<td>Reluctance of workforce to embrace new IT</td>
</tr>
<tr>
<td>Absence of clear business strategy to deploy and drive value with new IT</td>
</tr>
<tr>
<td>Lack of Senior Sponsorship</td>
</tr>
</tbody>
</table>

Accenture 2018 Research
Base: All Respondents
SUPPORT FUNCTION OR GROWTH FUNCTION?

The perceived role of the supply chain could also be a factor holding companies back from aggressive growth and differentiation. Accenture research showed that 69 percent still view the supply chain as a support function. They (61 percent) also believe the supply chain will continue to play the role of “cost efficiency driver.”

This mindset must shift before the supply chain can fuel profitable growth. The industry is beginning to think this way. Attendees at the annual Consumer Analyst Group of New York (CAGNY) conference this year discussed the supply chain as an important “growth enabler.” Our research offers hope that the function will be thought of more strategically in the future. Nearly half of CPG executives (48 percent) believe the supply chain will have the role of “competitive differentiator” by 2020. Just over half (55 percent) believe it will be a growth enabler and 67 percent see the potential for the supply chain to play a role in improving customer service (see Figure 3).

Fast and fresh

A diverse ecosystem of players across dairy, government, telecom and cold chain are facilitating fast and speedy dairy delivery from Australia to China. Using IoT sensors, they have reduced turnaround from three weeks to less than 36 hours.

Figure 3

How CPG executives perceive the future role of the supply chain.

By the end of 2020, what role will supply chain function play in your organization?

% Ranking within Top 3

- Support Function: Overall 69%, CO&S 76%
- Cost Efficiency Driver: Overall 61%, CO&S 65%
- Customer Service Provider: Overall 67%, CO&S 56%
- Growth Enabler: Overall 55%, CO&S 56%
- Competitive Differentiator: Overall 48%, CO&S 47%

Accenture 2018 Research
Base: All Respondents
To elevate the supply chain to play an important role in creating a differentiated customer experience, CPG companies must invest in new technologies that capture, sense and shape demand to deliver on increasing customer requirements. The pace and sequencing of these investments must drive faster time to market, and be unburdened from traditional long IT implementation timelines.

Companies are making it a priority to invest in enabling shorter lead times, collaboration capabilities, real-time planning and other areas that will help to meet the demands of today's consumers (see Figure 4).

**They are investing to:**

- **72%** Capture and integrate consumer insights into new product development
- **68%** Sense demand by combining consumer insight with external demand signals and artificial intelligence
- **64%** Distribute through direct-to-consumer channels

**Figure 4**

Investing in technology to meet customer requirements.

<table>
<thead>
<tr>
<th>How are you investing in your supply chain to support increasing customer requirements?</th>
<th>Top 2 Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling shorter lead-time distribution</td>
<td>70%</td>
</tr>
<tr>
<td>2%</td>
<td>36%</td>
</tr>
<tr>
<td>Investing in collaboration capability to improve integrated execution with key customers</td>
<td>66%</td>
</tr>
<tr>
<td>9%</td>
<td>28%</td>
</tr>
<tr>
<td>Supporting real-time planning and adjustments to customer requirements</td>
<td>64%</td>
</tr>
<tr>
<td>5%</td>
<td>32%</td>
</tr>
<tr>
<td>Delivering a high number of low-volume, highly targeted SKUs</td>
<td>63%</td>
</tr>
<tr>
<td>8%</td>
<td>28%</td>
</tr>
<tr>
<td>Tailoring the supply chain to meet dynamic need of different sales channels and customers</td>
<td>63%</td>
</tr>
<tr>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>Configuring/segmenting your supply chain model to service the needs of each customer</td>
<td>60%</td>
</tr>
<tr>
<td>9%</td>
<td>20%</td>
</tr>
</tbody>
</table>
CPG companies are taking strides toward creating flexible supply chain models that closely integrate traditional siloed supply and demand functions. In so doing, they can create greater visibility across their partner ecosystem and use non-traditional logistics to cater to increasing distribution complexity (see Figure 5). The optimistic responses of survey respondents are a good sign of new IT adoption, but it is early, and the sophistication and maturity of these capabilities will continue to evolve, as well as their application to supply chain processes.

**Figure 5**
Investing in technology to meet customer requirements.

<table>
<thead>
<tr>
<th>How are you creating a more flexible supply model to respond to increasing consumer and customer needs?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our operating model enables much closer integration between the traditional supply and demand functions</td>
</tr>
<tr>
<td>We are leveraging non-traditional logistics models to cater to increasing distribution complexity</td>
</tr>
<tr>
<td>We are building mechanisms to enhance transparency and efficiency of data exchange across ecosystem partners</td>
</tr>
<tr>
<td>We are investing in strategic partnerships to create a more flexible asset base</td>
</tr>
<tr>
<td>We use predictive modelling to drive replenishment</td>
</tr>
<tr>
<td>We use a virtual talent network to access the skills and capabilities we need, when we need them</td>
</tr>
<tr>
<td>We are improving integration between R&amp;D and manufacturing to quickly iterate new prototypes then commercialize and scale</td>
</tr>
<tr>
<td>We use AI to rapidly generate multiple design options and possibilities</td>
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<tr>
<td></td>
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</tbody>
</table>
NEW IT, NEW ERA IN SUPPLY CHAIN

Consumers are no longer just buying products and services in this digital age. They are buying experiences—and your supply chain can make or break those. When aligned with the business strategy, the supply chain powered by new IT will enable leading capabilities and differentiated brand experiences that help fuel growth.

But where to start? There is no one-size-fits-all approach since it should depend on the company’s business strategy, market position and challenges. However, there are four important moves that will help companies to achieve their North Star vision for the supply chain.

**Build the right strategy**
What does the business want to achieve through its supply chain? Improve customer service? Gain speed and agility? Elevate brand experiences? Identify the top business priorities and determine how new IT can enable the transformation.

**Identify the right new IT that will enable outcomes**
As our research indicated, companies don’t know where to invest in IT. Companies must determine which new IT will drive the right business outcomes and align with the strategy. Place sizeable bets on new IT that will differentiate and strengthen your most critical supply chain functions.

**Pick the right partners**
It can be difficult to go it alone through supply chain transformation. Ecosystem partners can help to maximize the value of the whole by sharing data and bringing to bear the best capabilities of each company. CPG companies have traditionally resorted to M&A, but ecosystem collaboration is essential to powering innovation that drives growth in the supply chain.

**Find the right people**
Finding the right supply chain talent is challenging. CPG companies must consider the balance of man and machine. What tasks can be automated, and which require human thinking, judgment and creativity? The core workforce can be upskilled to learn how to employ new IT in the supply chain. Where gaps in skillsets exist, businesses can reach out to their ecosystem partners to supplement existing resources.
BECOME MORE AGILE IN THE NEW

Deliver enhanced value. Drive efficient, profitable growth.

By evolving your operations with an intelligent supply chain that is smart, connected, innovative and agile from end to end, CPG companies can deliver enhanced value and drive efficient, profitable growth. An intelligent supply chain will enable them to deliver the right customer experiences and, ultimately, help to differentiate and grow the business. While there are many ways to begin supply chain transformation, the most important step is to get started now.

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