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RETHINK, REINVENT, REALIZE.

How to successfully scale digital innovation to drive growth

CONSUMER GOODS & SERVICES (CG&S)

INTO THE NEW

THE IDEA:
FIND INDUSTRY X.0 BEST PRACTICES!

OUR PREMISE AND RESEARCH QUESTION

When it comes to digital transformation, scaling innovation pilots is critical.

Yet many clients tell us that they are struggling with this very step – and feel that they might get stuck with “piecemeal projects” that don’t deliver significant value.g

Can we find key best practices that could help them overcome their challenges, and drive real change, for real new growth?

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SURVEY AT-A-GLANCE

n=1,350
companies with 1bn+ in revenue

60%
C-suite respondents

13 industries and **17** countries

CONSUMER GOODS & SERVICES AT-A-GLANCE

n=110
responses from companies with 1bn+ in revenue

62%
C-suite respondents

13
countries

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Source: Accenture 2019 Industry X.0 Survey

THE RESULT:
IT'S ALL A MATTER OF MANAGEMENT!

OUR KEY FINDINGS

Companies are scaling over 55 percent of all digital PoCs, but only about one out of ten companies are doing it successfully.

A SURPRISE!
(we didn't expect to find that many companies trying to scale!)

What's the difference? The leading 13 percent manage their scaling efforts differently.

Following the four best practices of these "Champions" is a recipe to succeed at innovating for digital transformation.

THE REASON TO READ!
(these best practices are what readers will come for)

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Q:

WHAT'S THE CURRENT STATUS IN SCALING DIGITAL INNOVATION?

A:

THINGS ARE SPEEDING UP – IN SURPRISING WAYS.

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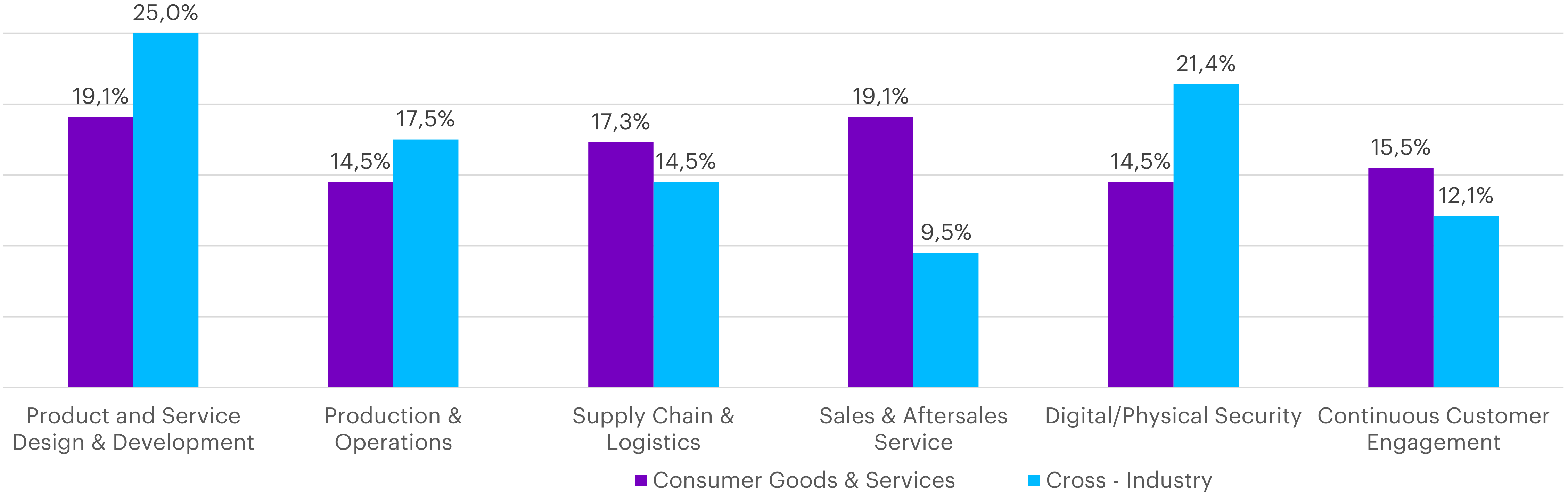
PRODUCT & SERVICE DESIGN AND SALES & AFTER SALES SERVICE ARE INNOVATION PRIORITIES CG&S COMPANIES

Product Design and Aftersales are obvious priorities for CG&S companies, as they focus on improving the end product and engaging with consumers throughout the lifecycle of the product

INNOVATION PRIORITY*



* "innovation priority" = percentage of respondents who are prioritizing digital innovation in these business areas

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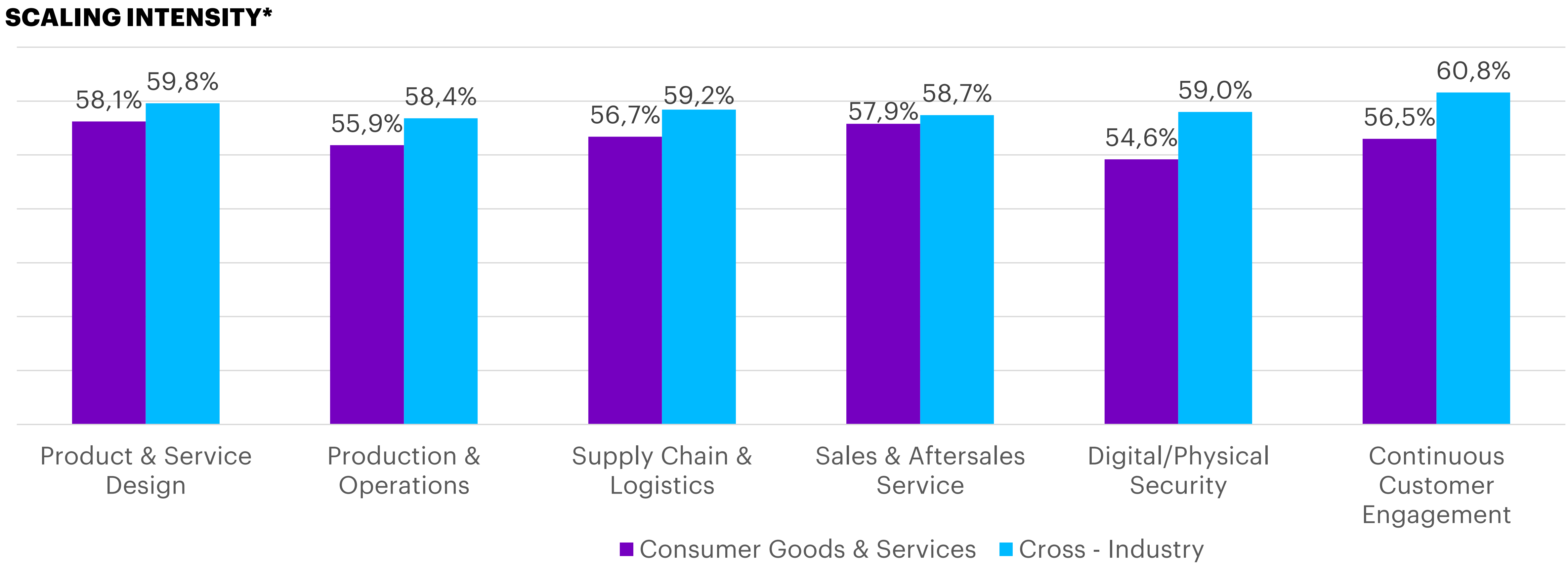
CG&S COMPANIES ARE SCALING DIGITAL PoCs ACROSS ALL BUSINESS FUNCTIONS



* "scaling intensity" = ratio of avg. number of proof of concepts scaled to avg. number initiated in each business function, across discrete and process industries.

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CG&S COMPANIES RECOGNIZE THE NEED FOR INNOVATING AT SCALE TO:

Engage with **customers through unique and personalized experiences**; and

Unlock **new operational efficiencies with robust supply chain & operations**

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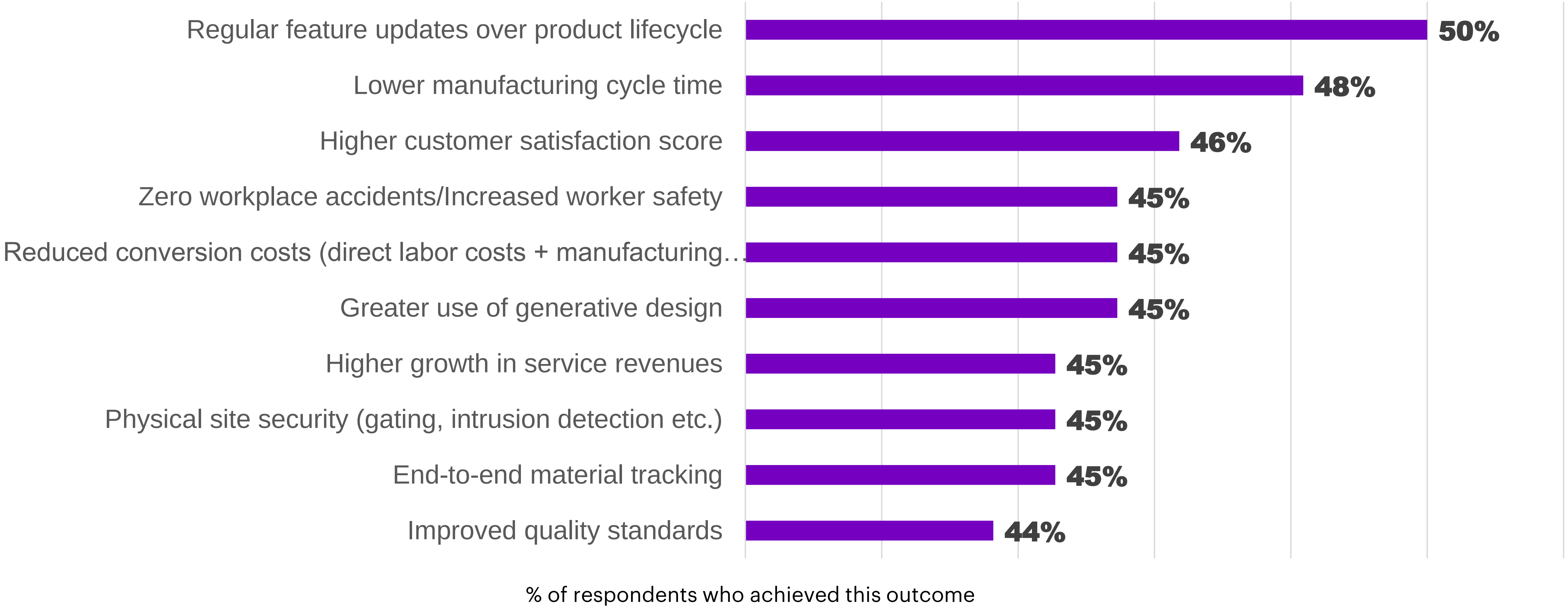
REGULAR PRODUCT UPDATES AND LOWER MANUFACTURING CYCLE TIMES AND ARE KEY OUTCOMES FOR CG&S COMPANIES...

Top 10 outcomes targeted by CG&S companies through scaling of digital PoCs



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Source: Accenture 2019 Industry X.0 Survey

…AND THEY ARE CHOOSING CLOUD, BIG DATA AND MACHINE LEARNING TO DRIVE THESE OUTCOMES

Top 3 technologies leveraged to facilitate scaling, by function

	PRODUCT & SERVICE DESIGN	PRODUCTION & OPERATIONS	SUPPLY CHAIN & LOGISTICS	SALES & AFTERSALES SERVICE	DIGITAL/ PHYSICAL SECURITY	CONTINUOUS CUSTOMER ENGAGEMENT
AI/AI-powered Automation				RANK 3		
AI Assistants						RANK 3
3D printing						
Mobility						
IIOT Sensors & Transmitters						
Immersive Experience	RANK 1					
Industrial Robotics		RANK 1				
Big Data Analytics						RANK 2
Digital Twin						
Cloud	RANK 2	RANK 2	RANK 2	RANK 1	RANK 1	RANK 1
Blockchain			RANK 3			
Autonomous Vehicles			RANK 1			
Machine Learning/Deep Learning	RANK 3			RANK 2	RANK 2	
Quantum Computing						
Cyber Security Protocols		RANK 3			RANK 3	

Source: Accenture 2019 Industry X.0 Survey

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Q:

WHAT ABOUT SCALING SUCCESS – DOES EVERYONE SEE IT?

A:

NO. SOME COMPANIES RACE AHEAD, OTHERS STRUGGLE.

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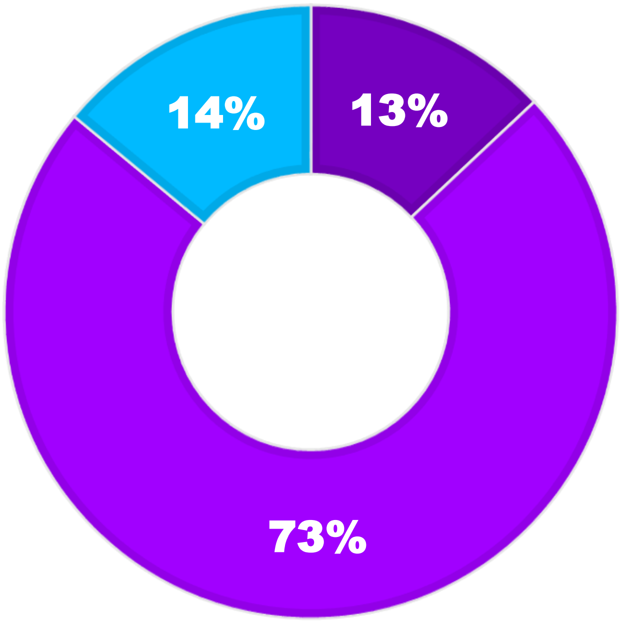
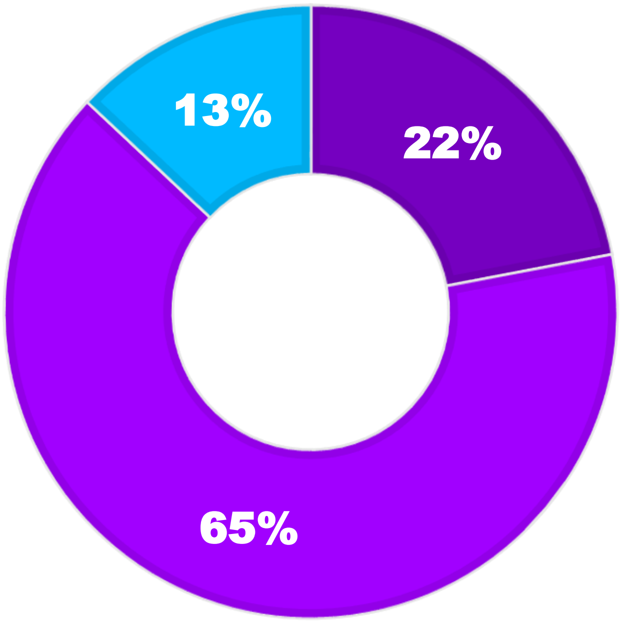
SO, WHO'S SCALING THE BEST?

The CG&S industry has a lower percentage of Champions compared to the global average

CG&S



CROSS-INDUSTRY



CHAMPIONS
Earn RODI higher than industry ROIC and industry RODI; scale more than 50% of their digital Proof-of-Concepts

CONTENDERS
Earn RODI lower than industry ROIC and lower than industry RODI; scale more than 50% of their PoCs

CADETS
Earn RODI lower than industry ROIC and lower than industry RODI; scale less than 50% of their PoCs

**Percentage of champions in each industry = 100 x (The number of champions in a particular industry)/(Total number of companies surveyed in that particular industry)

CG&S – Consumer Goods & Services

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Source: Accenture 2019 Industry X.0 Survey

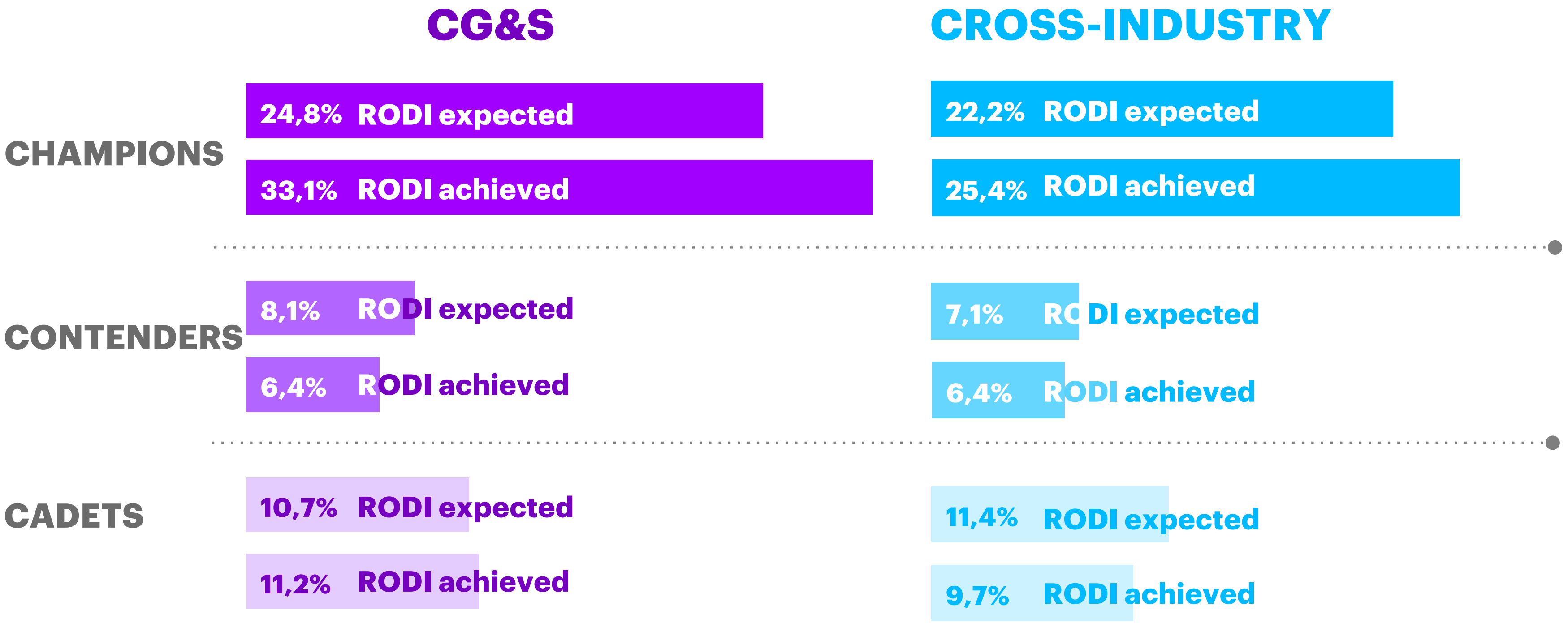
CHAMPIONS SET THEMSELVES HIGHER "RODI" TARGETS AND ACHIEVE THEM TOO

CG&S Champions achieved more than 5 times the RODI clocked by Contenders; proving that its not how much you scale, but how you scale that matters

Returns on Digital Investment (RODI)

RODI = Returns on Investment (Net Gain/Total Investment) from scaled digital PoCs across all the key business functions.

We asked executives about the average RODI they expected before scaling digital PoCs, and the RODI they finally achieved.



CG&S – Consumer Goods & Services

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Q: WHAT'S STOPPING CONTENDERS AND CADETS FROM BECOMING CHAMPIONS?

A: LIKE CHAMPIONS, CONTENDERS AND CADETS TOO FACE ALIGNMENT AND PROCESS DEFICITS. WHILE CHAMPIONS OVERCOME THESE, OTHERS CONTINUE TO GRAPPLE WITH THEM.

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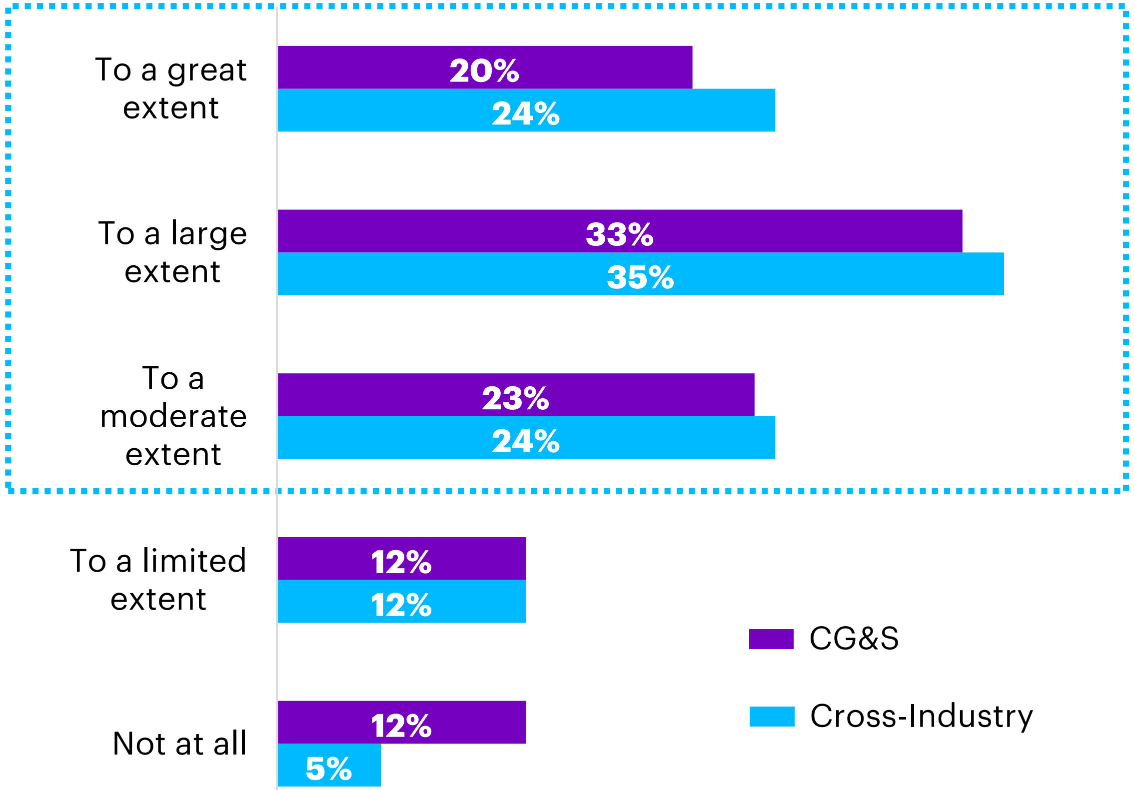
SECURING FUNDING FOR DIGITAL REINVENTION PROJECTS FROM THE BOARD IS STILL NOT EASY

EXTENT TO WHICH SECURING FUNDING FROM THE BOARD FOR DIGITAL REINVENTION IS A CHALLENGE



CG&S – Consumer Goods & Services

RANK	KEY REASONS WHY BOARDS OF CG&S COMPANIES REFUSE TO FUND DIGITAL REINVENTION
1.	Shortage of budget for capital investments
2.	Lack of a digital-native mindset among Board members; Inadequate ROI from digital investments; Shortage of and difficult access to digital skills
3.	Poor understanding of digital reinvention within Top Management
4.	Failure to scale digital PoCs in the past
5.	Foreseen immaturity of technology
6.	Lack of a clear digital roadmap

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Source: Accenture 2019 Industry X.0 Survey

ALIGNMENT CHALLENGES AND LACK OF PROCESSES ARE OF PRIMARY CONCERN

CG&S EXECUTIVES' TOP PICKS* FOR "BIGGEST CHALLENGES TO SCALING DIGITAL POCS"

Biggest challenge
Second biggest

	PRODUCT & SERVICE DESIGN			PRODUCTION & OPERATIONS			SUPPLY CHAIN & LOGISTICS			SALES, AFTER SALES SERVICE			DIGITAL / PHYSICAL SECURITY			CONTINUOUS CUSTOMER ENGAGEMENT		
CHAMPIONS (CH), CONTENDERS (CT), CADETS (CA)	CH	CT	CA	CH	CT	CA	CH	CT	CA	CH	CT	CA	CH	CT	CA	CH	CT	CA
Inability to align top and middle management to innovate customer value								Second biggest			Biggest challenge			Second biggest				Biggest challenge
Inability to align top management view on 'digital value'			Biggest challenge		Biggest challenge			Biggest challenge		Second biggest	Second biggest			Biggest challenge		Second biggest	Second biggest	
Inability to align legacy IT to digital talent and asset pools		Biggest challenge													Second biggest		Biggest challenge	
Inability to align in-house innovation with agile digital ecosystems		Second biggest	Second biggest	Second biggest		Biggest challenge												
Insufficient processes and metrics to assess the ROI on digital investments	Biggest challenge						Biggest challenge						Second biggest			Biggest challenge		Second biggest
Insufficient processes and metrics to systematically track digital investments						Second biggest			Biggest challenge				Biggest challenge					

- Other options which weren't picked and often included: "Insufficient processes and metrics to drive in relevant lessons from applications of digital technologies", "Lack of partnerships to handle deep data towards building a high-quality unified view of the customer and their needs", "Lack of partnerships to bridge digital gaps across processes and operations impacting the bottom line", "Lack of adequate skills to understand how the value chain they are supporting is being disrupted", "Lack of adequate skills to innovate with digital technologies and platforms", "Lack of adequate skills to translate digital proofs of concept into scaled-up action plans", "Inadequate infrastructure to manage complex integration of services channels and products to drive experiences in the 'new'" and "Inadequate infrastructure to promote collaborative innovation between the business and the enterprise".

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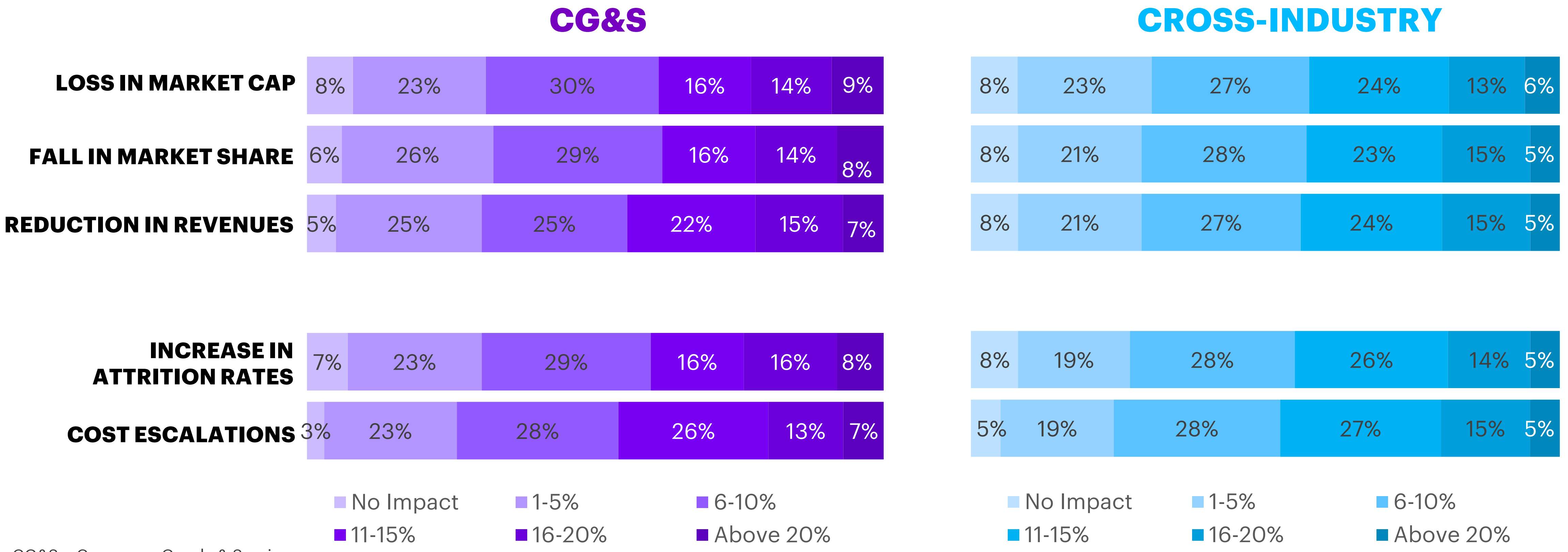
Source: Accenture 2019 Industry X.0 Survey

WHAT DO COMPANIES STAND TO LOSE IF THEY FAIL TO ORGANIZE FOR DIGITAL REINVENTION?

75% of CG&S leaders fear substantial escalations in cost (>5%) if they fail to overcome organizational challenges



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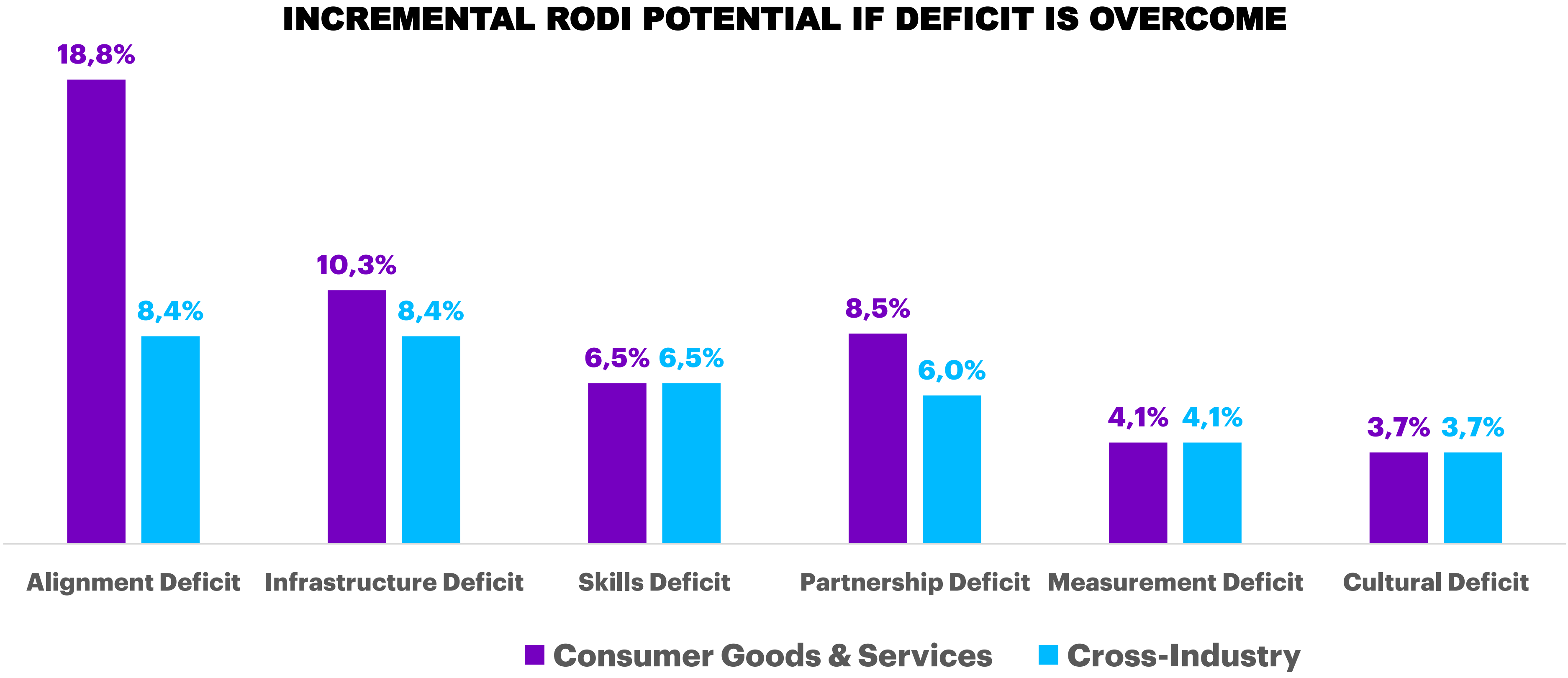
HOW MUCH CAN COMPANIES GAIN IF THEY OVERCOME THESE DEFICITS?

CG&S companies have the opportunity to achieve sizeable increase in RODI, if they focus on overcoming alignment deficits



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Q: HOW DO CHAMPIONS OVERCOME THESE CHALLENGES AND SCALE THEIR DIGITAL INNOVATIONS?

A: WITH 4 SPECIFIC BEST PRACTICES.

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1.

DEFINING THE VALUE THAT GUIDES INNOVATION EFFORTS

Champions assess the opportunities before them, and narrow in on the market opportunities they want to pursue. They then use that clarity to communicate with middle management and direct their innovation efforts to secure expected returns.

2.

FOCUS ON INTERNAL CHANGE AND EXTERNAL VALUE

Champions prefer a measured approach to blend organizational change with digital transformation initiatives, creating what we call an ambidextrous organization. With a clear view of the customer value, managers and employees are less likely to feel blindsided by a digital learning curve that is too steep.

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3.

4.

BUILD IN-HOUSE INNOVATION FACTORIES WITH TARGETED INFLUENCE

Champions recognize the enormity of integrating rapidly advancing technologies, along with talent and assets, back into their organization. In line with their ambidextrous approach, they take the vital step to re-rig the core of their organizations, seeding and growing new digital innovations organically within organizational boundaries.

MAP KEY INNOVATION ENABLERS TO APPROPRIATE BUSINESS FUNCTIONS

Most manufacturers use the same enablers to drive innovation, such as software applications to support operations, or analytics platforms to generate better insights. However, Champions alone are masters at matching the support to the function that needs it most and will use it best.

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Q:

IS THERE A ROADMAP TO MATURE AS AN ORGANIZATION TOWARDS SUCCESSFULLY SCALING DIGITAL INNOVATION?

A:

YES THERE IS...

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... WE HAVE BUILT ONE LEVERAGING FIVE KEY ORGANIZATIONAL LEVERS

- **LEADERSHIP & CULTURE**
- **ECOSYSTEM PARTNERSHIPS**
- **SKILLSETS**
- **TECHNOLOGY**
- **PLATFORM**

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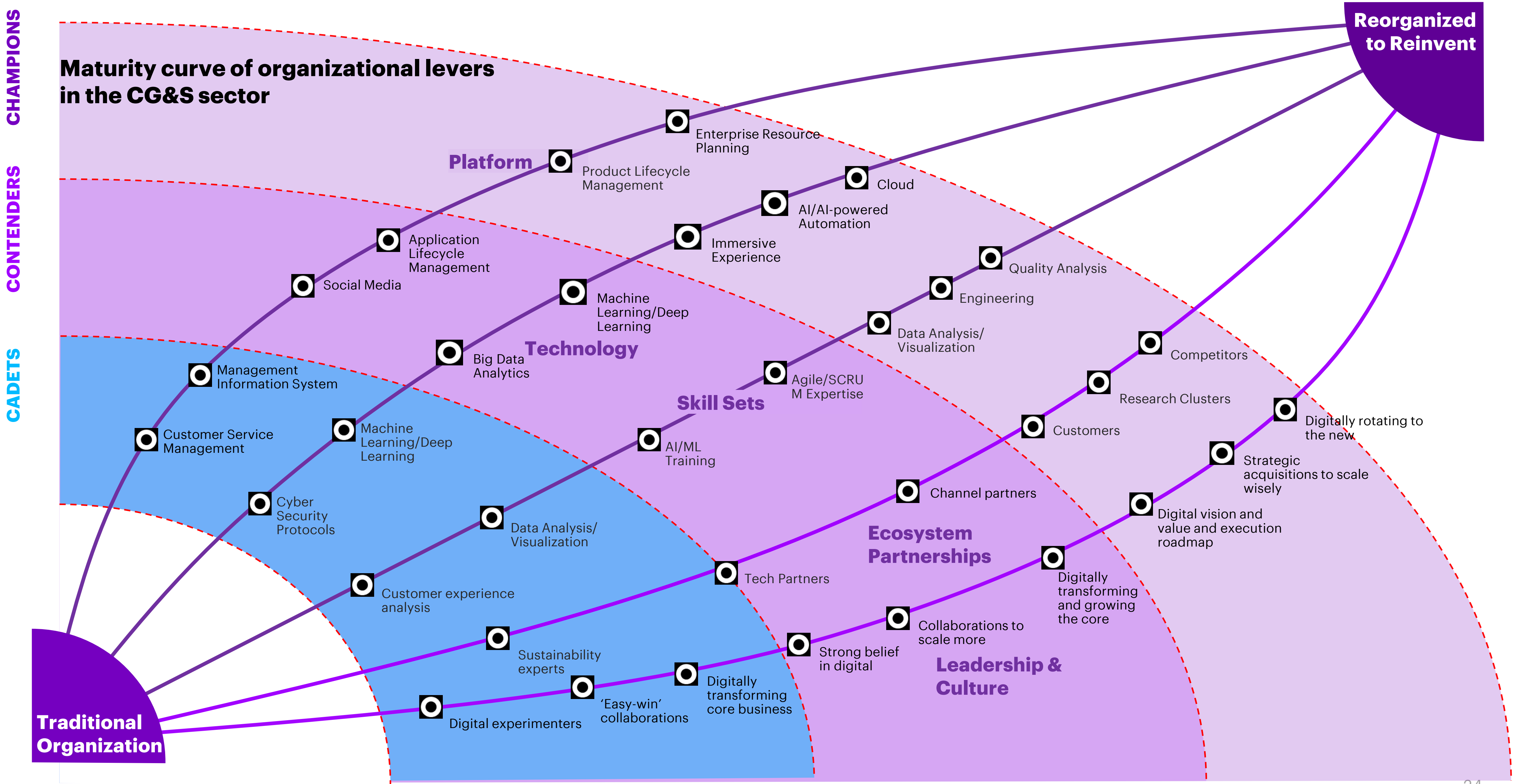
Maturity curve of organizational levers in the CG&S sector



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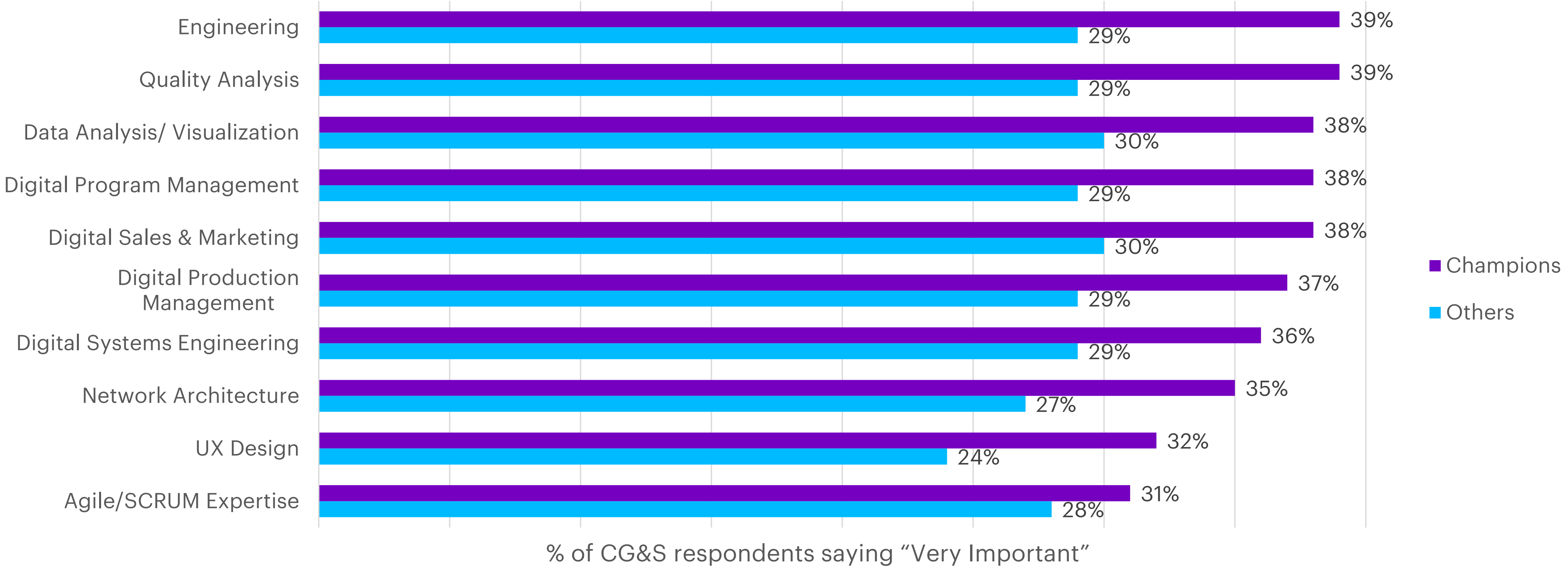
Source: Accenture 2019 Industry X.0 Survey

TOP 10 SKILL SETS FOR CG&S CHAMPIONS

Engineering, along with Quality Analysis and Data Analysis/Visualization, are critical skills to build and scale digital PoCs



CG&S – Consumer Goods & Services

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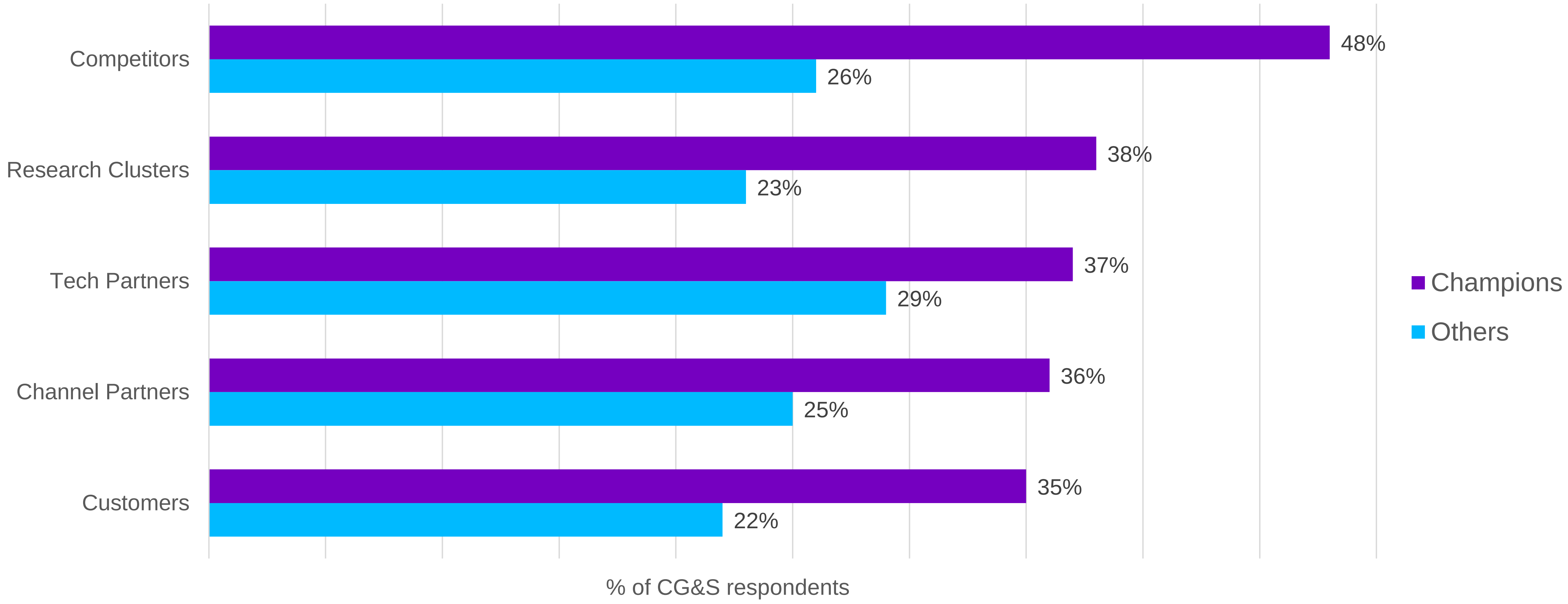
TOP 5 PARTNERSHIPS FOR CG&S CHAMPIONS

Competitors and Research Clusters are critical partnerships to build and scale digital PoCs



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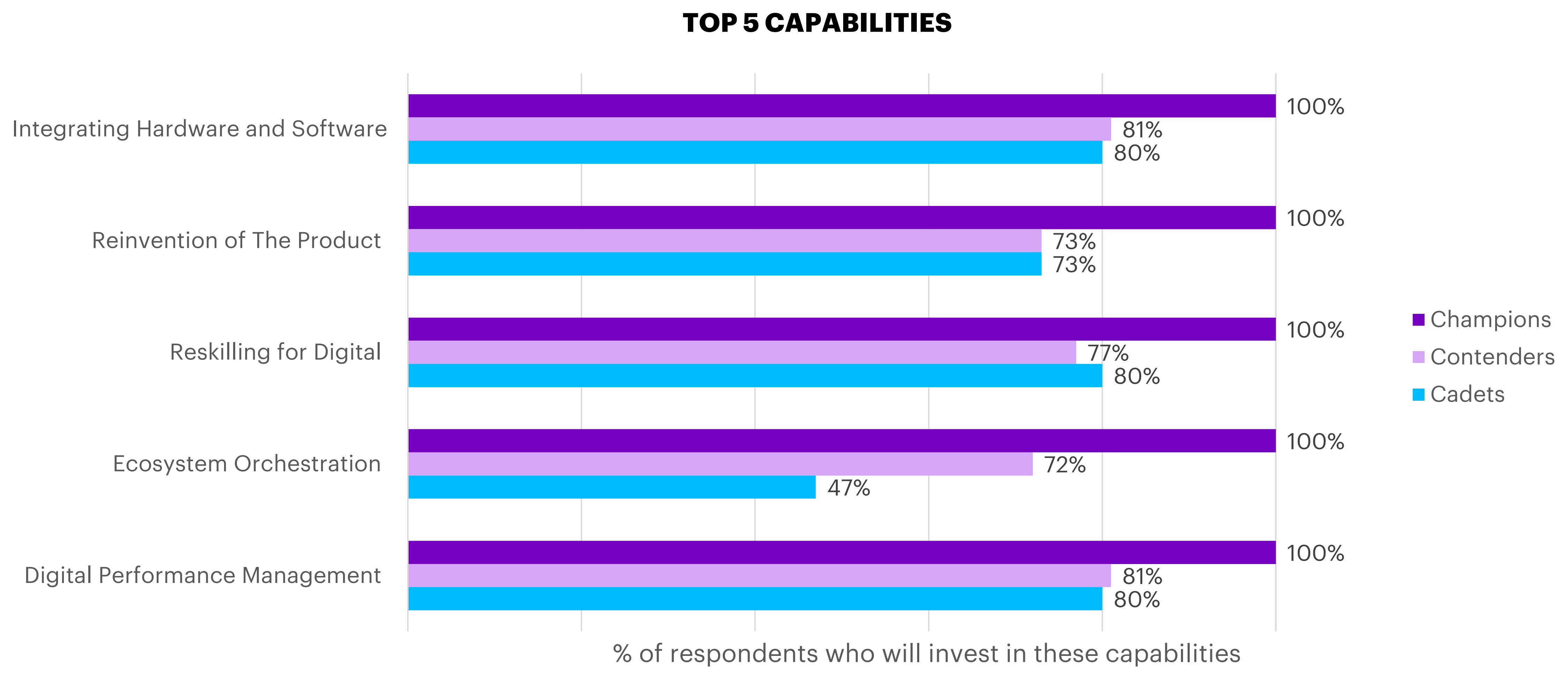
Q:

WHAT CAPABILITIES DO CG&S COMPANIES NEED TO BUILD AS THEY NAVIGATE ALONG THIS ROADMAP?

A:

CHAMPIONS PRIORITIZE CERTAIN CAPABILITIES, AND INVEST HEAVILY IN THEM

CG&S CHAMPIONS WANT TO INTEGRATE HARDWARE AND SOFTWARE AS THEY LOOK TO REINVENT THEIR PRODUCTS



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Striving to scale your own innovations?

Get in touch!

Whether you are seeking to start new initiatives the right way, help with scaling those you already have—we are ready to help you improve your outcomes by putting our knowledge to work! Please reach out to **raghav.narsalay@accenture.com** or **aarohi.sen@accenture.com** at Accenture Research, or visit **accenture.com/scaling-innovation**

References:

David Abood, Aidan Quilligan, Raghav Narsalay, and Aarohi Sen (2019), Rethink, Reinvent, Realize, downloadable from here.

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APPENDIX

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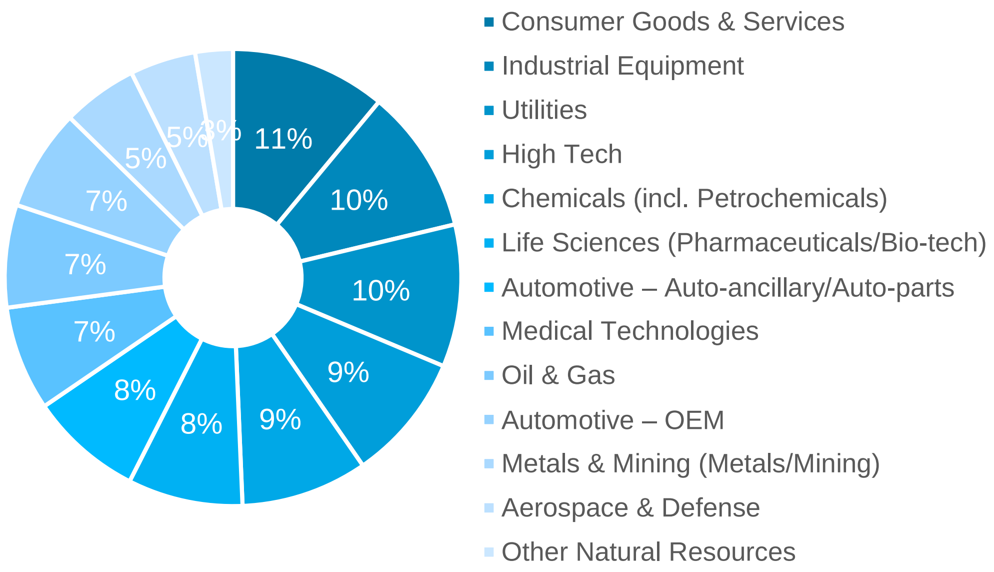
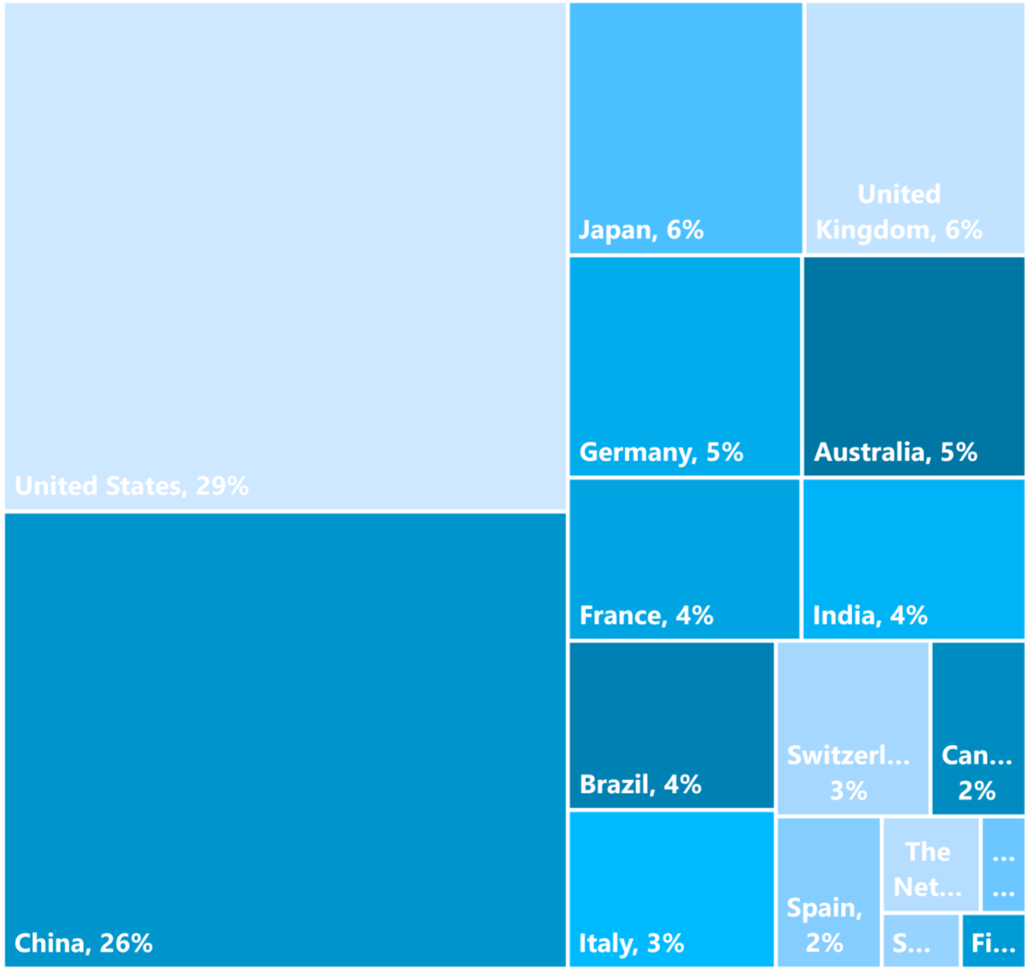
SURVEY DEMOGRAPHICS – OVERALL (n=1350)

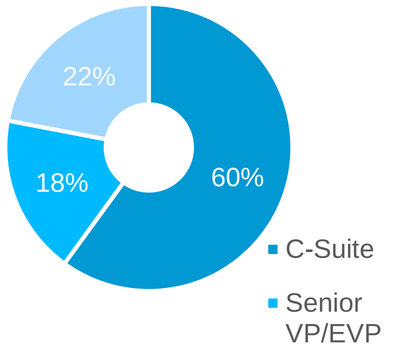
INDUSTRY



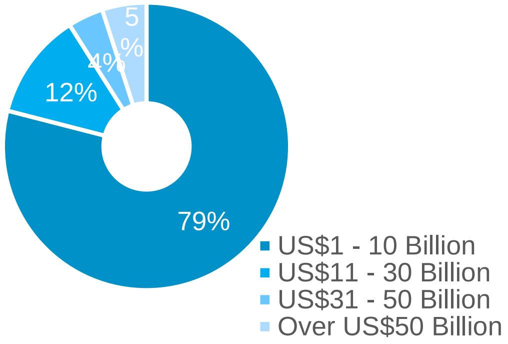
GEO-SPREAD



EXEC PROFILE



ANNUAL REVENUE



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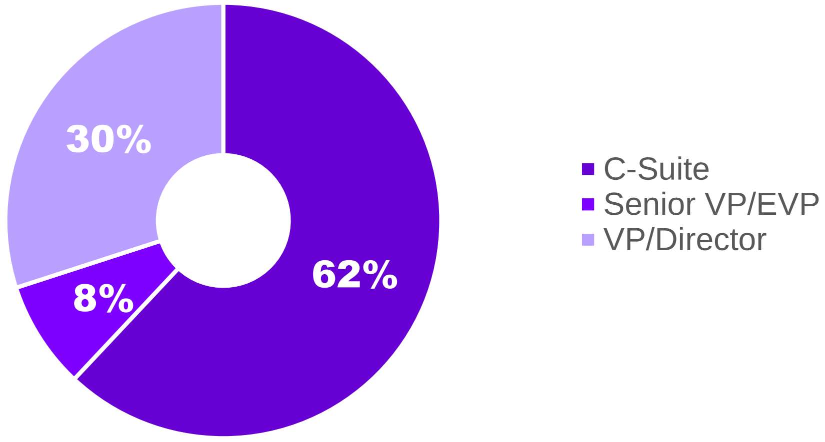
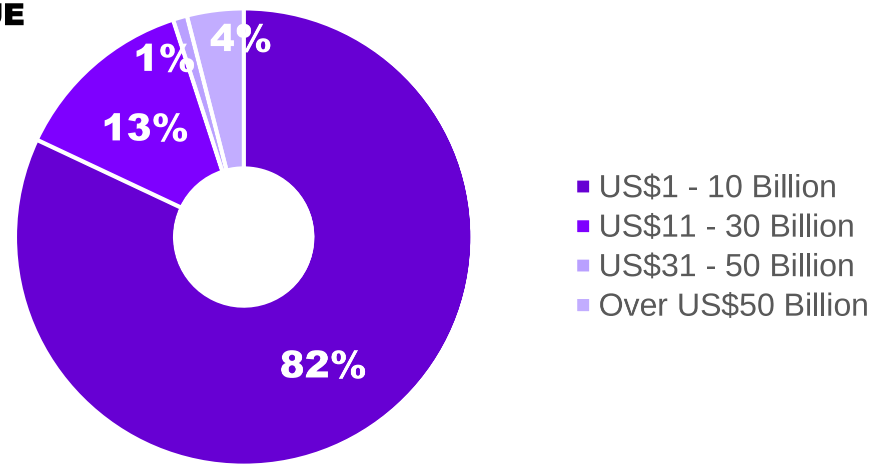
SURVEY DEMOGRAPHICS – CG&S (n=110)

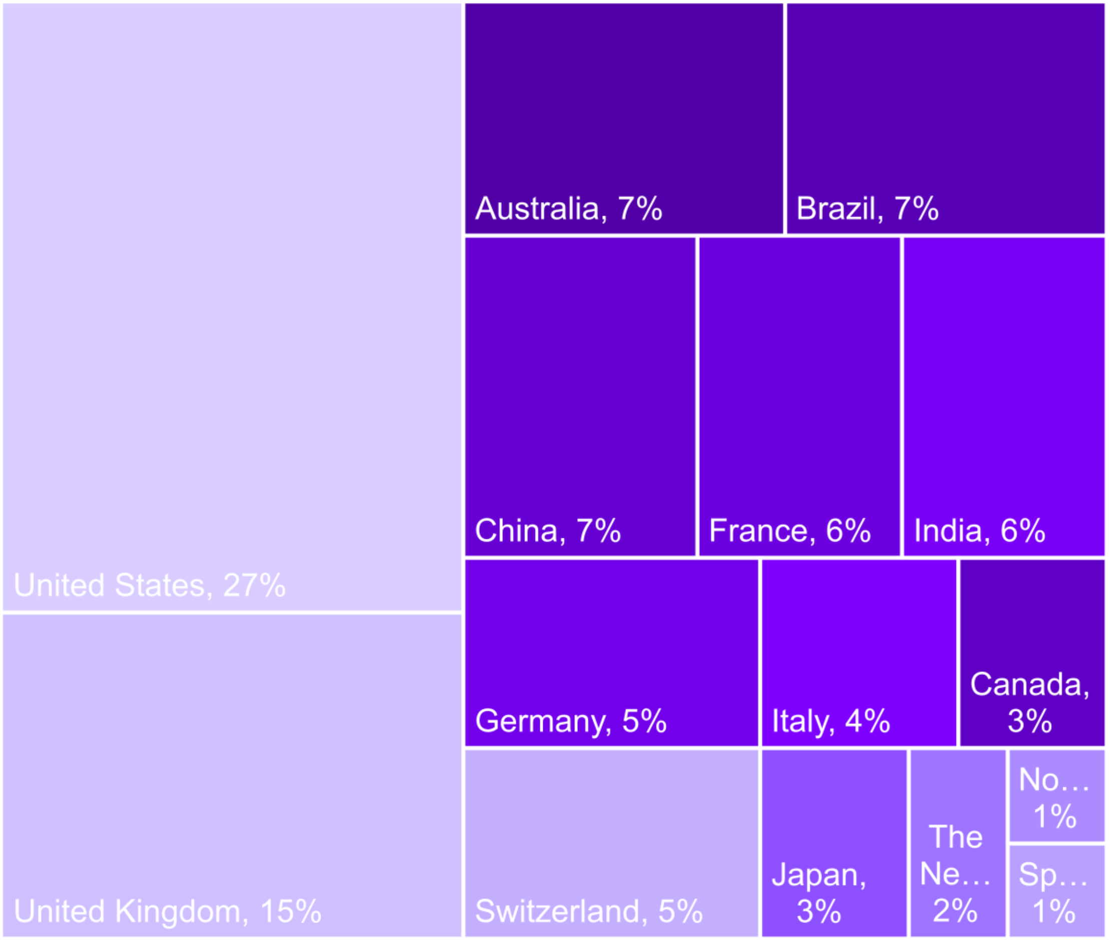
EXEC PROFILE



ANNUAL REVENUE



GEO-SPREAD



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