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# Soar through the cloud to drive growth in CPG



# Consumer packaged goods (CPG) companies today need to make bold decisions about how they will effectively compete in the future. The cloud has become essential to competitiveness, but businesses are not taking full advantage.







Many CPG companies have begun their cloud journey for IT cost savings. However, this approach inherently limits the benefits. When fully embraced, the cloud can dramatically increase business speed, flexibility and scale—in ways that were previously impossible or too expensive to achieve. It can allow CPGs to quickly connect and mine massive internal and external data sources for real-time insights that enhance decision making.

The cloud can be a catalyst for accelerating efficiency and working differently across the entire organization. It can enable breadth and speed of innovation, allowing companies

to quickly identify and seize new growth opportunities. For that to occur, the entire leadership team must understand and commit to the substantial business changes that cloud enables (see Figure 1).

This full adoption of cloud is something many CPGs struggle to achieve. In fact, Accenture research shows that 84% of cross-industry C-suite executives believe they must use data, advanced analytics and artificial intelligence (AI) to achieve their strategic objectives, yet 76% say they struggle when it comes to scaling these across the business.<sup>1</sup>

**Figure 1: What's different with the cloud**

					
<b>Connected data</b>	<b>New possibilities</b>	<b>Scalable @ speed</b>	<b>Simulation at your fingertip</b>	<b>Leapfrog in capabilities</b>	<b>Collaboration &amp; ecosystem</b>
Ability to integrate and manage different large data sets, combined with increased data security accuracy, synchronisation, curation, distribution and real-time reporting	Access to a full suite of new capabilities and products not available before and to state-of-the-art solutions supported by built in continuous enhancement	Adoption of adaptable applications to incorporate more rules, as the business grows and requirements change	Access to AI and ML capabilities in a seamless way via affordable parallel processing, the use of Big Data and access to improved ML algorithms. On-demand business intelligence and software-as-a-service (SaaS) is most commonly offered by cloud analytics	Advance business capabilities to quickly leapfrog and gain the same or more advanced business capabilities the unicorn and cloud native companies possess	Leverage cloud as a connector to the wider organization ecosystem. Improves collaboration across partners and the ability to share information with clients and customers

Source: Accenture

# Going all in on cloud advantages

Many CPGs are using the cloud, but they are stuck in the first phase of migration. They are either reluctant to make the next step, or they are unsure how to. Just a small percentage of CPG companies have realized the full benefits of increased revenues and margins (potentially hundreds of millions of dollars at stake).





By 2021, more than half of global enterprises already using cloud today will adopt an “all-in” cloud strategy.<sup>2</sup> Why so few and why is it taking so long? Several obstacles are preventing CPGs from tapping the full power of the cloud:

## IT focus

Many CPGs say they are “in the cloud,” yet they only have a very small portion of their workload there, and they are not extracting the full value of the data they have connected to the cloud. Most have migrated largely to reduce infrastructure/IT operating costs and, based on our experience, they can expect to lower their IT infrastructure costs by 25% to 40%.<sup>3</sup> But there are greater rewards to access when the business adopts cloud with greater intention. In addition to IT savings, what outcomes does the business want to achieve—and how can cloud enable them?

**They can expect to lower  
their IT infrastructure  
costs by**

**25% to 40%**

## Perceptions of benefits to date

Nearly two-thirds of executives said they haven’t achieved the results expected of their cloud initiatives to date,<sup>4</sup> with 65% reporting they have yet to realize the full impact they anticipated. Not surprisingly, they aren’t getting benefits beyond reduced nondiscretionary infrastructure costs because they have yet to commit to the bigger operational changes required, and they haven’t invested in the necessary organizational, talent and technology resources.

**65%**

**report they have yet to  
realize the full impact they  
anticipated**

## Perceptions of risk and complexity

The operational changes associated with a full transition to cloud are too intimidating for some, or they seem unachievable. According to our cloud research<sup>5</sup> among CPG executives, 46% said the complexity of business and operational change was a barrier to adoption. Many businesses don’t have the right skills and capabilities in-house. Teams must not only understand the technology, but also be willing to learn fast, fail fast and work in cross-functional teams to achieve outcomes.

**46%**

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When challenges are unfamiliar, it breeds anxiety among leaders. Full cloud adoption will only work if leaders have basic knowledge of the technology and, moreover, they understand cloud’s power as part of a broader initiative to help transform the business.

# CPG leaders must know why cloud, and then guide the journey











For many years, businesses thought of cloud as an IT initiative. The reality is that full cloud adoption—and the subsequent benefits—will only happen when business leaders commit to it. Cloud cannot be an initiative that is delegated. Leaders must treat cloud as a muscle to build, strengthen and maintain to drive business results.

When business and IT work together, they can build that muscle and achieve the greatest value on the fastest timeline. According to our cloud research, 42% of executives see misalignment between IT and the business as a barrier to full cloud adoption.<sup>6</sup>

Executives need to understand cloud's potential and then align their business priorities to what cloud enables. They should focus on where they can get quick wins as well as the greatest impact (since the latter can take time). When the C-suite understands where cloud unlocks potential across the value chain and where and when to expect value increases, buy-in is increased across the organization. With business and IT working together to shape and guide the journey, results happen across business areas (see Figure 2).

**Figure 2: Enterprise-wide cloud benefits**

	Product/ market strategy & planning	Consumer Marketing	Trade Marketing	Channel & Customer Sales	Product Development	Supply Chain Management	Manufacturing	Enabling Functions
								
Example Opportunity	Integrated business planning	Personalized consumer engagement	Intelligent revenue management	Digital customer experience	Innovation optimization	Intelligent Supply Chain	Smart manufacturing	IT Cost Optimization
<b>Benefits</b>								
Growth	●	●	●	●	●	●	●	●
Agility	●	●	●	●	●	●	●	●
Productivity	●	●	●	●	●	●	●	●
Sustainability	●	●	●	●	●	●	●	●
Security	●	●	●	●	●	●	●	●

Source: Accenture



## Marketing outcomes from cloud

CPG businesses need the flexibility and agility to adapt to changes in customer preferences, products and pricing. The cloud can help enable these changes along with cost savings across channels. For example:

### Revenue uplift

**6% to 10%**  
boost in online sales

### Cost reduction

**10%-18%**  
improvement in ROI  
through proper customer  
segmentation

**18%-30%**  
reduction in  
marketing expenses

**5%-10%**  
improvement in  
channel spend ROI

Source: Accenture analysis



A global quick-service restaurant (QSR) business was challenged by leadership to become a truly digital business within three years. With siloed pockets of unstandardized data and analytics capabilities primarily outsourced across multiple partners, it had struggled to scale digital products.

Though maintaining market position, it was under increasing pressure from smaller digital-born competitors that were deploying digital initiatives at scale. Accenture worked with the company to build and accelerate their data

and analytics capabilities in a cloud-native way, identifying around 30% savings on cloud computing costs along the way.

As an example of speed of insights, one of the products we and the client developed has reduced a business-critical daily report from seven hours preparation to 45 minutes. These are only the first steps on the organization's broad transformation journey to deliver 20% top-line growth over the next five years.

# Steps toward cloud competitiveness

The cloud journey takes time, but the rewards are worth the effort. These steps can guide a CPG in tapping the maximum value of the cloud across the business.



## **Treat cloud as a business—not IT—project.**

Business and IT leaders both must be on board and involved with cloud adoption. They can begin by collaborating on the overall strategy and vision, determining how cloud can enable business transformation and then rallying around that. CPGs should consider creating a new C-suite role that can stitch together the business and IT sides. Companies such as Estee Lauder and Pepsi have appointed a chief data officer. This person could play an integral role in guiding a cloud journey that is centered on business results.

## **Prioritize cloud pursuits.**

Start with the end state in mind. What new capabilities can cloud enable in the next two to three years? Where are speed and flexibility needed most? What business problems can the cloud help solve? Think about those goals and prioritize them based on their promise and potential value they can bring. These decisions will inform the overall path to the cloud along with short-term solutions such as which projects to pilot first. Then establish a cadence of rolling out use cases and measuring outcomes as you go.



## Migrate. Accelerate. Innovate.

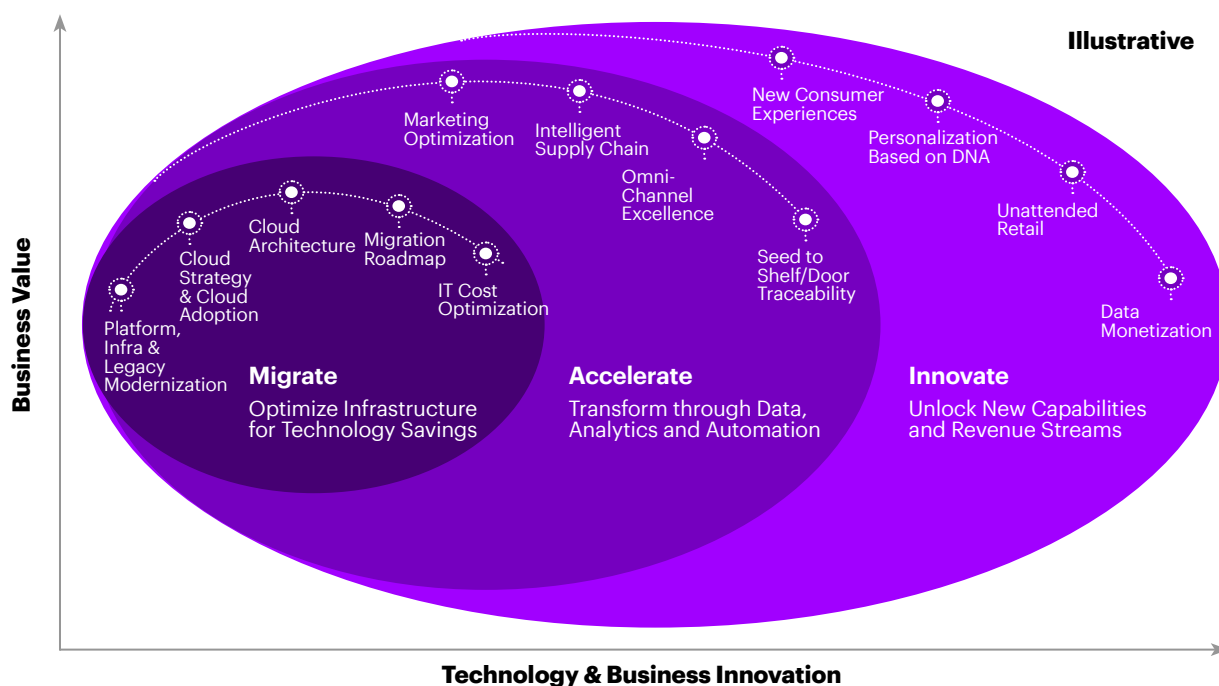
Unleashing the full power of cloud for innovation and revenue increases comes when the CPG business goes for full adoption (see Figure 3). The potential business impact increases from 10s of millions in “migrate” to 100s of millions in the “accelerate” and “innovate” phases.

Develop the migration and modernization plan on how to move to a business value-focused

cloud strategy by modernizing existing applications for the cloud, developing new cloud-native applications and transforming the architecture. Establish a governance model and change management plan to measure outcomes and create and sustain behavior change. Once behavior changes take hold and the culture embraces cloud, it creates that muscle that strengthens the overall business.

**Figure 3: Cloud journey**

### CPGs must approach their journeys to cloud with an agile, overlapping approach



Source: Accenture



Three years ago, a global leader in beauty and luxury was facing operational and cost challenges due to its legacy IT systems. Most importantly, the systems were impacting growth as their technology couldn't keep up with the company's rapid growth across brands and markets. With Accenture's help, the company migrated to the cloud. The company now has a scalable and flexible technology infrastructure at

a substantially lower cost. Business executives say the systems can now comfortably cope with growth and quickly adjust to volatile changes, such as what COVID-19 wrought. The benefits of cloud showed up clearly in their performance, where they outperformed their peers. This company expanded its market capitalization over 4 months during the pandemic (mid-2020), while its competitors remained flat or declined.



# Start from the end

It is no longer a matter of should a business take full advantage of cloud—the question is how soon can the business go all in to build competitive advantage? Full adoption of cloud should be people-powered and aligned to business goals to unleash the power of data and digital. Cloud, as part of a broader transformation, can help CPGs to become insight-led, consumer-centric, agile and innovative.

These multi-year journeys are not simple, but they are fruitful. When everyone across the business is on board with the move to cloud—and they understand the benefits—transformation can happen. And it can be a transformation that positions the business to be competitive today and for years to come.





## Contact us



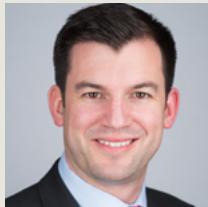
### **Oliver Wright**

Senior Managing Director,  
Consumer Goods & Services  
oliver.wright@accenture.com



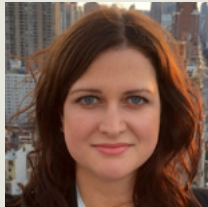
### **Marc Van Der Net**

Managing Director,  
Consumer Goods & Services  
marc.van.der.net@accenture.com



### **Gregor Davidson**

Managing Director,  
Consumer Goods & Services  
gregor.davidson@accenture.com



### **Liz Deninzon**

Senior Manager,  
Consumer Goods & Services  
elizabeth.deninzon@accenture.com

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