High Performance IT
Transforming IT to Enable a Digital Consumer Packaged Goods Enterprise

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Like never before, the digital revolution is bringing unprecedented change to the Consumer Packaged Goods (CPG) industry. Make no mistake: Digital is dramatic. It requires new ways of operating. And it can drive entirely new opportunities for growth and consumer engagement.

The CPG enterprises that leverage digital—and evolve their IT operating model, applications, infrastructure and security to support digital enablement of their business functions and processes—are most likely to emerge as high performers. However, recent Accenture High Performance IT research shows that CPG companies are currently lagging in IT innovation, agility and execution that will enable this digital transformation.¹

The digital trend is compounded by additional advances in technology, such as the ability for consumers to compare pricing across multiple retailers; the move toward eCommerce, which is giving consumers more direct access to products anytime, anywhere; and the consumer demand for highly personalized products and relevant one-to-one interactions.

At the heart of the digital revolution is a highly empowered, globally connected consumer base with rapidly changing expectations. CPG companies must stay one step ahead. In emerging markets, Accenture anticipates up to one billion new consumers from the newly affluent emerging middle market class, eager to buy products by 2015. To effectively reach these new consumers, CPG companies would need to establish up to 15 million new outlets.

Given these converging factors, the only economically viable and effective way for CPG companies to compete and win is to swiftly and fully embrace digital technology.
Digital operating model requires IT evolution

As covered in more depth in the Accenture point of view, “The Future of Consumer Goods—Moving From Analog to Digital” and a corresponding article in Consumer Goods Technology magazine, CPG companies will need to interact with consumers, suppliers and retailers in new ways in the digital era. Whether operating as a local company or as a super global/super local enterprise, enabling the evolution to a digital operating model is challenging, however, and will impact all aspects of the business, including processes, people and technology. (See Figure 1.)

FIGURE 1: CPG companies need to evolve operating models, processes, people and technologies to compete as digital disintermediators.
More specifically, digital transformation requires rethinking the corporate structure, consumer engagement model, product development processes and extended supply chain. At a functional level, it requires increasing collaboration across research and development, marketing, sales and store operations, supply chain, finance, and human resources. (This second step will become increasingly important for those upmarket brands looking to expand into the direct to consumer retail channel.) Finally, it requires modifications to IT systems, processes and services to enable all of these changes and to evolve to a digital CPG enterprise. (See Figure 2.)

**FIGURE 2: Digital requires significant changes in CPG operational capabilities across many different areas of the business.**
Today most CPG companies’ IT organizations are transaction and automation driven with a focus on back-end solutions to support operations. To enable digital transformation, there has to be significant retooling of the IT organization, applications, technologies and infrastructure to become relationship and experience-driven technologies. (See Figure 3.)

For example, CPG companies equipped for digital will have more routes to consumers through a multichannel approach: selling through traditional retailers, selling through eRetailers, and in some cases going direct to consumers through eCommerce. Digital also enables CPG companies to directly facilitate a purchase in one to two clicks, or leverage consumer service interactions for upsell opportunities. And CPG companies will be able to take advantage of advances in technology to make mass customization of products a reality. This will unlock the door to product co-creation, and eventually to entirely new innovations in product design and development. We are already seeing early stages of this phenomenon via websites that enable consumers to customize flavor, fragrance or color. To make these kinds of opportunities possible at scale, IT has to lead the way.

To make this progression, IT will need to shift the technology environment from being the enabler of efficient and effective processes, to the enabler of seamless and content-rich interactions with consumers, customers, employees, third-party suppliers and other stakeholders. Moreover CPG companies will need to leverage new technology platforms to flexibly and quickly develop and deliver new and constantly evolving capabilities to support interactions in research and development, sales, marketing, supply chain, consumer services and more. This approach can only work with a clear view of the digital architecture and the enabling building blocks, which includes an enterprise view of data, the flow of information and the ability to provide predictive analytics.

**FIGURE 3: CPG IT departments must evolve from a transaction/automation driven IT environment to a relationship and experience driven environment.**
Kick start IT evolution by learning from the high performers

How can CPG companies begin their digital IT transformation journey? One way is to assess the current state of their IT capabilities—both strengths and weaknesses—and determine how these stack up to high performers in the CPG industry or better yet across all industries.

According to the recent Accenture High Performance IT study, high performers are simultaneously pursuing four areas to advance the IT function and excel at IT innovation, agility and execution. These companies are 1) moving beyond cost containment as the primary imperative, 2) adopting a digital mindset, 3) recognizing that IT and the business are permanently intertwined, and 4) focusing on seamless and personal consumer relationships and experiences.

Although there are pockets of good news for CPG companies, the industry cut of the results shows that the majority are lagging in IT areas that will propel their digital transformation. Specifically, the results show high performers’ top three business objectives relate to improving the consumer’s experience, whereas most CPG organizations still focus on cutting costs and increasing productivity. To overcome this gap, CPG companies have to drive efficiency through IT and reinvest that money to support digital transformation, with their eyes centered on consumers. As it stands, high performers allocate 55 percent of their IT budget to deliver strategic business capabilities compared to 40 percent of CPG organizations.

In another survey finding, almost one-half of high performers are gaining the ability to embed analytics capabilities and feed consumer insights into their processes, versus six percent of CPG organizations. Even though they have a ways to go, CPG investments in predictive analytics capabilities are starting to pay off with 42 percent achieving some expected business value for expected costs.

Accenture also found that more than one-half of high performers are experimenting with and learning from early deployment of digital-related technologies: social, mobile, analytics and cloud, as well as virtualization, security and data management. CPG companies are doing well here with 29 percent in the experimentation stage. However, only three percent have already moved to a hybrid IT environment, and replaced components of their legacy architecture with private and public cloud alternatives.

Finally, as companies move toward the cloud and expand into mobile solutions, they also have to architect for security. More than a quarter of high performers are expanding the scope of their security and risk management functions—six times more than CPG organizations—to include their intellectual property, product innovation, and unique business or digital processes that provide competitive advantage.

Given these findings, the question for CPG companies becomes how to swiftly build future IT capabilities and deliver services to enable the business to achieve digital transformation. Investing early in technology skills can provide an edge.

Nearly one-fifth of high performers source their IT partners strategically (aligning business objectives and metrics, while also leveraging them as ecosystem guides), versus 10 percent of CPG organizations.

About the Accenture High Performance IT Research

The Accenture High Performance IT research is a global effort that measures organizations’ IT capabilities as an indicator of high performance. Accenture has been conducting the research since 2005, and to date has involved in-depth participation by more than 1,700 CIOs across 45 countries. For the fourth global High Performance IT research in 2013, we conducted assessments of the most senior IT executives in 202 of the world’s largest private and public sector organizations, and identified 13 high performers. The respondents represented a wide range of industries and geographies: 45 percent were from Europe, 19 percent from North America, 20 percent from Asia Pacific, and 15 percent from Latin America. The companies have combined annual revenues of over $2.4 trillion and include both Accenture clients and non-clients.
Follow an IT roadmap to 2020

Based on the CPG industry evolution and current state of IT capabilities, what does a CPG IT organization need to look like in 2020? Accenture recommends a phased approach to drive high performance IT through IT innovation, agility and execution and to achieve a digital transformation over the next six years. The first step is to understand the key differences in the overall technology landscape and how IT will need to operate.

Accenture believes more than 50 percent of future technology systems will be built for cloud-based delivery using software-as-a-service (SaaS), platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS) models. Currently most CPG companies are using legacy front-end and back-end solutions that are built using premise-based software packages running on dedicated infrastructure and accessed via a desktop or laptop device. In the digital future, mobility will need to be the primary use case instead. According to industry analyst Ovum, “mobile devices are increasingly becoming the first point of contact between a business and its customers (B2C), suppliers (B2B) and employees…and businesses will need to aim to provide a strong multi-screen, multi-channel experience.” As such, CPG companies will need to modify IT development processes to ensure that employees, customers, consumers and businesses partners can access internal or external systems from a tablet or smartphone, and that this access is available from an enterprise app store.

In addition, process integration and management will need to define how IT systems are built. Most CPG companies initially invested in transaction-driven technology to increase productivity and automate manual or paper-based processes. In the last three to five years, technology development has evolved to capture processes electronically and translate them more quickly into efficient and effective business solutions that support relationship and experience driven interactions. CPG companies will need to capitalize on this trend, embedding process integration and management into their IT system design processes to build digital solutions in significantly less time.

In yet another area, social elements—for example, internal collaboration tools, customer- and partner-facing systems, and consumer-facing tools—will need to be baked into business processes and applications in the next six years. In fact, industry analyst IDC reports that by 2016, 60 percent of Fortune 500 companies will deploy social-enabled innovation management solutions and by 2017, 80 percent of Fortune 500 companies will have an active customer community up from 30 percent today. As it is now, many CPG companies do not have an effective way to gather feedback from employees, consumers, customers or business partners. Enabling more direct, seamless and content-rich interactions with stakeholders through social media and workforce collaboration, and then using this input to improve consumer or partner satisfaction and accelerate product development are all critical aspects of the move to digital.

Finally, data will dominate the IT architecture. From 2005 to 2020, the digital universe—a measure of all the digital data created, replicated and consumed in a single year—will grow by a factor of 300, from 130 exabytes to 40,000 exabytes, or 40 trillion gigabytes. Tomorrow’s technology must be designed to capture information from enterprise and other big data sources, analyze it to determine what is useful and what is missing, and then use the results to refine processes and make data driven business and interaction decisions in real time. More often than not, CPG companies currently are collecting and storing data, but not effectively using analytics to leverage it into meaningful insights that improve outcomes.
FIGURE 4: As shown in this sample roadmap, CPG IT companies must simultaneously and quickly improve IT capabilities across all areas to achieve digital transformation.

PHASE 1 New Architectures/Journey Planning

Vision and Strategy
- IT and technology direction and roadmap
- Update/create process models/maps—Phase I

Architecture Roadmaps
- Enterprise architecture blueprints
- Business case options
- Journey roadmaps

IT Operating Model
- New sourcing strategy
- New operating models
- Revamp IT capabilities

Applications
- SaaS wave 1—horizontal
- PaaS pilot(s)—custom development and legacy migration
- Information strategy and architecture design and build

Infra-structure
- Virtualize infrastructure
- Optimize on-premise appliances
- Private cloud, IaaS(s) pilots
- Implement IT service excellence

Security
- Security strategy
- Threat and vulnerability management solutions
- Data loss prevention solutions

PHASE 2 Value Realization

Vision and Strategy
- Refine IT/technology direction and roadmap
- Update/create process models/maps—Phase II

Architecture Roadmaps
- Update EA architecture blueprints
- Refine business case
- Update journey roadmaps

IT Operating Model
- Sourcing implementation
- Full IT capability deployment
- Retool retained organization

Applications
- SaaS wave 2—vertical and core
- PaaS—complex custom development, hybrid architectures, legacy migration
- Build and deploy enhanced information management solutions/analytics

Infra-structure
- Full public and hybrid cloud
- IaaS operations management solutions deployed
- Extended virtualization—storage, network

Security
- Secure computing
- Security operations (global security operating center)

PHASE 3 Optimization and Future Value

Vision and Strategy
- Evaluate new technologies
- Proactive business and technology innovation
- Next wave vision

Architecture Roadmaps
- Evaluate leading enterprise architecture models and capabilities
- Preliminary enterprise architecture blueprint—next wave

IT Operating Model
- Optimize IT operations
- Continuous improvement
- Talent management

Applications
- Optimize hybrid SaaS/on-premise applications
- Pervasive BPaaS focus
- Intelligent applications leveraging analytics, information

Infra-structure
- Optimize/rationalize infrastructure
- Next wave pilot(s)

Security
- Proactive security management
- Next wave pilot(s)
Actions to jumpstart the journey

With the destination and technology landscape in mind, CPG companies will need to perform a number of actions to improve IT performance and successfully progress toward a digital future.

The first is ensuring that the right IT talent is in place, which may mean acquiring new IT resources, as well as retraining existing IT resources. Second, as they shift focus from maintaining old technology environments to building new digital solutions, CPG IT executives will need to rethink how IT is organized and sourced. This includes determining which existing internal IT competencies are core to supporting the business strategy, versus which ones are best filled by a trusted external guide that can deliver results faster.

Ideally, this external ally should be able to effectively sit at the intersection of industry, business process and technology, and complement the CPG company’s core competencies. It is equally important that the trusted guide has deep relationships with a broad set of service, software and hardware vendors in the ecosystem. This includes bringing a solid understanding of the new spectrum of digital technology providers to help CPG companies quickly vet, integrate and build the future digital solution set.

As for the roadmap, Accenture recommends a pragmatic, phased approach to transition from an existing CPG IT capability to one that delivers the necessary capabilities and agility to enable the digital enterprise. This can start with the development of the necessary strategy and target-state architectural blueprints and the enterprise-specific journey; progress to realizing value in key areas like the IT operating model, applications, infrastructure and security; and finally to optimizing across all areas and establishing methods to achieve continuous future value as outlined in Figure 4. Of course, we recognize that each CPG client situation is unique and will require some modifications to the roadmap based on their starting point.

In the first phase, CPG IT executives will need to address multiple areas at once: adopting a digital vision and strategy, updating IT blueprint documentation (See Figure 5 for an example of an application architecture blueprint), devising a plan for how to evolve applications, adjusting the IT operating model to take advantage of the company’s core competencies and leverage strategic partners where appropriate, and developing a business or IT sourcing strategy for the rest.

With these steps in play, CPG IT executives can then determine how to use retained IT staff to pilot and build digitally-based solutions that better leverage cloud technology, while also establishing the proper security to support a hybrid environment. The second and third phases continue this evolution. In many cases, Accenture offers methodologies, assets and starter kits to help our CPG clients accelerate the various phases in the digital transformation journey.

FIGURE 5: This example application architecture blueprint shows a set of end-state solutions, demonstrating how the IT organization supports the overall business strategy and direction.
Assess Your Company’s IT Capabilities

IT executives in CGP companies can assess their IT innovation, agility and execution capabilities against other companies in the industry, as well as high performers across all industries, by taking the Accenture High Performance IT survey independently. The online survey is divided into eight sections, each of which takes approximately 10–15 minutes to complete. If desired, Accenture can guide CIOs through the survey during a meeting; CIOs can also delegate sections to be completed by team members. A benchmark report of the results will be delivered via your main Accenture executive contact.

To take the survey, please contact renee.m.byrnes@accenture.com and sophie.j.mayo@accenture.com.
Start the IT journey to digital transformation now

By following a customized roadmap, CPG companies will be positioned to advance the IT function to support an array of digital functions and processes by 2020. Those companies that delay will lose organizational agility, customer share and competitive advantage.

In this digital future, IT solutions are built and maintained using as-a-service models and designed for mobility; process integration is at the core of each solution; social media is leveraged to better understand the full life cycle of the business and to improve consumer service, drive growth or support employees; and data analytics are incorporated at every step of the way.

Achieving digital transformation requires CPG companies to begin now on a multi-year journey with a new IT strategy, architecture, operating model and capabilities. Taking these bold steps can significantly improve consumer interactions, increase customer growth and boost profits—all of which ultimately help deliver high performance.
About Accenture Consumer Goods & Services

Our Consumer Goods industry professionals around the world work with companies in the food, beverages, agribusiness, home and personal care, consumer health, fashion and luxury, and tobacco segments. With decades of experience working with the world’s most successful companies, we help clients manage scale and complexity, transform global operating models to effectively serve emerging and mature markets, and drive growth through evolving market conditions. We provide end-to-end business services as well as individual consulting, technology and outsourcing projects in the commercial and supply chain areas, enterprise solutions and integrated business services. To read our proprietary industry research and insights, visit www.accenture.com/ConsumerGoods.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 281,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

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