Finding Fuel for Growth in Consumer Goods

The consumer goods industry has been in a state of slowing growth and therefore on a journey to get lean to be more profitable. Forty-two percent of survey respondents are in the process of designing for growth by optimizing costs and expect completion within a year, and 61 percent anticipate their journey to be completed within the next 6 to 12 months.

Although a majority of consumer goods companies have reduced costs and made operations leaner, it’s time to pivot to growth. Funding investment in profitable growth will keep consumer goods companies competitive in the fast-changing digital age. Digital has already disrupted the consumer goods industry and it will continue to do so. Now, businesses need to restructure their operating model to be more agile, responsive and engaging to seize the opportunities of the future.

Accenture globally surveyed consumer goods executives and investor analysts.

Investor analysts do not believe the consumer goods industry needs to focus on cost management at the moment.

Emerging markets are growing, so they are accepting higher costs now

They are reluctant to see costs become too lean as it puts brand reputation and market share at risk

The longest standing sub-sectors, such as beer and spirits, have already become as lean as possible
On the Road to Growth

Consumer goods companies are looking for new ways to be competitive and fuel profitable growth.

82% believe that digital strategies (e.g., insights-based, real-time, customized, scalable) enable advanced operating models

1/3 are focused on investment in growth

9 in 10 reserve between 10% and 50% of their savings for reinvestment

40% prioritize the reinvestment of cost savings in alignment with business strategy

Consumer Goods investor analysts are expecting companies to continue investing for growth through Capex, R&D and diversification into new markets.

Growth Hurdles

While 78% of consumer goods companies plan to funnel cost savings into growth and have enterprise-wide strategies in place, several factors are getting in the way of progress.

Top Challenges

55% Availability of the right talent

53% Identifying the right areas to invest

Having "too many concurrent growth initiatives" was cited as the #1 challenge by 1/5 of respondents.
Definitely Digital

Consumer Goods companies must use digital to create a holistic view of the consumer across brands, categories, channels, and the entire value chain. Such a view enables companies to push the right offer through the right channel and engage often in a meaningful way to win consumers and build loyalty.

Investing in digital

Consumer goods companies are investing wisely in digital—not just in new capabilities, but also in areas that can drive transformation.

Most common direction for reinvesting cost savings:

- **58%** Digital technologies
- **55%** Launching new products and services
- **49%** Expanding into new product/service lines or consumer segments

More than half “strongly agree” that digital is an enabler of strategic growth.

According to analysts, technology is helping to reduce marketing costs through the use of digital and social media.
Ready for the Future
Consumer goods companies need the right talent, operating model and capabilities to fuel success in the digital world—and in the future. These recommendations show the path forward.

Cultivate talent
Consumer goods companies need to attract and motivate talent that understands the next generation of buyers. They also need digitally savvy talent to help build the organizational capabilities needed to create a more agile operating model, and support the business’ evolution to a digital enterprise.

Get leadership on board
Leaders must be in alignment on the growth agenda and they should champion digitally enabled transformation that will fuel growth.

44%
44% say company culture, 40% say leadership misalignment and 33% cite lack of the right talent as barriers to advancing the company’s operating model

Only 22%
have the utmost confidence that leadership has the appropriate investment and growth initiatives in progress to help achieve business goals
Create flexible operating models

Pursuing digitally enabled operating models can help fuel growth and provide the flexibility needed to respond to fluctuating market conditions and consumer demands.

82% believe digital strategies are an enabler of advanced operating models

Only 1/4 strongly believe that their company’s operating model is aligned to fuel strategic growth initiatives and can support these activities across the enterprise

Only 15% strongly agree their company’s operating model is able to rapidly respond, by growing or contracting and pivoting to changing market conditions

Enhance Digital capabilities

Consumer goods companies are reinvesting savings in digital to gain the agility needed to maximize data and capture consumer insights.

35% Consumer and trade focused digital capabilities (35%) are a primary focus for reinvestment strategy

29% Enhanced analytics capabilities

22% Digitizing operations

As consumer goods companies aim to drive profitable growth they must digitally enable themselves to:

1. Beyond offering products, get closer to target consumers by engaging in meaningful and targeted ways.
2. Become digital-savvy organizations that attract the next-generation workforce.
3. Operate more efficiently and responsively to shifts in consumer demand.
About the Research

Accenture conducted quantitative research across 700 executives in 13 industries and nine geographies to analyze the challenges and opportunities associated with creating cost-competitive operating models and reinvesting in growth. In parallel, Accenture interviewed 65 industry analysts across these industries to understand what external stakeholders measure, value and expect from the companies they cover. Results are available in the report: “Increasing Agility to Fuel Growth and Competitiveness”, Accenture, 2016.

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