Driving growth and competitiveness:
Eliminating the disconnect between sales and supply chain

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In a conference presentation last year, Unilever VP-Global People Data and Marketing Analytics, Shawn O'Neal, said “I'm not losing share to P&G and other packaged goods companies. I'm losing it to small players who are finding niche products.” Consumer packaged goods executives around the globe felt O'Neal's pain.

Omni-channel and direct-to-consumer supply chain strategies are growing exponentially, combined with a level of customization unheard of just a decade ago. Choice has extended beyond the actual product to the buying experience and delivery method, as in-store sales continue to be usurped by e-commerce. By 2020, B2C will surpass B2B in terms of parcel volumes in Asia and in North America. Click-and-collect services continue to grow in excess of 60% year-on-year for department store John Lewis, while Tesco has reported that—at key trading periods—over 70% of general merchandise online orders have been collected within its supermarkets.

To drive growth and stay competitive, consumer goods companies must forego the one-size-fits-all approach, from product design to ordering and delivery preferences. The key is to establish a unique set of products and services for consumers, coupled with a seamless and dependable buying experience. In addition to the consumer, companies must not overlook their customers as omni-channel and direct-to-consumer strategies are put in place. Solving this equation for both consumers and customers is becoming increasingly complex to achieve.

Supply chain executives have a unique opportunity to contribute to the overall business by transforming their operations into growth-enabling engines; segmenting and customizing the way they respond to market needs to take full advantage of the market opportunity. But they cannot do it alone; they will need to call upon their marketing and sales counterparts to succeed.

76% of executives are not satisfied with overall supply chain performance.
Innovate together or die alone

Increased integration and communication between supply chain and marketing/sales teams is essential for success in meeting the bevy of new consumer demands. Chief marketing officers (CMOs) are more than aware of the new normal. Almost two-thirds of them identified Direct to Consumer/Omni-channel as the greatest challenge for their supply chain, with 60 percent identifying “greater product variations delivery” as the second greatest challenge (Figure 1).

Figure 1. What are the greatest challenges for your supply chain function?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>CSCO</th>
<th>CMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct to consumer / omni-channel market</td>
<td>44%</td>
<td>64%</td>
</tr>
<tr>
<td>Greater product variations delivery</td>
<td>54%</td>
<td>60%</td>
</tr>
<tr>
<td>Increased supply chain complexity</td>
<td>42%</td>
<td>70%</td>
</tr>
</tbody>
</table>

“About three out of every four executives think their supply chain and sales & marketing functions are misaligned when it comes to responding to market needs.”

Chief supply chain officers (CSCOs) are lagging behind their marketing counterparts; about three out of every four executives think their supply chain and sales & marketing functions are misaligned when it comes to responding to market needs. This misalignment jeopardizes the ability of consumer goods companies to innovate and grow by taking advantage of this significant marketplace opportunity. So much so that we believe until that disconnect is fixed, significant profitable growth and business competitiveness is at risk in companies that have not addressed the issue.

When sales, marketing, and supply chain teams come together, it is generally in tactical sales and operations planning (S&OP) discussions on sales volume and inventory availability alignment rather than for strategic innovation, market shaping and responsiveness. Profitable growth in the digital era is not going to result from just optimizing supply and demand for products.
Instead, consumer goods companies need to change the way they work and structure themselves to enable sales and marketing to address changing consumer expectations. Supply chain capabilities play a key role in meeting those expectations; sales and supply chain must come together in a more integrated fashion.

Their combined focus should be on rapidly creating innovative product and service bundles, establishing strategic new ways to go to market that address individual customer needs. Simultaneously, they need to maintain operational excellence, ensuring the right product is at the right place at the right time.

The report card for most companies thus far is not encouraging, with 76 percent of executives not being currently satisfied with overall supply chain performance.5

Hope is on the horizon, as we see the emergence of new integrated organizations that contain components of the demand side (sales), customer service and the fulfillment portion of the supply chain. With these new integrated organizations, companies are overcoming the issues that are caused by misalignment.

Figure 2. Strengths of an integrated supply chain and sales/marketing organization.

- Designing the value proposition around the needs of specific customer/consumer segments based on a 360° view of the organizations capabilities
- Aligning customer service, order management and fulfilment operations to support the value proposition
- Developing multidisciplinary teams and joint KPI's that ensure the value proposition is delivered as promised
- Creating visibility on the cost-to-serve across segments to drive continuous improvement and better decision making
Savvy consumer goods companies are using the emergence of the new Direct-to-Consumer (D2C) channels to enable these changes. Additionally, they are establishing integrated analytics organizations to capture the vast amount of digital data available. These emerging, cross-functional centers of excellence help integrate typically disparate functions, allowing for more continuous integrated decision making.

**Efficient is no longer sufficient**

Most CMOs are measured on revenue and growth, while most CSCOs are still measured on cost efficiency and service level metrics. Tighter alignment between the metrics and priorities of the CMO and the CSCO is critical to incent supply-chain-driven growth through innovation.

This tighter alignment is a first step toward driving a necessary mindset change for many CSCOs. Over half (56 percent) still see the future as “providing anytime availability of products and services.”

The disconnect between sales and supply chain priorities becomes even clearer when one considers that 42 percent of CSCOs still prioritize cost efficiency as their top area for improvement, while 50 percent of CMOs prioritize technology and supporting innovation as top areas for the supply chain function.

**Figure 3. Misalignment between CMO and CSCO.**

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Supply chain challenges</th>
<th>Supply chain priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CMO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>Direct to consumer/omni-channel market</td>
<td>Technology</td>
</tr>
<tr>
<td>Growth</td>
<td>Greater product variations delivery</td>
<td>Supporting innovation</td>
</tr>
<tr>
<td><strong>CSCO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost efficiency</td>
<td>Increased supply chain complexity</td>
<td>Cost efficiency</td>
</tr>
<tr>
<td>Service line performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Bringing priorities and metrics into alignment is a logical first step, but for long-term success, a host of operational and organizational changes are required to set up new combined or integrated teams. These teams need to enable the level of segmentation, customization and responsiveness that customers and consumers now demand. Driving these changes will be an integrated process, in which everything from design to manufacturing and distribution will be taken into account. Rather than a different department managing each step of the process, there will be integrated teams responsible for the end-to-end processes, plotting it out with contingencies, insuring it moves from step to step as seamlessly as possible—and eventually as automated as possible.

You are only as good as your ecosystem

For consumer goods companies to effectively bring their new products and services to the market, they will need to embrace D2C and omni-channel strategies in collaboration with retailers, distribution partners and digital service providers in a competitive business ecosystem. No one organization can handle the increased complexity these strategies bring without a web of partners.

The issue? Most consumer goods companies lack the critical supply chain capabilities allowing them to effectively support new channels and new routes-to-market. For success, CSCOs need to expand their vision of the supply chain from fulfilling demand to enabling and supporting D2C and omni-channel strategies.

Capabilities such as segmentation, end-to-end visibility and complex scenario modelling (i.e. control towers) become essential in the digital organization’s ecosystem. Today, most companies have a view of the inventory, transportation expenses and manufacturing costs that exist within their own four walls and typically manage them separately. Now, they will need to have a view of these same things in an ecosystem that extends beyond their own four walls. Integration becomes more essential than ever; with the complexity an ecosystem brings, supply chain and marketing/sales teams must coordinate for success. Capabilities such as control tower visibility, enhanced analytical planning and flexible infrastructure are key; major initiatives and planning in each area should be done jointly.

Most consumer goods companies need to expand their vision of the supply chain from fulfilling demand to enabling and supporting D2C and omni-channel strategies.
With the D2C channel becoming more prevalent, companies will need to work with partners on aspects such as order management, customer service, warehousing and distribution. Inventory strategies will be more complex because drop-off points are more complex. Additionally, consumer goods companies must not look beyond their customers as they pursue D2C strategies with consumers. They will need to better adapt to their customers evolving needs as they roll out D2C strategies as well.

Understanding the transactions occurring within every node of the business ecosystem is essential. For many CPG companies, this is still a tall order.

Only **30%** of CPG companies report using digital technologies to drive perfect order and perfect delivery programs with retail partners.
Connecting sales and supply chain

The market is forcing CPG companies into a new way of working. The future growth leaders will:

Build a fully integrated operating model, bringing supply chain and sales/marketing into alignment. This model should bind the CMO and CSCO to work more closely together on innovation and operations. It insures that supply chain executives are included as the growth agenda is planned, and that the impact of that growth strategy on supply chain capabilities is assessed.

Shape the strategy in an integrated fashion. Bring the CSCO into the route-to-market discussion so current and future supply chain capabilities are considered as the omni-channel and D2C strategies are shaped.

Leverage partnerships.
As D2C channels become more commonplace and specialized consumer needs expand; a strategy that leverages a web of partners to enable capability quickly and flexibly will be essential.

These are solid first steps toward becoming an organization that is capable of meeting consumers’ ever growing demands for products designed the way they want, delivered when and where they want them. Integrating supply chain and sales & marketing functions will fuel the growth engine CPG companies are looking to build.
Notes


4 CPG Sales and Supply Chain Pulse Survey, Accenture, 2015


6 Ibid

7 CPG Sales and Supply Chain Pulse Survey, Accenture, 2015

8 CPG Sales Channel Leaders Go Multichannel, commissioned study conducted by Forrester Consulting, Inc. on behalf of Accenture, 2014

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