

WHAT'S DRIVING CONSUMER GOODS & SERVICES TO CLOUD?



As companies across the Consumer Goods and Services (CG&S) spectrum are building new relationships in the consumer age—many are striving to make the move to become modern CG&S organizations.

Consumers are no longer buying the status quo, as smaller, nimbler consumer packaged goods players are capturing consumers' hearts and minds—reinventing core experiences such as home dining, delivery, grocery shopping and health. As CG&S companies from beverages to cosmetics—weighing their future business model approach—many are turning toward cloud solutions as an enabler to deliver new capabilities at speed. Their CIOs see cloud as not only a way to reinvent and streamline massive IT estates but, more broadly, significantly improve overall business performance.

Today's CG&S environment has companies chasing cloud-native competitors such as Amazon, Blue Apron and Dollar Shave Club for customer attention and revenue, adding no small measure of urgency to the situation.

Digital disruption

For better or worse, CG&S companies are not exempt from today's digitally disrupted environment. We see most incumbents grappling with assets that are becoming increasingly less relevant in a sector struggling to find sources of growth.

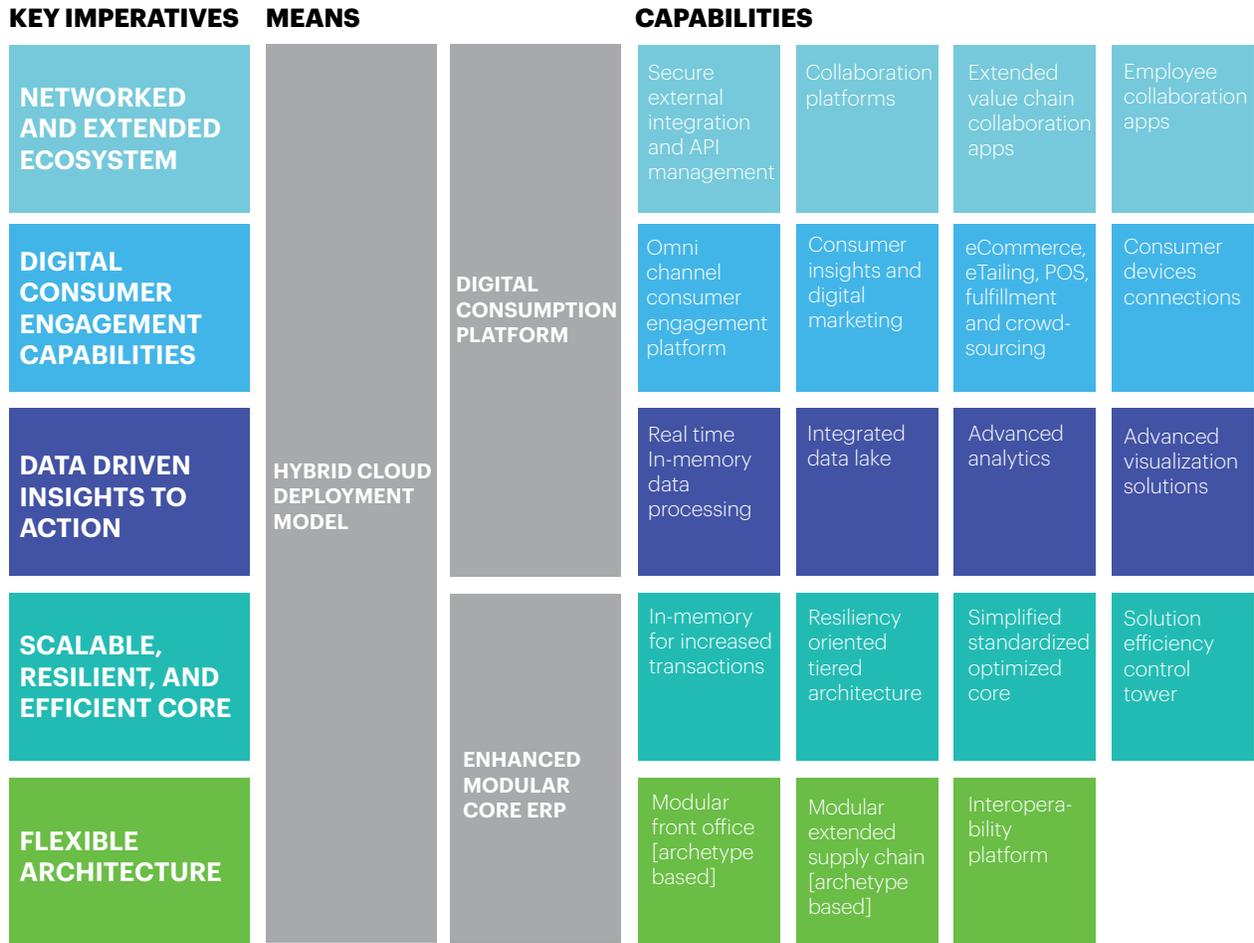
This challenging competitive environment is contributing to muted growth among most CG&S incumbents. At the same time a few, typically startup next-gen CG&S companies are able to achieve higher levels of growth in this disrupted marketplace.

This new-age disruption requires a radically different set of skills and a refreshed approach to sustain development. In the past, businesses managed the phases of consolidation and globalization by changing their operating models and supporting processes and technologies. This worked well to run lean operations and achieve cost reductions, as the changes were primarily driven by the pursuit of scale to support access to new markets and subsequently, consolidation of capabilities to drive economies of scale and maintain profitability in a low growth environment.

However, in this new era where changes are largely driven by external forces and the options to expand profitability through cost control have become exhausted, CG&S businesses are beginning to focus more urgently on growth and taking advantage of digital technologies—with data at the core—with a more consumer-centric approach, powered by cloud. This strategy is more complete, requiring a new set of skills to sustain and transform to the digital-enabled era.

IS YOUR ENTERPRISE MODERN ENOUGH TO COMPETE?

Cloud technology provides a framework for the advanced capabilities CG&S companies need to create the agility to sense and respond to changes in the market with flexibility and speed



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Let the journey begin

Many CG&S companies have already taken up this journey as they become increasingly comfortable with the cloud. They are realizing the value cloud delivers in providing rapid access to new technologies to support direct-to-consumer business models, to transform sales and marketing as well as for a range of business processes and functions—from HR and knowledge management to back office automation.

Among other benefits, cloud offers CG&S companies the means to:

- Decrease existing enterprise resource planning (ERP) solutions to a compact core while cloud solutions are exploited to manage the growing market diversity and adapt to volatility.
- Unify processes—either within a business unit or functional area—or across the entire enterprise.
- Improve the procure-to-pay processes
- Improve knowledge management capabilities
- Streamline recruitment and HR processes to help attract and retain talent.

Beyond ERP there is a great opportunity for CG&S companies to embrace cloud as a wider business-enabling tool. Rather than simply managing business functions and processes, cloud can set the pathway to real growth.

The four pillars

Specifically, we see four important areas that have potential for positive disruption in the CG&S space—all facilitated by cloud.

1. Sales and marketing

- Real-time, in-store response from field sales reps
- Cloud-enabled product placement and visibility through monitored promotional compliance
- Data set comparisons
- Geo-spatial recognition for offers
- Many-to-many connectivity (omni-channel, seamless experiences)
- Help to improve the visibility into performance at store level
- Brand asset management (digital decoupling)
- Broaden direct to consumer engagement through advanced cloud SaaS solutions

2. New product and process innovation

- Cloud-based enterprise innovation management platforms can capture and connect employees and customers, and glean consumer insights
- Online platforms for crowdsourcing innovation and capturing feedback from consumers to inform future product design
- Product testing and iterative experimentation

3. Forecasting and planning

- Cloud-hosted store intelligence to help identify the need for product variants that match consumer preferences
- Cloud-enabled platform for order automation
- Cloud-based information management systems that facilitate companies to access consumer information across all touch points

4. Manufacturing and supply chain

- Production, capacity and logistics management
- Automated field-manufacturing processes
- Post-merger manufacturing synergies
- In-store intelligence to recognize gaps in supply chain—and prompt action
- Mobile solutions for distribution
- Product lifecycle management solutions

Beyond these four pillars, we see CG&S companies making the pivot to cloud under one of these three models:

1. **Infrastructure-led**—Traditional lift and shift transformation from an on- premise/private cloud to a public cloud infrastructure, aimed at transforming the core
2. **Applications-led**—Driven by capability areas aimed at building new applications and/or rationalizing existing application portfolios, aimed at growing the core
3. **Innovation-led**—Cloud provides a framework to experiment and try new tactics and strategies—unlike the traditional IT delivery that takes time to plan and deliver—fostering innovation and collaboration across IT and business teams as well as the wider ecosystem.

Based on our experience, we recommend a phased but overlapping approach aimed at building a sustaining cloud adoption model.

The blueprint

We've simplified our approach into a two-phase process intended to help drive innovation while testing the feasibility of new commercial models, essentially is called as-a-Service consumption.

For Phase 1, we recommend starting with infrastructure-led transformation to release uncommitted capital investment that could be invested in future phases and facilitate broader cloud adoption. This would give companies breathing room and flexibility to explore niche areas for innovation. Phase 2 involves institutionalizing organization-wide cloud adoption to drive innovation-led growth while lowering operating costs.

Although each CG&S company's journey to cloud is unique and tailored to individual requirements and cultures, there are five significant principles each has in common.

1. **Business Process-as-a-Service (BPaaS) for noncore competencies**—Transition work that does not provide competitive advantage—such as HR, procurement, trade settlement and accounting—which a third party can provide at higher quality and lower cost.
2. **Increase Software-as-a-Service (SaaS) coverage**—Help reduce development and maintenance for software that a partner or vendor can provide.
3. **Assess and migrate other apps to Infrastructure-as-a-Service (IaaS) and PaaS**—Use standardized platforms to minimize support costs for custom code that truly provides significant competitive advantage.
4. **Reduce use of custom code**—Quantify and measure progress toward reducing custom code in the organization, moving to alternative platforms with improved quality and lower maintenance costs.
5. **Rotate vendor usage, but maintain competition**—Reshape to a provider ecosystem that provides access to new technologies and helps reduce operational complexity yet maintains competitive pricing pressure.

The roadmap

Today we see CG&S companies largely adopting low-risk as-a-Service models in the form of SaaS, IaaS or PaaS or archiving data in public cloud all used at the fringe. However, we're also seeing many companies trying to understand the business case for cloud (private vs. public, among other debates) and how cloud can generate value other than merely driving costs reduction.

The CG&S companies that are already leading with private cloud for a multi-platform vendor ecosystem are planning to invest resources toward new big data opportunities with an eye on combining efforts with new public cloud-based solutions.

Indeed, given the momentum in cloud adoption and future potential, a plethora of vendors and cloud-based ecosystems are evolving. When fully seized, this growing ecosystem has the potential to transform entire businesses to drive new levels of growth, agility and efficiency, particularly around:

- Back office and ERP transformation, focusing on driving internal efficiencies and lowering costs
- Front-office transformation, focusing on route-to-market agility and serving business partners effectively
- Marketing systems, focusing on omni-channel consumer experiences and engagements.

The roadmap to cloud we recommend to CG&S companies begins with a comprehensive approach to sustain the journey. As a starting point, we believe there are three steps crucial to arrive at a strategic direction.

Step 1—Identify the strategic business imperatives that are most pressing for your organization: CG&S companies should first recognize that cloud underpins any digital future—providing the platform, capabilities and accessibility to drive growth, strengthen agility and improve efficiencies—all available at speed.

Step 2—Identify how cloud can potentially help reach your goals: Cloud solutions offer several advantages when it comes to driving growth, strengthening agility, improving efficiencies and strengthening resilience.

Step 3—Assess your company’s appetite for change: Cloud can facilitate extraordinary change, but delivering value from change requires a range of capabilities that are not available in every company.

The real world and the ‘move to modern’ IT

The CG&S companies we see making a bold pivot to cloud are embracing new working models, sophisticated insight tools and innovative logistics solutions. For example, a leading French clothing company quickly established a digital presence in China with a cloud-enabled, multichannel e-commerce solution. And a global manufacturer migrated its inventory and warehouse processes to cloud, vastly improving data loading and execution performance.

Cloud has introduced extraordinary opportunities for CG&S companies to transform how they conceptualize, develop, manage and sell their products and services. When used to its fullest advantage, cloud and all its attendant benefits have the potential to completely redefine what it means to even be a CG&S company.

The opportunities that come with cloud are profound. Cloud technology is at the forefront providing companies with the advanced capabilities they need for a Modern IT and to lead in the new. Accenture has the experience and capabilities, and is developing industry cloud solutions and services to guide our CG&S clients at the pace of innovation on their journey to cloud.

AUTHOR

John Zealley

Industry Managing Director,
Consumer Goods & Services
john.zealley@accenture.com

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