Consumer goods manufacturers must become future ready now

It takes technology and ingenuity to get ready for what's next

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Introduction

Executive Summary – Two powerful forces are transforming the nature of consumption: the empowered consumer and disruptive technologies. To keep pace with fast changing consumer needs, the manufacturers of consumer goods need to get their products to market faster and more cost effectively than ever before. Complicating that mission is increasing competition, evolving business models that threaten industry norms, and a growing gap in employee skills.

These companies can't afford missteps. Avanade sees successful consumer goods manufacturers getting future ready along three dimensions: efficiencies, experiences and innovation. Avanade research[1] reveals how – and how well – they're approaching these dimensions, what obstacles they're facing and what they – and you – can do to get future ready. Now.

The drive for digital transformation is real

In many ways, "mass market" no longer describes the environment that confronts the manufacturers of consumer goods. Those manufacturers are looking to create ever more customized and even personalized products to fend off rivals, grow market share, and earn higher margins than they can with traditional one-size-fits-all commodity products.

As if more complex products weren't enough of a challenge, consumer goods manufacturers also want to bring their products to market faster and for less cost.

They're adopting new business models to sell through traditional channels, while also expanding to non-traditional channels and innovative direct to consumer models. Consumers are determining, where and when they would like to make their purchase.

Consumer goods manufacturers are turning to technology – and to digital transformation – to achieve these goals. From Avanade research, 90% of consumer goods manufacturers say digital transformation is a top-three priority. With 87% telling us that modernization of their business-critical systems is essential to boosting agility, it's no surprise that 80% plan major investment to modernize those systems.

[1] Source: MIT CISR, "Four pathways to 'Future Ready' that pay off", Peter Weill, Stephanie Woerner, Nick Van Der Meulen as seen in http://www.europeanbusinessreview.com, March-April 2019

Consumer goods manufacturers told us they expect digital transformation to:

Reduce their costs over the next 12 months by 8.3%

Increase business growth by 8.2%

Boost 12-month ROI by 15.8%

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The digital transformation roadblocks are real too

Consumer goods manufacturers see the benefits – and the challenges – of digital transformation.

Fully 66% say they're held back by not knowing where to start and nearly as many (62%) say their slow pace of change puts their transformations at risk. They agree even more strongly (84%) that they need better business insights from their data and analytics. That can be demoralizing; 43% say they're fatigued by digital transformation.

The most common blocker is hiring and training the right people to implement the transformation (cited by 52%). That's a daunting obstacle given the new roles that workers need to master in the AI-augmented manufacturing facility. An additional key blocker is siloed information, which creates multiple versions of the truth, making it difficult to make effective decisions. The research identified other concerns, both technological and non-technological: struggle to modernize systems and processes (42%), lack of integration with existing systems (36%), lack of the right tools (31%), too many disparate projects (29%) and a fragmented internal culture (22%).

Consumer goods manufacturers would never launch a major product initiative or build a factory without a plan. So how can they plan to succeed at digital transformation?

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What it means to be future ready

There's no single path to digital transformation success because consumer goods manufacturers aren't embarking on their journeys from the same point. But there is a roadmap.

Researchers at the MIT Center for Information Systems Research (CISR)[2] identify two crucial dimensions for mapping digital transformation: an organization's maturity on customer experience (CX) and operational efficiency[4]. Companies that achieve the highest levels of transformation and maturity on these dimensions are both cost efficient and innovative. They're future ready.

Avanade has expanded the MIT CISR model to focus on **three** dimensions:

- Effortless efficiencies
- Experiences without boundaries
- Innovation at will

Future ready manufacturers are disrupting and leading their markets by infusing these dimensions with intelligence, including incorporating AI, machine learning, IoT and broader disciplines such as data science. They can then adapt quickly to changing economics, consumer tastes and competitors. And they can do more than adapt; they can lead, requiring competitors to adapt to them.

Avanade's Future Ready. Now. "model"

Intelligence

Efficiency

Future Ready. **Now.**

Experience   Innovation

Intelligence   Intelligence

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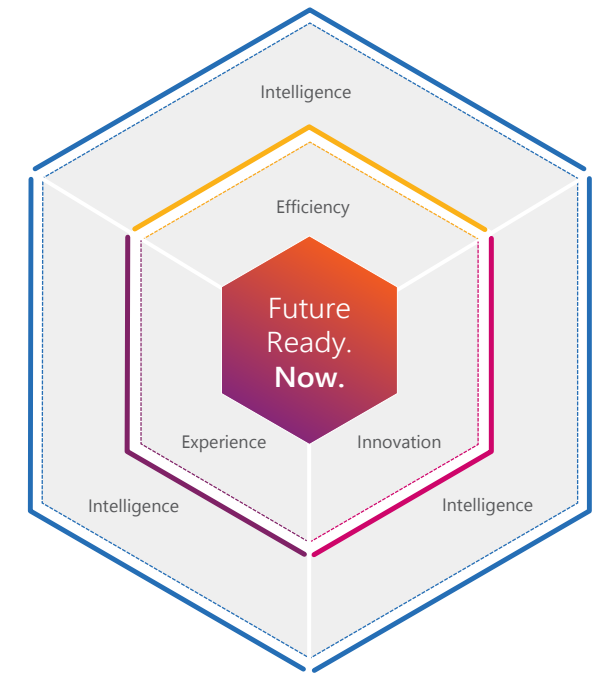
Effortless efficiencies:
integrating emerging technologies into existing systems can deliver greater benefits

Intelligence

Efficiency

Future Ready. **Now.**

Experience   Innovation

Intelligence   Intelligence

Every aspect of consumer goods manufacturing – from product design and engineering to shop-floor operations – needs to support an entirely new level of efficiencies. The consumer goods manufacturer that uses data, analytics, automation, cloud and other technologies to boost efficiency is well on its way to success with digital transformation.

Perhaps most importantly, it can use customer information – in a responsible, transparent way – to better understand what its customers want. It can reduce the time and cost of product development, by learning from and avoiding past issues, so it can deliver more compelling products to market faster and more cost effectively. But manufacturers can't do that with old technology. In our research, 84% of consumer goods manufacturers said that traditional or legacy marketing, ERP and CRM systems are no longer fit for purpose to succeed in today's digitally disrupted market.

Greater efficiency also lowers operations costs, increases worker safety and makes supply chain operations more effective. By integrating IoT, machine learning and other technologies with existing systems, manufacturers can scale those systems across the enterprise, reaping broader benefits.

89% of consumer goods manufacturers have plans to modernize or replace existing business-critical systems in the next one to two years.

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Case Study

Care to boost your incremental revenue by 27%?

Avanade showed a [billion-dollar global cleaning-products company](#) how to use AI and cloud transformation to predict health inspections at its customers' restaurants with 90% accuracy – Avanade is helping this company leverage the cloud and use predictive analytics to improve its customers' safety practices and identify corrective action. A new machine learning model uses product purchase history to predict, with great accuracy, the outcome of health department audits.

Results:

The company identified a 27% incremental product revenue opportunity.

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Experiences without boundaries:
employee and customer focus driving positive experiences and results

Consumer products companies are using data and analytics to create more seamless, connected, relevant and timely end-to-end experiences for both consumers and employees than ever before. That means offering more of the products that consumers want, engaging with those customers wherever and however they want to customize those products, finding more opportunities for cross-sell and upsell, and delivering products through a growing range of channels from producer to agent, wholesaler, retailer or consumer e.g. very large supermarkets can pressure manufacturers to supply products at frequent intervals directly to their stores at concessional prices.

Meanwhile, consumer goods manufacturers are using disruptive technologies to create new experiences for their employees too, e.g. augmented reality technology equips sales teams for goods producers with the ability to simulate and demonstrate how future store installments will look in any location. They're using intelligent automation to augment worker roles, taking on repetitive, lower-value practices and freeing workers for higher-value tasks. The result increases both worker safety and productivity e.g. removing workers from dangerous work procedures. It also increases satisfaction and motivation, making it easier for employers to retain top talent. And technologies such as virtual and augmented reality enable faster and more effective retraining, helping manufacturers to better meet the new skillset requirements of their digitally transformed companies with their current employees.

89% of leaders in the consumer goods manufacturing industry believe that insight into the employee experience is now of equal priority to the customer experience.

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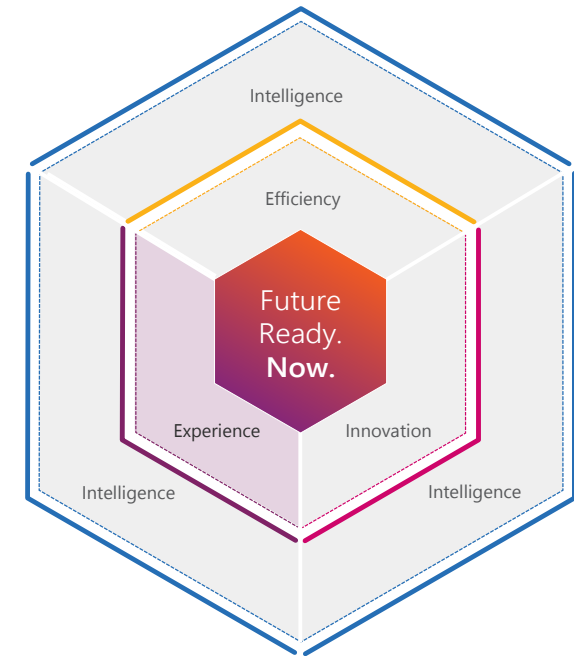
Case Study

World's largest outdoor power-products maker kicks up customer experience

Husqvarna Group wanted a single – and superior – experience for its customers across Europe, the Middle East and Asia. More than 1,100 customer care and field sales workers in 28 countries use an Avanade-designed Microsoft Dynamics Contact Center solution delivering a 360-degree customer view.
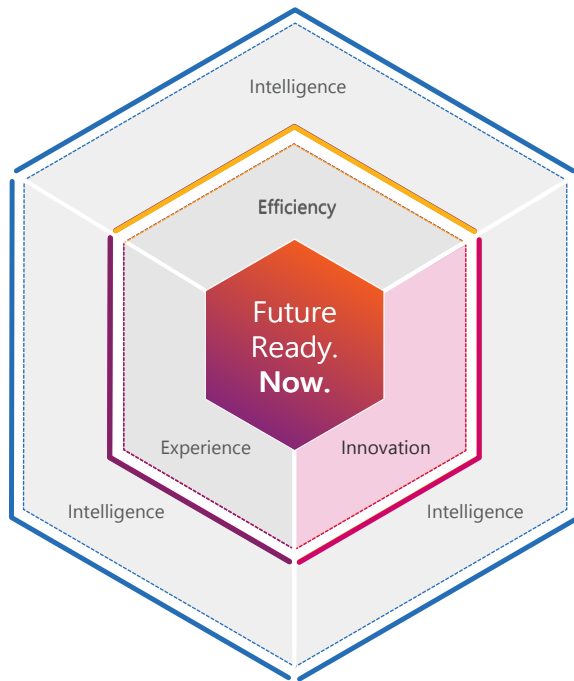
Results:

Customers get faster, more effective handling of their service calls.

Sales leaders accurately track performance and campaigns.

Sales reps see more customers in less time.

Innovation at will:
embrace a holistic approach to thrive and survive

Consumer goods companies need faster product innovation to differentiate themselves and increase market share and profitability. They also need innovation that extends beyond the types of products they offer to also include the ways they make those products and the business models they use to bring value to market. Bottom line: They need innovation everywhere; call it innovation at will.

That's a tall order for a traditionally conservative industry, but consumer products manufacturers must meet that challenge to survive and thrive. And they must do more than embrace emerging technologies. Many companies need to embrace a holistic change in their cultures and organizational structures – for example, replacing departmental silos with cross-functional teams that can iterate new ideas faster. They need learn fast cultures that accelerate learning e.g. consumer goods manufacturers have recognized the potential of the Internet of Things (IoT) and invested in connected sensors, such as those that can detect unusual machine vibrations and transmit their findings to monitors in a remote location. And they need to provide full transparency for customers around the new ways in which they use their data. The World Economic Forum's Future of Retail Insights Report, outlined the transformation of consumer industries. It showed how emerging technologies and innovation are unleashing an unprecedented level of digital disruption that is affecting entire systems of production, distribution and consumption.

85% of leaders in consumer goods manufacturing believe they need to add innovation to their business systems to enable agility and continual improvement.

Intelligence

Efficiency

Future
Ready.
Now.

Experience

Innovation

Intelligence

Intelligence

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Case Study

Global bottling company uses AI to increase revenues up to 8%

The company had the data – but needed AI to put it to work. Avanade and Accenture showed it how to use advanced analytics and IoT to detect new opportunities, optimize resource allocation, enhance customer-centric content and increase targeting and sales effectiveness.

Results:

5% to 8% increase in revenues

10% faster identification of opportunities

>30% increase in opex optimization

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How you become future ready?

You can get ready now to make the most of your future. Given the complexity of your challenges, goals and processes, it might be difficult to know where to begin. Here's one way to start: by asking the following questions.

Are you gathering and using great information about customer life events?
This is one of the primary routes to customizing and personalizing products to boost customer satisfaction and loyalty.

Are you creating a culture of evidence-based decision-making?
If your culture puts focus on doing things the way you've always done them, it's time for change. Evidence-based decision-making is crucial to capitalize on new opportunities.

Are you providing an integrated, multiproduct, multichannel/omnichannel customer experience?
You need to meet consumers where they are today and help them with solutions for where they are heading. It's time to reevaluate customer experience.

Are you identifying and developing great partnerships and acquisitions?
Getting future ready requires many skills and resources that you may not have in-house.

Are you developing efficiency, security and compliance as competencies?
Some competencies are so central to success with digital transformation that they need to be based, at least in part, in-house and these three are key.

You need answers and you need to know what to do with those answers. If the prospect seems daunting, know that you don't need to go it alone. We can help.

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Get Future Ready. Now.

Avanade helps you build operational efficiencies, connect employee experience and customer experience, create an innovation mindset and infuse intelligence across your organization. We're a joint venture between Accenture and Microsoft, providing vast industry experience, deep end-to-end expertise and the world's most advanced technology – all to help your consumer goods business thrive and create meaningful impact.
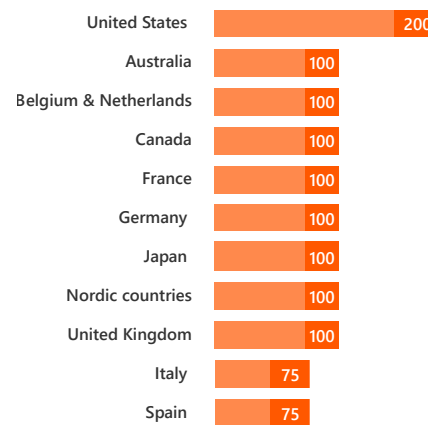
Are you ready?

Visit www.avanade.com/FutureReadyNow to find out more.

About the research

Avanade commissioned research firm Vanson Bourne to interview 1,150 cross-industry respondents with revenues from $500 million to over $10 billion; 81 of which were senior decision-makers in consumer goods manufacturers from 14 countries across North American, Europe and Asia.

Country breakdown

Country	Value
United States	200
Australia	100
Belgium & Netherlands	100
Canada	100
France	100
Germany	100
Japan	100
Nordic countries	100
United Kingdom	100
Italy	75
Spain	75

Functional role breakdown

Role	Value
IT/Digital decision-makers	450
Finance/Operations decision-makers	175
Sales decision-makers	175
Marketing decision-makers	175
HR decision-makers	175

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About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. With 38,000 professionals in 25 countries, we are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation.

Learn more at www.avanade.com