



What Successful Consumer Products Companies Know about Managed Cloud Services

A Frost & Sullivan Executive Brief
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With political and economic volatility affecting consumer spending, consumer products companies are looking for new ways to increase revenue and sustain shareholder value—including global expansion, mergers and acquisitions, and product line extensions. In the digital era, the focus is now on leveraging technology for innovation—not only to develop new products, but to build new routes to market, improve customer engagement, and create supply chain efficiencies. Supported by the internet, consumers can choose among a world of goods to satisfy their needs and desires—which places the onus on packaged goods firms to anticipate trends, respond quickly, and place their products where consumers can easily access them.

Successful consumer products firms are adopting new strategies and processes, including:

- **Path to purchase:** No longer relying on a physical store as the middleman, consumer products firms are now able to develop a direct relationship with customers through the internet. Loyalty programs, social media, and targeted promotions enable firms to keep their products top of mind, while garnering valuable feedback. As more consumers purchase traditional grocery-store items via Amazon and other websites, consumer product firms must ensure that their products have a place on the “digital shopping list.”
- **Product customization:** To feed consumers’ desires for variety, a growing number of products, including Warby Parker eyewear, Nissan cars, Nike and Adidas athletic shoes, and M&M candies, can be customized to the buyer’s specifications via on-line orders. This requires both the ability to predict trends accurately, and an agile manufacturing process to fulfill orders.
- **Smart products:** Adding sensors to products and labels allows consumer products firms to better manage the storage and display of products. Such sensors can monitor temperature and placement, to ensure product quality.

Challenges Facing the Consumer Products Industry

As they transform to compete in the digital era, consumer products firms are turning to their IT leaders to address a growing number of urgent business challenges. These include:

Speed to market



To capitalize on rapidly changing consumer preferences (consider recent trends for gluten-free, pumpkin spice, and “all-natural” products), consumer products companies must be prepared to compress timeframes for the entire product lifecycle—from development and test, to sourcing and manufacturing, to distribution.

Expansion into growth markets



Consumer products firms are turning to new domestic and international regions, including Asia, Latin America, and Africa, to capture new customers and grow revenue. But entering new markets often requires a flexible supply chain, new partnerships for local infrastructure, manufacturing and distribution, and new processes to address local labor, governmental requirements, and business practices. Consumer products firms must also be prepared to change their products based on local tastes; as well as labeling, to comply with a variety of local regulations.

Customer satisfaction



Buyers of the new generation have less brand loyalty than in the past, and a seemingly insatiable desire for variety in their purchases. Social media influencers have a strong impact on which products consumers purchase or avoid; and consumers themselves are eager to share their

good and bad experiences via online product reviews. Consumer products firms must consistently deliver a high-quality customer experience.

Social responsibility



Knowledgeable, activist customers seek products that support a range of environmental and humanitarian causes. They may seek out companies that ensure sustainable materials, non-genetically modified crops, fair trade processes, safe working conditions, and no testing on animals.

Faced with evidence of products that do not meet certain criteria, activists may organize media and social protests that can damage the firm's reputation. Taking ownership for social responsibility requires a tight and transparent supply chain process that ensures complete control over sourcing, test, manufacturing, and distribution.

Cost control



Shareholders demand growth, while price-sensitive consumers demand continued product variety. Under pressure to keep prices low, retailers must find ways to cut operational costs to protect profitability and return shareholder value.

Are Managed Cloud Services the Answer?

As with all industries, consumer products firms are basing their digital strategies on the cloud. The do-it-yourself hosted cloud offers scalability, infrastructure efficiency, and budget-friendly utility pricing for “cloud-native” applications. But implementing an effective cloud strategy that meets all their needs can be challenging for resource-constrained IT leaders, especially in the high-stakes consumer products industry.

For many consumer products firms, the answer is managed cloud services, subscription-based services in which a third-party expert hosts and manages cloud infrastructure and/or applications on behalf of clients. Unlike IT outsourcing, managed cloud services create a partnership between the organization and the service provider: the provider contributes cloud technology, infrastructure, and expertise; and the enterprise retains oversight capabilities to ensure that business goals are met. According to Frost & Sullivan research, 61% of all US businesses have adopted managed cloud services, driven by a need to ensure optimal function of business applications within a secure environment. Consumer products firms outpace the market in managed cloud service adoption, with 68% of US consumer products companies currently using the services.

IT Leaders from Consumer Products Firms Find Value in Managed Cloud Services

Among consumer products firms that use managed cloud services, nearly three-quarters (72%) consider such services an essential part of their IT strategy. Their reasoning is clear: managed cloud services—especially for critical SAP and Oracle workloads—address their top business challenges and help them remain competitive. IT leaders from consumer products firms say managed cloud services enabled them to realize the following benefits:

- **Improve security and compliance reporting for SAP and Oracle**—IT leaders in consumer products firms cite security and compliance at the top of the list of benefits they gain from managed cloud services. Consumer products firms that have facilities and supply chain partners worldwide need consistency in service delivery, with flexibility to meet data sovereignty requirements. A managed service provider with global data centers connected by a secure network is best positioned to meet their needs.

Sixty-eight percent of consumer products IT leaders say their managed services provider enhances the security, visibility, and compliance of their ERP applications.

- **Enhance business productivity and availability**—A robust supply chain is critical to consumer products firms; and enterprise resource planning platforms such as SAP and Oracle serve as the operations engine of a consumer business. Sixty-one percent of IT leaders in consumer products firms indicate that managed cloud services allow them to efficiently deliver services and applications (including next-generation technologies) to employees and partners. The same percentage said that managed cloud services enhanced the performance of their SAP and Oracle apps; and 64% said they were able to increase application and data availability through improved business continuity/disaster recovery for SAP and Oracle workloads.
- **Support agility and speed to market**—Consumer products firms must continually be prepared to adjust their supply chain and processes based on market conditions, customer preferences, and expansion strategies. The right managed services partner is able to optimize and modernize the complex SAP or Oracle workloads that consumer firms rely on—including supply chain, inventory, and financial applications—in their clouds; as well as help refactor applications at the pace each customer chooses. By leveraging cloud automation and their own expertise, managed services providers that are strong partners of SAP and Oracle can shorten time to upgrade applications (cited as an important benefit by 57% of consumer products IT leaders); and increase speed to market for new products and go-to-market concepts (also cited by 57% of consumer products respondents).
- **Manage costs, ease budget**—Among IT leaders of consumer products firms, 68% cite the ability to better manage costs for SAP and Oracle workloads, thanks to predictable, subscription-based pricing. In addition, 46% cite reduction of capital expenditures as a top benefit of managed cloud services.
- **Attract and retain customers**—For IT leaders in the consumer products industry, responding to fast-changing customer demands is a priority. Among consumer products IT leaders, 57% said managed cloud services have improved their ability to provide better service to customers.
- **Support IT innovation**—The need to continually introduce new products and differentiated customer experiences was cited by 39% of retail IT leaders, who said managed services enable them to refocus staff from IT maintenance activities to higher value work.

Isn't it Time for Your Consumer Products Business to Adopt Managed Cloud Services?

The consumer products industry is undergoing a rapid transformation. Consumer products firms are rapidly adopting next-generation technologies that allow them to expand into new territories and product categories, and to leverage partnerships for mutual benefit. IT organizations must be agile: ensuring a constant flow of new products, customized for individual and regional tastes, while driving efficiencies and cost-reduction in critical operations. That's where the right managed cloud services partner can help.

Asked about the value of managed cloud services, the CIO from a global consumer products firm reels off a list of strategic and tactical benefits: "Managed cloud services allows us to scale as we grow our organization; secures our information, and gives us the ability to balance our workloads."

Perhaps it's time to follow the lead of some of the most successful firms in your industry, and engage with an expert managed cloud services provider. Your customers, employees, partners, and shareholders will thank you.

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