

# Driving consumer goods innovation in the cloud

*A C-suite perspective*

**Cloud computing is** not the next big thing. Strictly speaking, it's not even a new thing. The central idea of cloud – using a network connection to access remote services on demand – has been around in various forms since the mainframe era dawned. What's new for consumer products manufacturers and retailers: a widespread consensus among business executives that cloud is ready to deliver on its promise as a game-changing and disruptive enabler of business value.

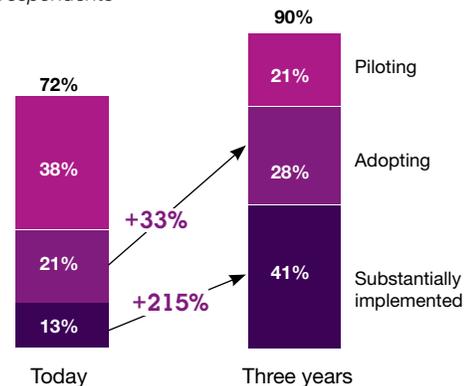
As new cloud offerings continue to emerge, industry leaders increasingly view cloud as a business enabler outside of IT. Cloud conversations among executives have shifted emphasis from IT efficiency and cost flexibility to consumer/shopper engagement, collaboration and new business models. This is because cloud supports rapid experimentation and innovation by allowing companies to quickly try and even implement new solutions without significant up-front costs. It supports seamless connectivity among business partners and customers, allowing them to collaborate, share ideas and data, and execute transactions. And cloud can also reduce complexity in the delivery of advanced analytics and fundamental back-office processing capabilities.

“Driving consumer goods innovation in the cloud” is a collaboration between the Consumer Goods Forum and IBM. Based on over two dozen interviews with global retail and consumer products industry leaders, and extensive supporting research, the paper illuminates cloud's potential as a driver of business value. Included in our analysis are the findings of a 2011 IBM/Economist Intelligence Unit survey of 572 business and technology executives around the globe on the use of cloud.<sup>1</sup>

Our research reveals consumer products and retail companies at a crossroads: Most leaders recognize cloud's potential, but are only beginning to execute strategies that leverage cloud to

enable core business objectives. In our survey, only 13 percent of large enterprises had substantially implemented cloud (see Figure 1).<sup>2</sup> Yet companies are ready to move off the sidelines and embrace cloud's potential; 41 percent of those surveyed were aiming to substantially implement cloud capabilities in three years.

**What is your organization's level of cloud adoption?**  
Percent of respondents



Source: 2011 IBM Institute for Business Value/Economist Intelligence Unit Cloud-Enabled Business Model Survey.

**Figure 1: A large majority of survey participants have implemented cloud at some level – and adoption is expected to accelerate in coming years.**



## Cloud as a business enabler

The pace of change in the consumer goods arena continues to accelerate. Interestingly, cloud is a central feature of both the industry's response to those changes, and a driver of the changes itself. Rapid adoption of mobile technology, the explosion of social media, growth in "big data" and advanced analytics, globalization of value chains, and a steady stream of new entrants seeking to unseat established players – these trends are directly enabled by cloud.

At the same time, these trends are influencing consumer goods companies to leverage cloud capabilities to radically transform how business value is created. We see nimble new entrants leveraging cloud to enter and disrupt markets, and established firms rising to meet the challenge through new, cloud-enabled offerings, capabilities and business partnerships.

At the center of these changes is an increasingly empowered consumer, who can decide when, where and how to shop. Consumers are *instrumented*, with instantaneous access to information about companies, products, and others' experiences through technology. They are *interconnected*, using multiple technologies to interact with each other, and manufacturers and retailers. And they are *intelligent*, with clearly defined expectations of what they want from their suppliers. With more shopping and product options than ever, and with purchasing no longer constrained by proximity to physical stores, the consumer is in the driver's seat like never before.

In light of these industry dynamics, this paper explores three capability areas where cloud will play a profound role for consumer good companies:

- **Consumer centrality.** Using cloud, companies will find new ways to personalize engagement with consumers in the context of their specific situations, locations, habits and preferences. Cloud-enabled capabilities that support customer centrality include: Consumer engagement; advanced analytics and consumer insights; and personalized and contextual product offers.
- **Collaboration.** Companies will use cloud to find new sources of value through collaboration and data sharing among customers, suppliers and third parties. Relevant cloud-enabled capabilities include multiple types of improved collaboration: With business partners, consumers and across internal company boundaries.
- **Business and operating model innovation.** Companies will leverage the speed, agility and cost advantages of cloud to deliver innovative IT capabilities and new consumer value propositions. Cloud-enabled capabilities allow innovation that includes: Business models; IT operating models; and shopping experiences.

## The path to cloud

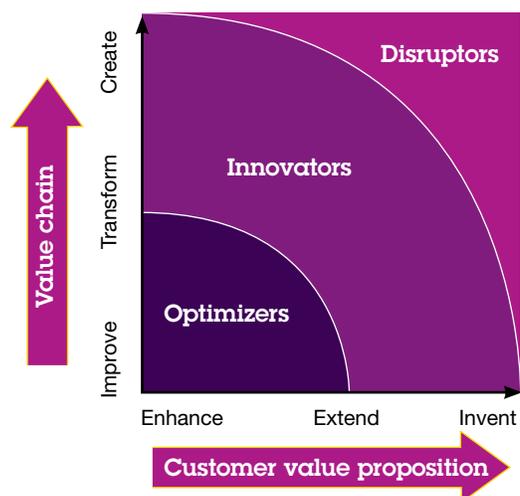
Unlike many other technologies that have emerged over the years, there is no prescribed maturity path for cloud adoption. Companies will need to choose how best to leverage cloud based on their own specific business objectives.

We encourage consumer goods companies to consider three business archetypes that comprise a "Cloud Enablement Framework" (see Figure 2).<sup>3</sup> Each archetype characterizes the extent to which organizations use cloud to impact industry value chains, and customer value propositions:

- **Optimizers** use cloud to incrementally enhance their customer value propositions while focusing on improving their organizations' efficiency
- **Innovators** significantly improve customer value through cloud adoption, resulting in new revenue streams or even different roles for themselves within the existing industry ecosystem
- **Disruptors** rely on cloud to create radically different value propositions, as well as to generate new customer needs and segments – and even new industry value chains.



## Cloud Enablement Framework



Source: IBM Institute for Business Value analysis, 2012.

**Figure 2: The Cloud Enablement Framework helps organizations classify the extent to which their use of cloud impacts value propositions and value chains.**

While cloud itself is not a business strategy, its unique features can help consumer goods companies turn the most ambitious business objectives into reality. To begin, we recommend that industry executives consider the following actions:

- Establish a joint partnership for cloud strategy across business and IT to understand how cloud can enable your business objectives
- Look within and beyond your organization's borders to derive the greatest possible value from cloud adoption.
- Determine whether your organization seeks to be an optimizer, innovator or disruptor, and use cloud to innovate your business model to realize that objective.

Although cloud has practically become mainstream in the IT world, its promise extends well beyond technological innovation. In fact, cloud has the power to open doors to more efficient, responsive and innovative ways of doing business. In this new era of connected consumers, we believe the question is not whether, but how, leaders will choose to grow their businesses via the cloud.

To read the full report on this topic when it becomes available, please visit [ibm.com/services/us/gbs/cgfccloud](http://ibm.com/services/us/gbs/cgfccloud)

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## About the Consumer Goods Forum

The Consumer Goods Forum ([www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com)) is a global, parity-based industry network, driven by its members. It brings together the CEOs and senior management of over 400 retailers, manufacturers, service providers and other stakeholders across 70 countries and reflects the diversity of the industry in geography, size, product category and format. Forum member companies have combined sales of EUR 2.5 trillion. Their retailer and manufacturer members directly employ nearly 10 million people with a further 90 million related jobs estimated along the value chain.

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November 2012  
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### References

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- 2 Ibid.
- 3 Ibid.



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