

## IBM Institute for Business Value



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### Overview

The individual-centered economy is already here. The newest digital technologies – among them social media, mobility, analytics and cloud – are changing how consumer products companies interact with both customers and consumers. These digital forces enable unprecedented levels of connectedness, which is why many suppliers are already investing in collaboration and engagement capabilities. However, these new technologies are truly still in their infancies. The transformation that is already underway will soon intensify, resulting in a paradigm shift towards an everyone-to-everyone (E2E) economy. To prepare for the radical disruption ahead, consumer products firms need to act now to create experiences and business models that are orchestrated, symbiotic, contextual, and cognitive.

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## Digital reinvention

### *How consumer products companies are preparing for a very different tomorrow*

Today's uber-connected, empowered consumers seek 24/7 access and organizational transparency. They want to exert greater personal influence over organizations and participate in more digital activities as they conduct their daily lives. Looking ahead, consumer products CxOs plan to increase their level of consumer understanding by more than twofold in the next three to five years. In addition, the culmination of accelerating digital and other technological forces is spawning reinvention on an unprecedented scale.

And yet, according to IBM's recent Global C-suite Study, 75 percent of consumer products CxOs admit they do not currently have an integrated digital and physical strategy.<sup>1</sup> Organizations are still not prepared to face the full implications of a radically different, digitally-charged future.

Digital technologies will ultimately drive drastic changes in the economy: value chains will fragment, industries will converge and new ecosystems will emerge. As a result, the mechanics of value creation and value allocation will also change. Looking five years out, 60 percent of the consumer products executives we spoke with expect that the direct-to-consumer sales channel will be an important driver of their company's growth. Sixty-six percent report that it will drive significant changes to their company's operating model.

So, what will this future of continual digital reinvention entail? How will new and convergent technologies impact organizations and industries? What can consumer products organizations start doing today to begin preparing for a vastly different business environment? In particular, which investments, priorities and actions can set the stage for success during turbulent and ongoing change?

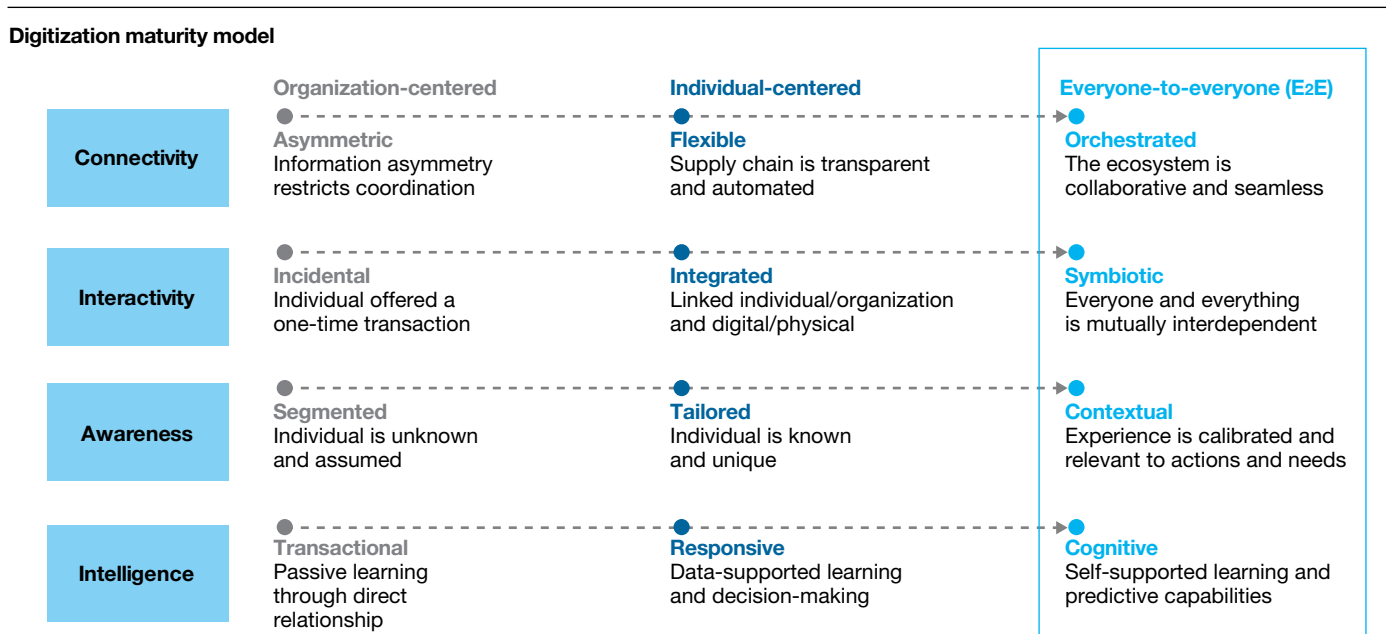


The 2013 IBM Digital Reinvention Study considers the answers to such questions. To better understand the deepening impact of digital technologies on today’s manufacturers, the IBM Institute for Business Value surveyed 50 consumer products executives and 5,000 consumers in 15 countries. We also conducted in-depth interviews with 30 leading futurists (see Methodology section in appendix for more details).

Our analysis of study findings shows that as technological change persists, the interactions among brands, their customers and consumers also keep changing – and this change is accelerating fast. In fact, the global economy was characterized as highly organization-centered for most of the 20th century. Its current state – individual-centricity – emerged around 1990, but we see signs that it is already evolving further into an everyone-to-everyone (E2E) model of engagement.

### A view of the vastly different future

E2E is characterized by hyper-connectedness and collaboration of consumers and organizations across the gamut of value chain activities: co-design, co-creation, co-production, co-marketing, co-distribution and co-funding. In this integrated system, consumers, customers and manufacturers work together to create value, with transparency driving trust and effectiveness. The differences among the three types of economic models can be illustrated by considering four key dimensions: connectivity, interactivity, awareness and intelligence (see Figure 1).



Source: IBM Institute for Business Value analysis.

Figure 1: A comparison of “digitization maturity” for three economic models: organization-centered, individual-centered and E2E. An E2E environment is orchestrated, symbiotic, contextual and cognitive.

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## Seize the future through digital reinvention

Until the turn of the century, the most powerful impacts of new technologies took years to emerge. Today, we’re experiencing the transformative impacts of social media, mobile, analytics, cloud and other technologies at a highly-accelerated pace. Digital reinvention has begun: it marks the start of a new technological and economic paradigm requiring the re-imagination of markets, strategy – and value itself.

Consumer products organizations must start reinventing themselves from the ground up to remain competitive. They must evaluate opportunities (and threats) within their value chain and each must choose where to stake its claim in order to remain relevant, starting with engaging the consumer much more directly and developing the next level of consumer understanding.

On one hand, rapid digitization is creating new value and new opportunities for organizations to gain influence and innovate. On the other, established norms are in peril due to the blurring of traditional industry definitions and formation of new ecosystems. To prepare for a radically different tomorrow, consumer products firms that seek to prosper under digital reinvention should constantly redefine strategy in terms of how best to open up to external influences, connect to new ecosystems and partners, and drive digital mobilization across their organizations.

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## How can IBM help?

- *Develop the next level of consumer insights* – Use analytical tools to leverage structured and unstructured data from multiple sources to derive deep insights into consumer behavior, trends, and growth opportunities
  - *Reimagine the consumer experience* – Engage with the consumer through the execution of a seamless, personalized, and omnichannel communications
  - *Reinvent customer and consumer strategy* – Formulate, implement, and operationalize programs to reinvent customer and consumer relationships in the evolving everyone-to-everyone economy.
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#### Reference

- 1 IBM Corporation. “The Customer-activated Enterprise.” IBM Institute for Business Value. October 2013. [www.ibm.com/csuitestudy](http://www.ibm.com/csuitestudy)



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