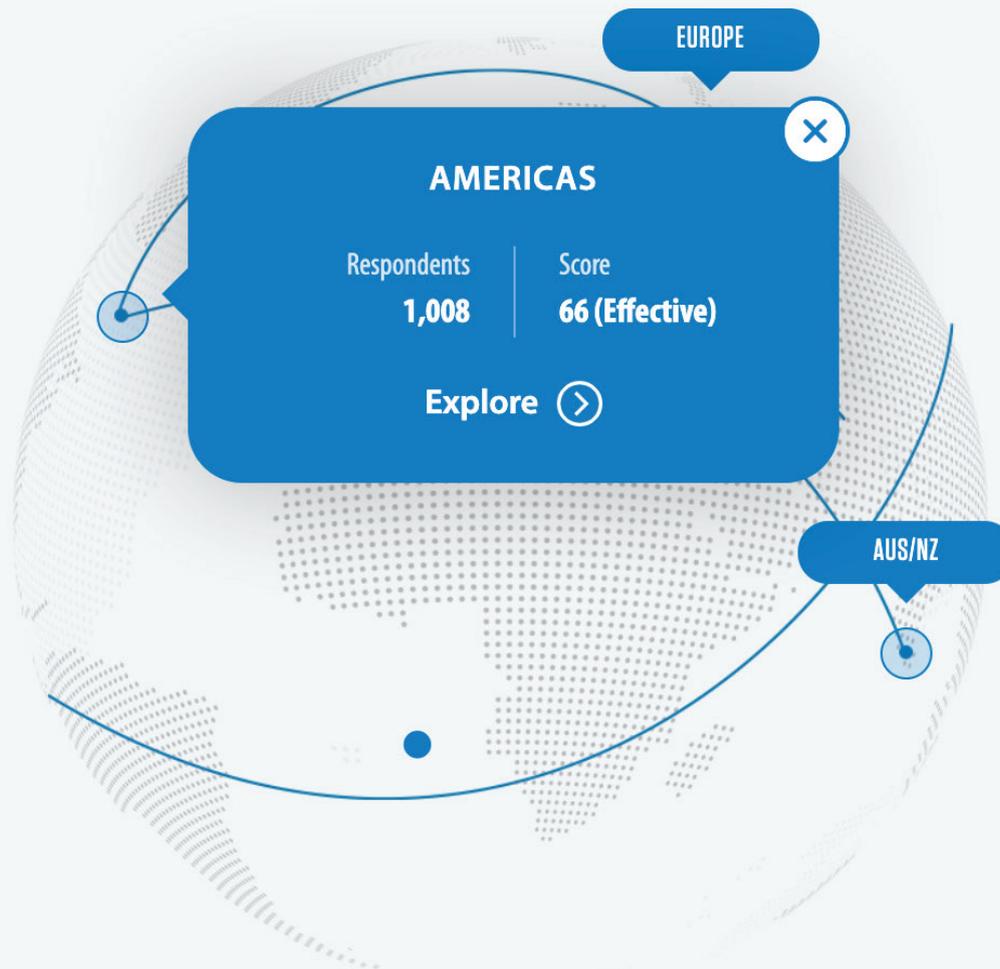


CONSUMER PACKAGED GOODS,
RETAIL AND LOGISTICS

MATURE CLOUD
STRATEGIES GENERATE
SIGNIFICANT RETURNS



\$414 Billion in Profits can be Gained Using Cloud for Business Growth: Infosys Research

EXPERIENCE CLOUD RADAR

Introduction

When the COVID-19 outbreak swept the globe, the retail supply chain went into tactical mode. Faced with fewer resources, brick-and-mortar store closures and overnight changes in consumer preferences, these sectors turned to the cloud to manage customer expectations and provide essential supplies.

The retail sector experienced major shifts in customer behavior: a surge in online shopping, a decline in discretionary spending, larger shopping baskets and less frequent orders.¹ To manage the disruption and continue to serve their customers, retailers added curbside pickups and at-home delivery options.

The coronavirus showed the world just how critical logistics is to the overall value chain. Despite transport disruptions, movement restrictions and manufacturing holdups, supply chains and logistics operations have found ways to deliver products using automation, robotics and other digital innovations.

Large consumer packaged goods (CPG) companies have been hit the hardest. Online marketplace giants like Amazon and Walmart generate 65% of all growth across the top 150 retailers, resulting in a more difficult trading partnership. They are also struggling to generate brand loyalty from millennial consumers who are four times more likely to avoid purchasing major food brands than their parents. These, along with other trends, have plummeted their profit growth.²

The latest Cloud Radar survey by Infosys Knowledge Institute reveals the progress retail, logistics and supply chain companies have made in cloud adoption to combat market disruptions, facilitate more efficient operations and sustain growth post-pandemic.

“Consumer Packaged Goods (CPG) business demands a cognitive supply chain for sustainable growth. Enterprises should be able to match supply with demand, undertake optimal route planning for logistics, and plan bundled promotional offers based on historical sales data. Cloud is the catalyst to plan and execute across the production-promotion-distribution continuum.”

Mayank Ranjan

Vice President and Americas Regional Head – CPG, Retail & Logistics, Infosys

Cloud has been critical for companies in the retail supply chain to retool their operations. Cloud served as an essential instrument for managing the disruptions and rearrangements of 2020.



Growth in cloud adoption

COVID-19 may have fueled cloud adoption, but its positive impact on global enterprises is perpetuating its momentum. The Cloud Radar study found that cloud adoption industry-wide is doubling every two years and, by 2022, nearly 43% of applications, platforms and infrastructure will migrate to the cloud.

While the retail supply chain cluster performs close to the overall Cloud Index average, these sectors are making major strides to shift their IT systems and business functions to cloud service

providers. Retailers' response to the market shakeup has made them one of the industry leaders in overall cloud adoption efforts. Canalis research supports Infosys' findings, which saw spending on cloud infrastructure services worldwide rise roughly 11% during the second quarter of 2020 and 30% year-over-year.³

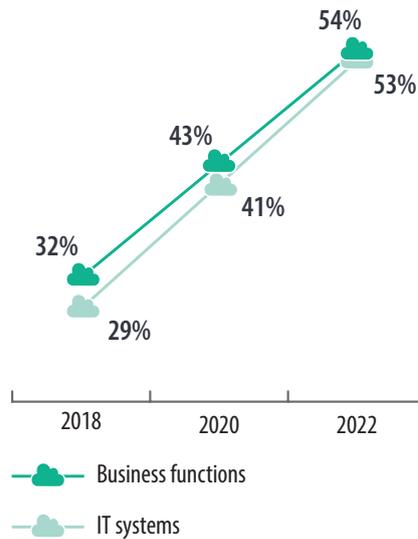
“Consumer, retail and logistics are high-stakes businesses where speed and scale determine long-term success. An ecosystem of cloud service providers enables enterprises to establish a digital thread for addressing rapid shifts in business and technology.”

Sourav Banerjee

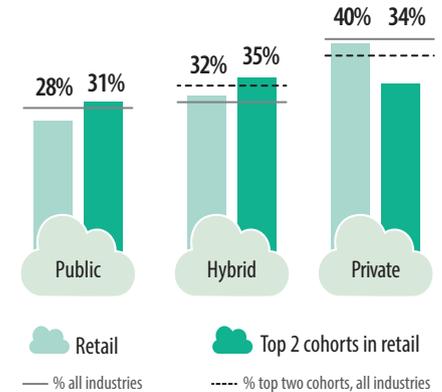
Senior Vice President –
CPG, Retail & Logistics, Infosys

Retail supply chain industries, however, are slower to improve cloud strategies that impact business performance. Their efforts fall slightly behind other industries as only 12% are considered exceptional at integrating new capabilities, speeding up deployment efforts, fortifying their business resilience and creating greater scale. But speed and capability benefits cannot be realized until an enterprise reaches 60% cloud adoption, which few are achieving. Industry-wide, Infosys found less than one in five companies have moved 60% of their IT systems to a hybrid cloud system. The retail supply chain cluster fell below the average, with just 13% having 60% or more of their systems in the hybrid cloud.

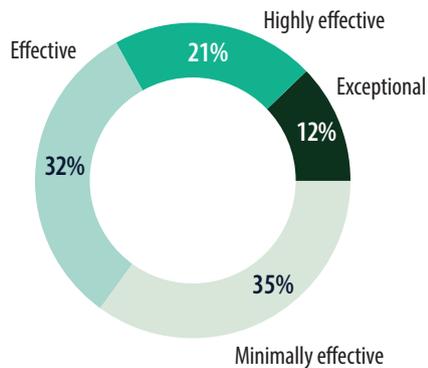
Progress to cloud



Cloud type



Performance cohorts



A hybrid cloud solution delivers greater enterprise efficiency than a solely private or public cloud option by leveraging the strengths of both. In addition to providing greater control and customization, a hybrid cloud model enables businesses to rely on a private cloud's security with the power and services of a public cloud.

While most of the retail supply chain cluster's systems (40%) are housed solely in the private cloud, 32% implement a hybrid solution. Their rate of hybrid cloud use ranks higher than the overall industry cluster average of 29% and will continue to rise as these sectors evolve their cloud adoption efforts.

Shift from defensive to offensive priorities

Like the financial services and insurance cluster, retail supply chain had trouble deploying the cloud quickly during the pandemic. However, by 2022, they are predicted to skyrocket their deployment objectives, out-ranking overall industry expectations.

After focusing its sights on defensive priorities such as remote access, cost management and stronger security measures in 2020, the retail supply chain cluster targets more offensive cloud strategies to yield greater returns. This increase in offensive priorities and drop in defensive priorities creates a bow tie

model illustrating a successful cloud adoption path.

To further capitalize on the cloud, retail supply chain sectors are using artificial intelligence (AI) and data to augment their business. As an industry cluster, 47% ranked as above-average AI performers who are unlocking the value of data and AI available in the cloud. The retail and CPG sectors are more advanced than their logistics counterparts, who have under-utilized this technology.

“Retailers recognize that their consumer, product, inventory and sales data can be a huge asset to improve sales and profitability. The first steps to realizing value is to ingest, harmonize and collaborate the data assets via cloud.”

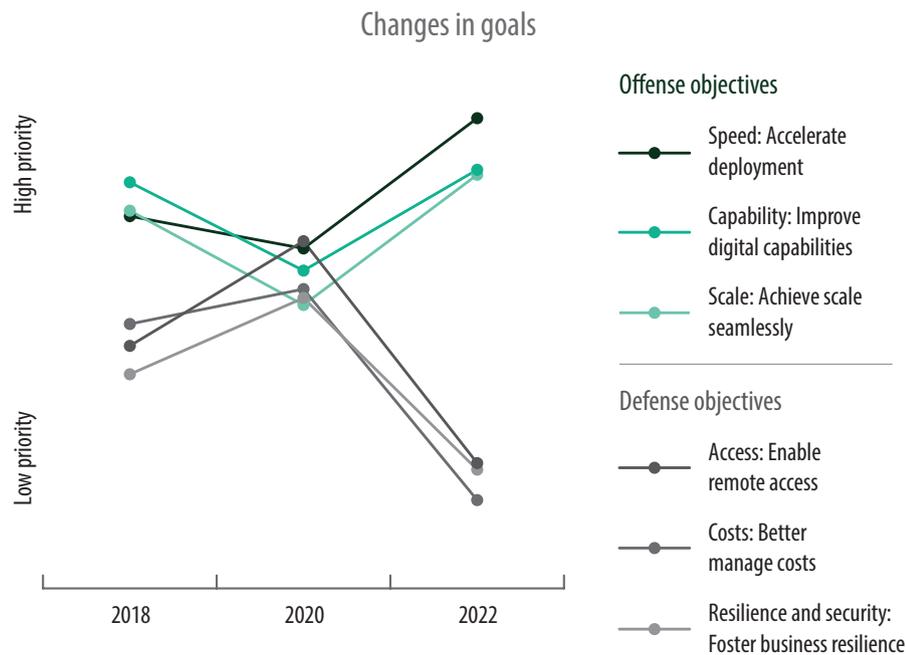
Ezhil Mani

Associate Vice President –
Retail Store Transformations, Infosys

“Being cloud-first is a business imperative for a global logistics enterprise. Enterprises need to integrate different moving parts: assets, processes and people for seamless operations. Enterprises can achieve clockwork efficiency when they gain real-time visibility across the ecosystem. Cloud provides a clear line of sight for operational excellence in logistics.”

Amitabh Mudaliar

Vice President and Americas Regional Head –
CPG, Retail & Logistics, Infosys





Emerging use cases for cloud

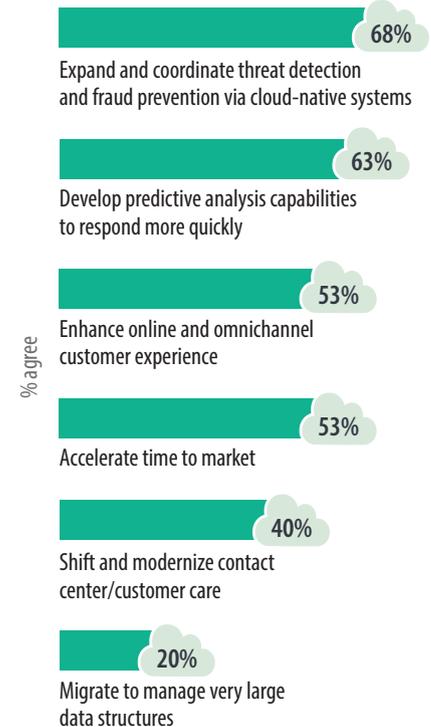
As retail supply chain enterprises embrace a cloud adoption strategy, they use the cloud to develop specific use cases that support their offensive goals. Nearly 70% of respondents will utilize cloud-native systems to expand and manage their threat detection and fraud prevention initiatives, 63% plan to develop their predictive analysis capabilities to determine future outcomes and increase response time, and 53% will use the cloud to enhance the omnichannel customer experience.

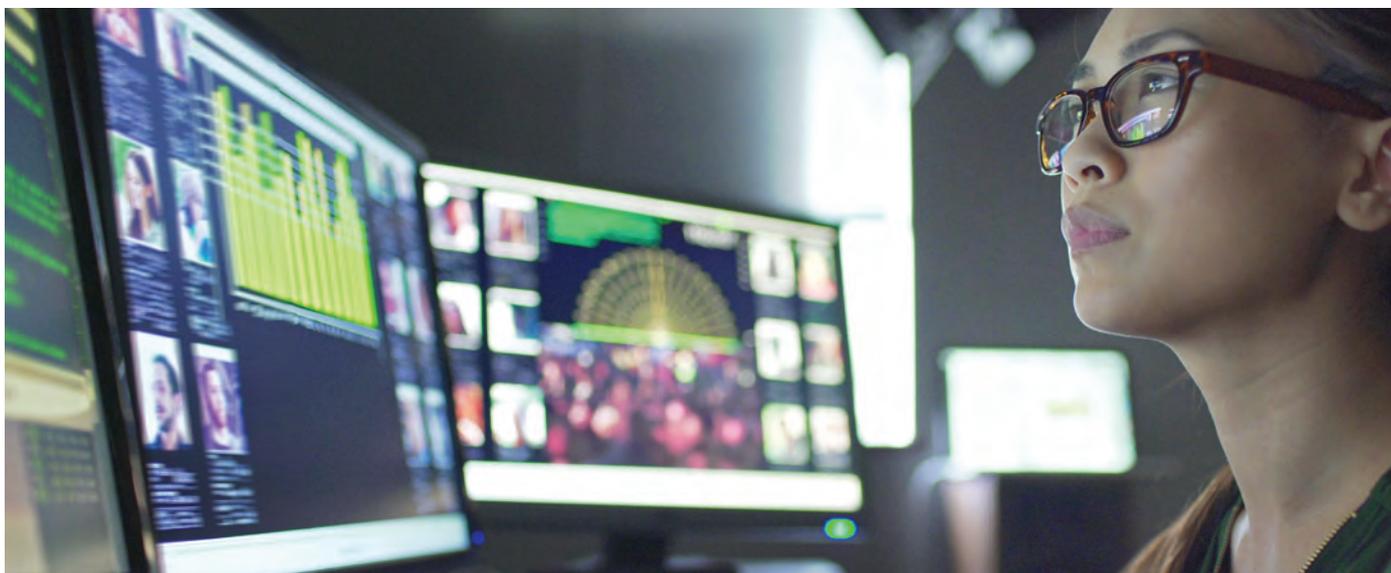
“Consumer, retail and logistics businesses need to seize opportunities and drive sustainable growth by leveraging digital capabilities such as artificial intelligence, machine learning, advanced analytics and blockchain. Progressive enterprises are building these digital capabilities by pivoting to the cloud for hyper scale, time-to-market and cost advantages.”

Ambeshwar Nath

Senior Vice President and EMEA Region Head
– CPG, Retail & Logistics, Infosys

Top ranked use cases





Industry concerns about cloud

Despite strong use cases and a profitable cloud adoption-to-returns ratio, hesitations over migrating to the cloud still loom over this industry cluster. Respondents attributed their hesitation to full cloud adoption to three top concerns:

Top 3 concerns

Security

40%

Increasing complexity of tech landscape

38%

Vendor lock-in

33%

Security: As with all the industries surveyed, the retail supply chain industry cluster's top concern involves security in the cloud. The retail sector

is particularly prone to security breaches because of the amount of sensitive consumer information they collect. For the third year in a row, Trustwave's 2020 Global Security Report found retailers to be the most-targeted sector for cyber-attacks, and more than half of those attacks involved stealing card-not-present data.⁴

Ransomware attacks throughout the logistics industry have extorted millions of dollars from businesses by encrypting their data to cause major operational disruptions. Double extortion ransomware attacks, where hackers procure stolen data with the threat of public release or sale, are also on the rise.⁵

Increasing complexity of the technology landscape: These enterprises have a mix of legacy systems that cause added complexity to a cloud shift. While the retail and CPG sectors are more apt to invest in new technology, more effort is needed to determine if a lift-and-shift approach is more judicious than a total digital transformation.

Vendor lock-in: The retail supply chain cluster was the only group in the study that ranked vendor lock-in as a top-three concern. Some businesses worry about the loss of control over their data and infrastructure, while others are concerned a single provider may not meet their future needs. Proprietary point-of-sale systems may also play into this concern.

Conclusion

To meet current and future market demands, the retail supply chain cluster is steadily shifting its IT systems and business functions to the cloud.

In the retail sector, the migration of communications and core applications to the cloud is improving essential capabilities like product availability, reliability and resiliency during the pandemic. It adds efficiency to their workforce and provides flexibility so they can instantly scale their compute and storage resources to handle usage fluctuations.

Cloud computing is bringing much needed agility and innovation to logistics organizations to remain competitive and adapt to industry demands. Moreover, supply chain managers can better support their remote workforces with cloud-based collaboration and productivity tools.

Cloud computing, digital storefronts and social networks are helping them meet customer needs and acquire new customers.

Major changes in customer expectations and increased purchasing power have propelled businesses to adopt innovative cloud technologies in the CPG industry.

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