Abstract

Consumer packaged goods (CPG) companies are rapidly realizing that with their large consumer base developing and emerging markets offer tremendous growth potential. Most of their sales in these markets are done through distribution channels with multiple intermediaries before a product reaches the store. Many CPG organizations are using local and distributed solutions with low commonality in systems and processes across the countries in which they operate. This makes it difficult to roll out best practices, exchange actionable data, and optimize the total cost of ownership.

Cloud-based solutions can offer an ideal way forward, standardizing processes, business capabilities, ensuring better integration of data, lowering the total cost of ownership, improving time to market, and ensuring scalability and flexibility. This paper explores how CPG companies can leverage Cloud capabilities to support their growth aspirations in developing and emerging markets.
Enabling Growth in Emerging Markets

Slowing growth in the developed markets and increasing consumption in the emerging markets is increasing focus on these markets. So far, merely expanding the coverage delivered growth – but now that’s not enough. There is a need to improve the quality of market execution, and be able to address different market segments – from large stores in urban areas to tiny rural stores – with a tailored mix.

To achieve this, CPG companies need to have greater visibility and control over market operations – starting with basics like timely visibility of sales and inventory data from their distributors, and the ability to run trade promotions more optimally. Also, a typical sales force runs into thousands of people in these markets and improving their effectiveness is a high potential route to increasing sales.

The above is difficult because sales is typically done via distributors – who have disparate systems, have poor or no master data linkage with CPG company, and don’t send data in time. If they do, it is still difficult to make sense of data in a timely manner. This not-so-optimal link is detrimental for the CPG company, as well as for the distributors, who end up having more stock than they need and not the right stock.

Most distributors have a distributed Enterprise Resource Planning (ERP) and Sales Force Automation (SFA) solution which varies from country to country. Some markets still use manual or paper-based processes. This makes it difficult to attain business process consistency across countries, roll out best practices, activate newer capabilities across the distribution network, and minimize the total cost of ownership. Without the required efficiency in operations and optimization of processes, CPG companies can find it difficult to grow in these markets.

Some additional challenges faced by CPG organizations in this area include:

- **Sales and inventory data:** It is a herculean task to ensure that all distributors send their secondary sales and inventory data to the CPG company in a time-bound manner
- **Master data issues:** Distributors and the CPG company may have different product master data and hierarchies. These need to be mapped by a process to make some sense of the secondary sales data sent by distributors
- **Data harmonization:** Data granularity differs from one market to another and requires harmonization

What is needed, therefore, is a platform which provides for seamless collaboration between the CPG company and its distributors and enables them to combine forces to win in the marketplace. A Cloud-based platform provides the opportunity to launch and roll out such a capability with speed instead of taking the traditional route of a laborious and time-consuming site-by-site rollout.

In addition, the digital consumer base in emerging markets is growing and it provides an opportunity to engage the consumer through digital marketing and consumer mobile solutions. This helps leverage the nascent but growing B2C commerce channel. The Cloud-based platform can enable these capabilities quickly.
Cloud on the horizon for CPG companies

Its inherent structure and deployment model ensures that the Cloud offers a range of advantages to CPG companies – lowering the total cost of ownership, improving time to market for rollouts, providing end-to-end solution capabilities, and ensuring immense scalability and flexibility.

Why is the Cloud the best bet for CPG companies?

A Cloud-based solution is best suited and offers more business benefits compared to an in-premise solution since:

- Initial software licensing and hardware costs may be prohibitive for newer business models pay-per-use B2C commerce model helps accelerate time to market while keeping costs low. Moreover, there is a lack of skilled resources, especially in IT infrastructure and operations. With a Cloud-based solution, these resource requirements are met by experts and the CPG company can concentrate on its core business area
- It helps minimize capital expenses and optimize the TCO
- There are decoupled or minimal integration touch points with the core enterprise systems, thus minimizing integration issues

How can CPG companies leverage the Cloud?

Let’s examine how a Cloud-enabled service can be leveraged to design a future-ready solution to address some of the challenges faced by a CPG company in emerging markets.

SERVICE LAYER OPTIONS

Amongst the different service layer options, product vendors are offering SaaS capabilities for distributor ERP, SFA, B2B and B2C commerce, and market insights. It is likely that most organizations will use Cloud capabilities to deliver these solutions in the future. However, in the short to medium term, CPG companies need to assess the technical readiness of the infrastructure and connectivity in countries where solution deployment is planned. Infrastructure and Platform-as-a-Service capabilities are also increasingly being used by system integrators to provide an end-to-end solution offering.
DEPLOYMENT OPTIONS

The Public Cloud option is a better fit for consumer-facing capabilities like B2C commerce and mobile commerce, while the Public/Private Cloud is more suited for digital marketing/brand sites. However, careful evaluation between the Private, Public and In-premise deployment options is required for distributor ERP, SFA and business insights.

As CPG companies take customer and consumer/shopper facing solutions to the cloud, they need to keep key considerations in view while determining the best-fit service layer and deployment options. These are:

- Integration complexity involved in synchronizing and managing the master data and transactional data
- Confidentiality and security requirements around maintaining and managing distributor and sales data in the Cloud. Data cannot be shared or be visible across the distributors and tenants
- Legal and regulatory considerations of each country around maintaining and managing sales and customer data
- Ability of the solution to meet all the operational SLAs required to ensure business continuity
- Availability of an out-of-the-box package or solution which can be customized to meet business needs
- Ability of the solution to enable configuration to meet country-specific requirements such as taxation, payments, language, currency, etc., and offer multitenant capabilities
- Ability to work in offline mode to support critical business functions required for the distributor and field sales user
Solution Capabilities for CPG companies

CPG companies need to integrate data, glean actionable information, and drive sales. With this in view, a Cloud-based sales and distribution solution needs to enable the following capabilities for CPG companies:

### Digital Marketing Brand Sites
Digital marketing sites are used by CPG companies to promote brand awareness among consumers and help communicate a targeted message to improve sales. Most of this multi-country, multi-campaign, multi-brand sites running on diverse technology platforms are expensive to maintain and manage. In addition, the sharing and reuse of digital assets and services is difficult. A global Cloud-based solution offers economies of scale while optimizing cost and deploying consistent best practices.

### B2C Web & Mobile Commerce
Online and mobile commerce capabilities must enable the shopper to browse, search and buy products from the CPG organization’s own or partner commerce site. The fulfillment is either done directly by the CPG or through a third-party fulfillment partner.

CPG organizations are driving online sales through their branding sites and some have set up online stores. Cloud-based commerce solutions offer faster time to market while offering comprehensive commerce capabilities to their end consumers/shoppers.

### Distributor ERP
A distributor ERP solution is used by distributors to perform day-to-day operations covering the following high-level business capabilities:

- Managing purchase order, receipts and payment with the CPG company. It must manage product pricing, execute promotions and handle claims

### Distributor Data Service
The distributor data service is used to manage data synchronization and integration between diverse distributor ERP solutions for both exclusive and non-exclusive distributors. It also provides better secondary sales visibility and intelligent insights. A Cloud-based distributor data service:

- Offers support and facilitates business processes of the distributors’ or retailers’ supply chain
- Reduces the overall complexity in data exchange between various distributors across markets and the CPG company

Most Distributor ERP solutions are deployed locally and vary from country to country, making it difficult to maintain, manage and roll out best practices. Enabling the Distributor ERP solution in the Cloud offers significant benefits. However, the deployment model needs to be carefully evaluated to ensure minimal disruption to distributor operations.
Infosys – White Paper

By leveraging a Cloud-based solution, CPG companies can reap a range of benefits. Market-readiness and scalability is an important benefit, with the Cloud enabling the ability to roll out and scale quickly to meet the emerging market business needs. Moreover, with a partner taking care of the management of end-to-end Cloud services, the CPG organization can focus more on core business activities.

The Cloud ensures consistent business processes and capabilities across markets where the solution is deployed, which is critical since the various distributors are deploying a range of solutions and processes. Floating on the Cloud, CPG companies can lower capex, reduce IT cost, and ensure better consumer connect.

Sales Force Automation Solution (SFA)

The SFA solution is used to improve in-store execution and field sales productivity. The solution is deployed on a smartphone/tablet used by the field force. The key business capabilities offered by the solution are territory/activity/survey and accounts in addition to, management, calendar, route plan, field execution KPIs, order taking, merchandizing and other in-store activities.

Most of these solutions are locally deployed at each distributor in emerging markets and vary from country to country. Many product vendors in this space have started offering on-demand solutions which can be a good starting point. However, picking the right platform/product calls for a careful evaluation.

Analytics and Reporting

The analytics and reporting solution is used to support non-transactional reporting needs across different sales and distribution functions. It can be used for sales performance reporting, market insights, in-store execution KPIs, etc. These services are good candidates to be provisioned through a reporting service.

Cloud Enablement Options

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Business benefits for CPG companies

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Conclusion

As CPG companies look to enter new markets to propel growth, they need to support and enable their sales and distribution function with an agile, scalable and cost effective platform. The CPG company needs to align its functions and processes with its various distributors, and requires a robust solution for the same.

A Cloud-based solution covering key sales and distribution business functions offers the best fit – it allows cost-effective integration even when the various stakeholders have different systems and processes. Such a solution needs to support digital Markets, B2C web and mobile Commerce, distributor ERP, and distributor data service. Moreover, it must connect stores, automate the sales force, and offer business intelligence.

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