

# PERSPECTIVE

Rethink CPG – KNOW. ENGAGE. PROFIT.



Infosys®



## Another day in paradise

It's the alarm, again. You roll over and check your favorite device which reminds you there are reports to read, meetings to attend, and strategies to create...it is yet another day in paradise! Or is it?

Can you point to the last time your company launched a true product innovation, not just another brand extension? Have you wished you knew more about the consumer than your customer did? Do you truly understand the ROI from your brand's social media investments? Are you confident in your strategy for facing the threat of private labels? Have you considered the potential benefits of going 'direct to consumer'?

If you respond in the affirmative to those questions, congratulations! You've begun the journey that other CPG firms will – very soon – be forced to embark on.

The CPG industry is at an inflection point, largely due to radical changes among consumers (behavior, attitude, engagement through digital / social media), in markets (emerging markets, rapidly changing demography in existing markets), and in competition (smaller / nimble competitors, private labels, new channels). Seismic changes in consumer, retail, and supply markets are driving an absolute transformation in current business models and sales and marketing approaches.

## Keep calm, carry on

The key to driving profitable growth lies in getting back to the basics: know the consumer – and better than anyone. Building successful brands has always been and will always be about serving the consumer's stated and unstated needs and wants. The fact is that now, more than ever, it is easy to get back to that basic principle as long as you recognize a few myths and adopt new ways of working – that is, *Rethink CPG*.



# Myth #1

Omni-channel is for retailers; CPG doesn't need to worry about it.

If anyone needs to worry about omni-channel, it's CPG companies. Omni-channel is all about ensuring a seamless experience to the consumer across every channel of engagement. While there is a huge implication for the retailer, there is an equally large opportunity for CPG companies.

- **Consumer Engagement:** For the first time brands are in a position to directly engage with consumers through a multitude of channels – mobile, brand

websites, YouTube channels, affiliate channels, interactive television, and many more. It is key that the brand experience remain consistent and rich through these channels.

- **E-Commerce:** E-commerce can be a significant revenue driver for certain product categories. For many, however, it is only a medium for the brand to further engage with the consumer. The bigger implication here is to ensure a uniform brand experience across all these digital properties. Today most brands struggle even to ensure that basic information from their product catalog is appropriately represented. Ensuring this consistent and rich experience – and in a global context, as well – becomes even more challenging.

- **Category Captainty:** Brands have generally always done a huge amount of research on understanding consumer behavior. They have also worked with retailers to analyze POS data to better understand buying behavior. For the first time, though, brands are now in a position to work with the retailer and have access to understanding the shopping basket *as it gets filled*. For the first time CPG companies and retailers can bring together a 360-degree understanding of a consumer, plus the transactional and channel context, to appropriately target the consumer at the moment of truth. This understanding developed online and on mobile channels can be leveraged to produce a much richer and relevant in-store experience.





## Myth #2

### Consumer centricity is for the front office.

Customer centricity is fundamental to profitable growth. As a CPG leader, you need to not only be customer-centric but also consumer- and shopper-centric.

It is easy to see why marketing, sales, and product development / R&D should be consumer-centric. But it is critical to understand that customer and consumer centricity impact all functions of an organization.

- Supply chain teams are an equal partner in delivering superior customer service.

Shrinking product development cycles and an increasing desire to personalize experiences are driving a significant need for more agility in the supply chain. Understanding demand signals and being able to respond in a timely manner is critical. This has a huge implication to the Integrated Business Planning functions of organizations which need to bring Demand, Supply, and Finance together seamlessly.

- In most CPG companies, e-commerce is an evolving business but it is, nevertheless, a viable business – in some cases reaching \$100 million. A business this size, and growing rapidly, needs a framework of systems and processes so that it can work in

conjunction with other organizational processes.

- The need for agility drives a need for the various parts of an organization to work together seamlessly. This means the adoption of collaboration tools and technologies across the entire value chain to help improve productivity and effectiveness.
- There are huge organizational implications. It's about putting the consumer ahead of everything you do. While this is natural for the marketing group, it involves a significant mindset shift for the rest of the organization. Organizational development and training here is crucial.



## Myth #3

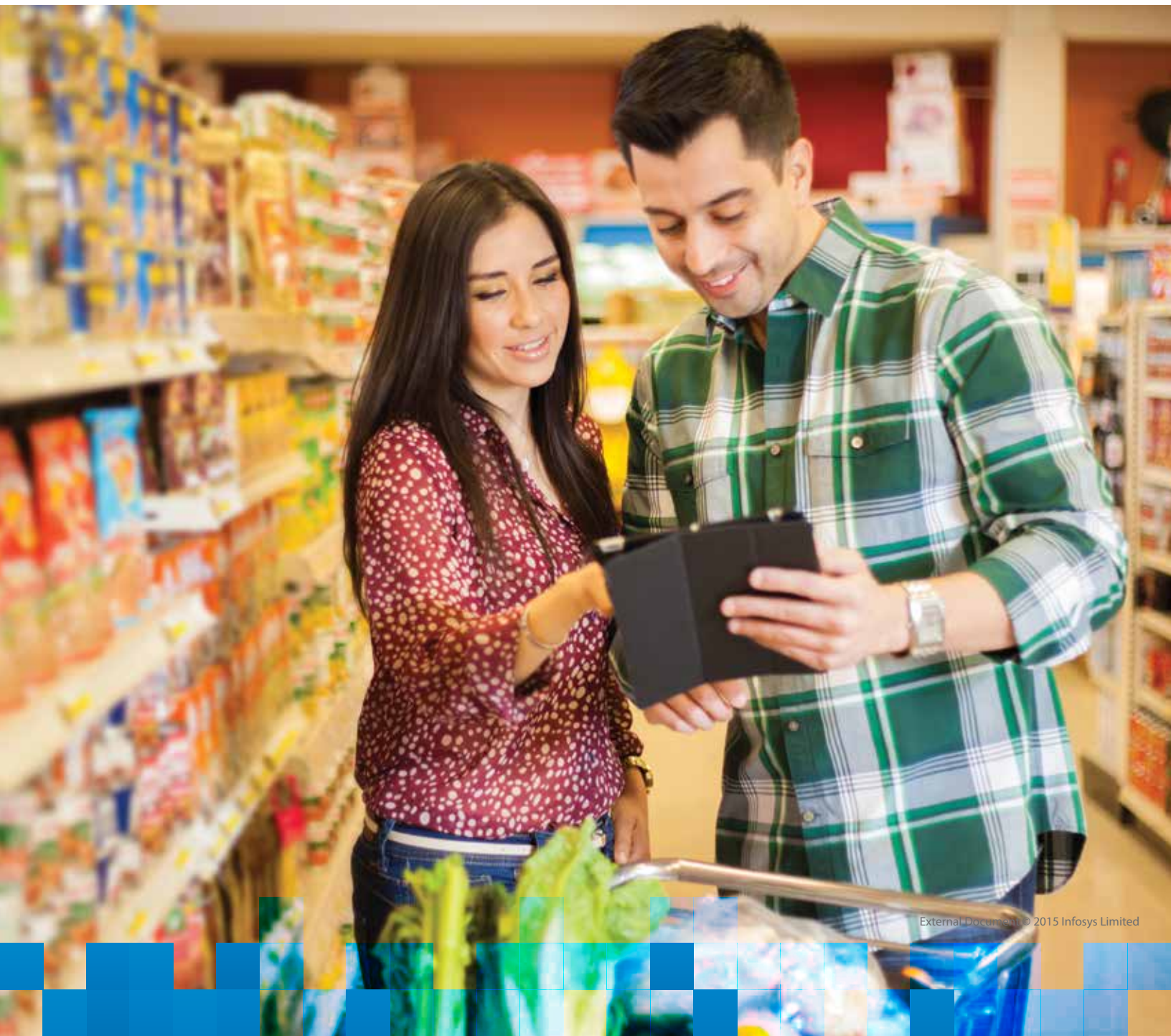
Consumer centricity is all about technology: social, mobile, cloud, Big Data...

There is certainly no dearth of technologies and buzzwords in the market today. Nor is there a shortage of initiatives where brands launch new mobile apps, establish new brand sites, or create teams with analytics capabilities. But have these

generated intended results – or raised more questions?

Everyone knows that technology is simply an enabler. Yet most organizations channel funds through their budgeting cycles for initiatives on Big Data, mobility, social media, and so on. This is the classic case of a bomb looking for a war. Therefore, an approach of taking complex business situations and working to solve them leveraging technology but with a clear line of sight to short-term business value and long-term business capability is critical.

At Infosys, we've found that this approach not only helps establish the right end-state technology but also helps business processes and people evolve through the experience. Consumer centricity is thus not so much about technology as it is about leveraging available resources to deliver business value. This point may seem self-evident, but it is surprising how often it is missed.





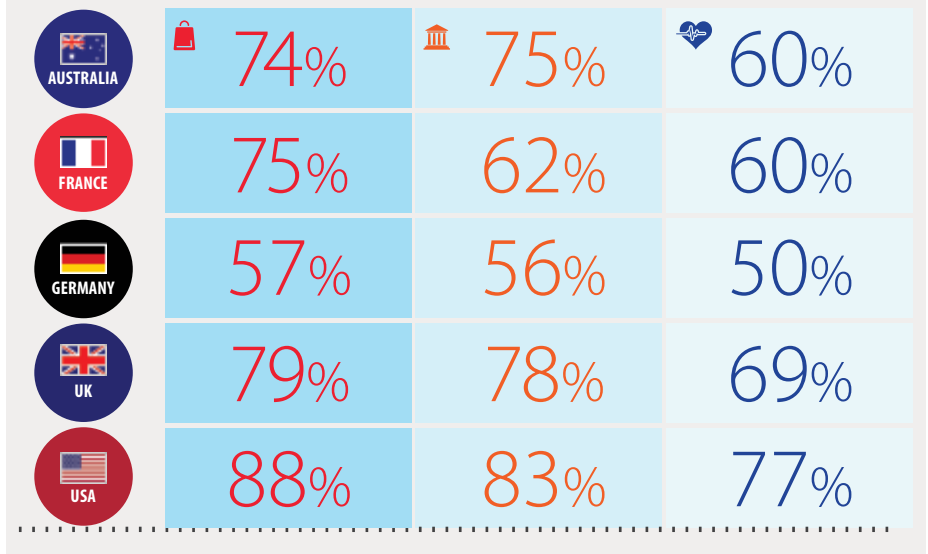
## Myth #4

Consumer centricity infringes on customer's privacy.

Companies such as Amazon, Apple, Nike, and Southwest Airlines, to name just a few, have shown significant profitable growth by being customer-centric and without infringing on customer's privacy.

According to an independent survey commissioned by Infosys, consumers worldwide said they will allow access to personal data for clear benefits. There is an enormous untapped opportunity to gain greater access to data by clearly communicating 'what's in it for you' to the customer. Our research<sup>1</sup> shows that people will certainly share, though they can be

### BUT HOW COMFORTABLE WE ARE SHARING ONLINE DEPENDS ON WHERE WE COME FROM



quite particular about how they give up their personal information. Companies need to crack the code in mining data

effectively to gain consumer trust and clearly articulate the benefit to their customers.

<sup>1</sup>Source: Engaging Digital Consumers: An Infosys Survey



## Myth #5

Consumer centricity is for leaders only, not for fast followers.

Being a trail blazer, leader, or fast follower will determine the kind of capabilities you build and when. But consumer centricity is not about creating a long-term roadmap – it is about building the right capabilities in an agile, innovative way.

The pace of change among consumers and their environment is so rapid that waiting to catch up with “leaders” may well mean you are out of the game altogether – because the playing field may have changed in the interim. Larger organizations have a greater amount to lose by doing so. Smaller, nimble, local players, meanwhile, have the ability to surprise and catch larger established brands off-guard.

Innovating in every relevant aspect of the value chain is absolutely essential and not

a choice. But innovation need not be for the sake of being the first to do something big. Innovation needs to have a few characteristics:

- It needs to be relevant to the organizational context and practical.
- It needs to have short time cycles with an accelerated path to value (gone are the days of 18-month delivery cycles).



## In Conclusion....

KNOW, ENGAGE, PROFIT is at the core of consumer centricity. Every CPG organization is re-looking at their consumer centricity strategy and devising plans that are relevant to them. In doing so, it will be critical to keep some basic principles in mind:

- Use a value chain view and not a front office view
- Ensure organizational enablement and not only technology implementation
- Focus on business value and not the glamor of technology
- Realize that time to real value is more critical than the promise of big value
- Drive consumer centricity in the new omni-channel environment through multiple small measurable steps as against monolithic multi-year initiatives.

For more information, contact [askus@infosys.com](mailto:askus@infosys.com)

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