

Living in the cloud

Overcoming 3 barriers to success

Introduction

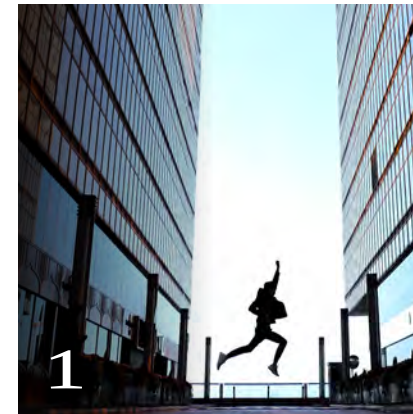
A tale of two CPGs

Imagine two CPGs at different stages of their cloud journey.

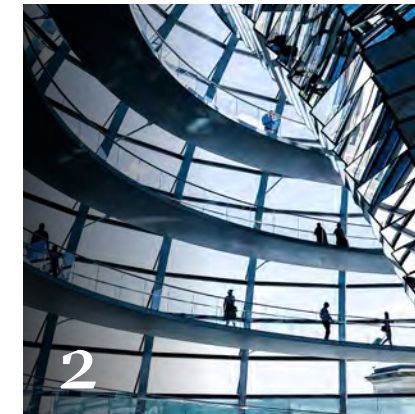
The first is far along, and the benefits are striking. Powered by a robust data and analytics (D&A) capability, the company is **quick on its feet**, using granular insights to help rapidly respond to the needs of individual consumers. Everything is faster and more efficient, from the piloting of new products to integrating recent acquisitions. The company works well with partners across the value chain, able to quickly add and remove them from its ecosystem and is even able to do this for M&A. Cloud has helped enable them to operate at a higher speed with more agility.

The second CPG company has fallen behind. Its leaders see cloud as an isolated IT cost reduction tactic and either haven't migrated to the cloud or haven't leveraged the full value of their cloud investments. D&A sputters along, with multiple, siloed pools of data. The company doesn't have a clear view of its consumers. It lacks the right infrastructure and talent to connect the data dots, and so is slow to understand, react and act.

Unfortunately for the sector, too many CPGs are more like the second company than the first. Most understand that successfully moving to the cloud is key to staying competitive, but they must overcome three barriers, identified by our research, to get ahead:



1 Failure to appreciate cloud's full potential: **"A widening gap"**



2 Misalignment between business and IT: **"The elephant in the room"**



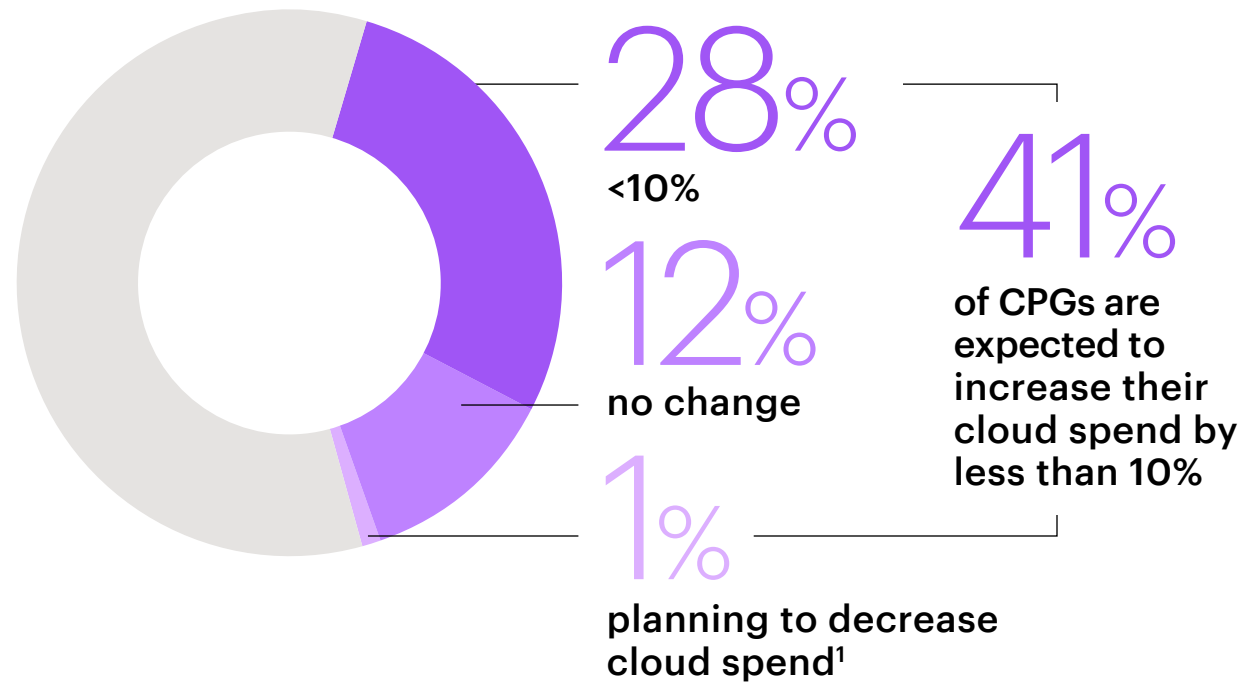
3 Unmet D&A aspirations: **"The data conundrum"**

Barrier 1

Failure to appreciate
cloud's full potential:
“A widening gap”



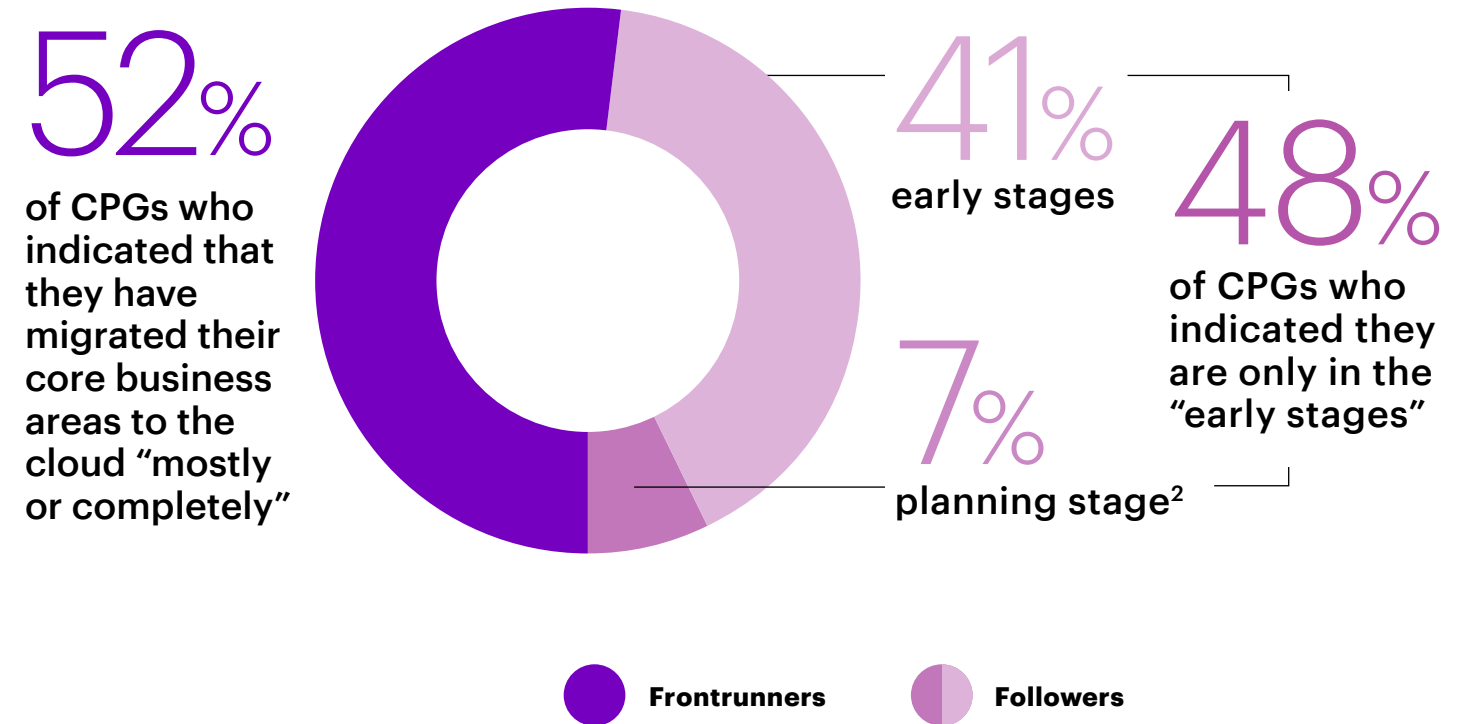
The truth is that most CPGs still don't fully understand or embrace the profound impact that cloud is having on all businesses. This shortcoming is evidenced by a lack of planned investment: A substantial number of CPGs are self-limiting by not spending an appropriate amount on cloud compared to companies like the one in the example in the introduction.



Why the gap?

Too many CPGs are approaching cloud readiness as a pure “technology cost reduction” play, seeing only an opportunity to lower spending. This is short-sighted because it ignores the larger gains in operational efficiency and increases in revenue that cloud unlocks throughout the organization. Too many CPGs don't take this holistic view, leading them to view their cloud spending in isolation and blindly apply traditional cost cutting measures.

We divided the 100 companies we surveyed into “Frontrunners” and “Followers” with regard to their adoption of cloud.





Crucially, Frontrunners have shown better top-line growth and resilience compared to Followers over the first year of the pandemic.



Registered revenue growth of more than 5% in the last fiscal year

47%

24%



Negative growth in revenue in the last fiscal year³

12%

41%



Frontrunners



Followers

Of course, this figure alone does not prove causation (it's possible that companies who were already healthy financially were more able or willing to move to the cloud, for example). But it does show a strong correlation between moving to the cloud and increased revenue growth.

Frontrunners who have already embraced cloud continue to make major investments in cloud initiatives, while Followers risk becoming trapped in technological decline. Up to 73% of Frontrunners show further willingness to increase their spending on cloud by greater than 10% vs. only 45% of Followers, this risks a widening gap between the 'haves' and 'have nots'.⁴

Recommendations:

Followers:

- ✓ Must adopt a holistic mindset, considering the broader transformational value that cloud enables across the organization. Otherwise, if they focus on lowering costs in just one area, they risk becoming trapped in a negative loop of reduced spending resulting in declining capability.

Frontrunners:

- ✓ Should focus on maximizing their investment and efforts to unlock the full value of cloud. This doesn't have to mean a narrow emphasis on the percentage of workloads in the cloud or additional cloud spending. As we'll see in the following section, it also requires getting the business side of the company on the same page as IT.
- ✓ In many cases, companies will still need to address their end-to-end business function-to-IT operating model so they can redesign governance, processes and structures to operate at the full speed that cloud makes possible.

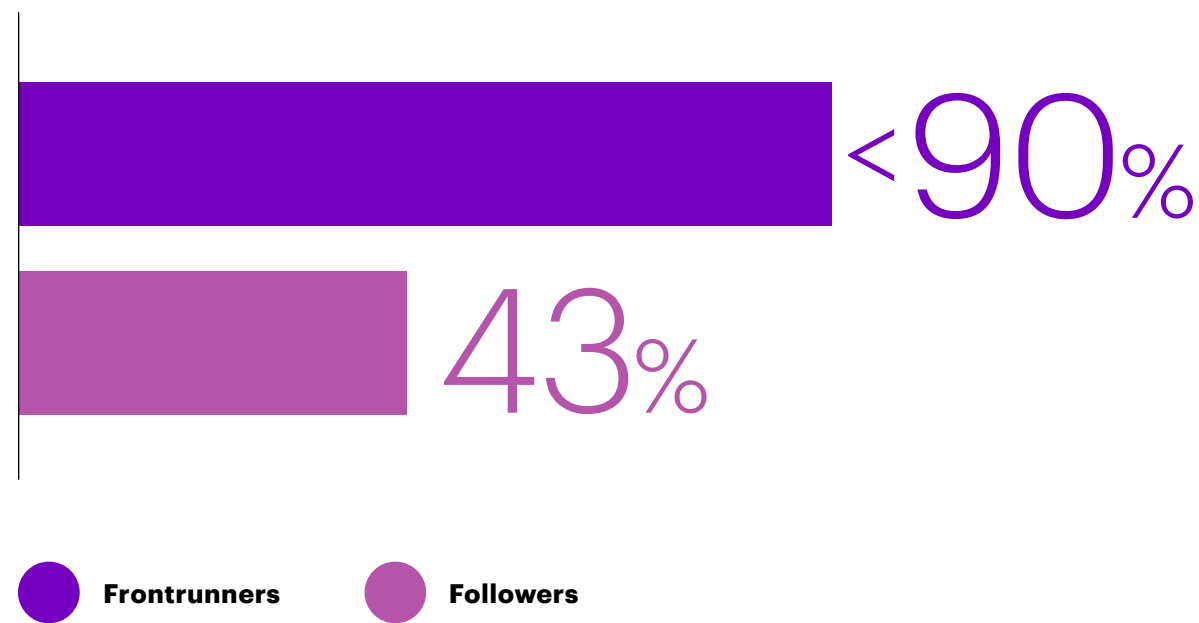
Barrier 2

Misalignment
between business and IT:
“The elephant in the room”



If the larger cloud readiness story is a tale of two CPGs, the unfortunate narrative for Followers (and for underperforming Frontrunners) is one of misalignment between IT and business strategies. But these two must be aligned and work together to allocate resources appropriately, design IT transformation road maps and build relevant skills in the workforce, all based on clear business priorities.

Have their IT-Business strategies aligned⁵



But the unspoken truth is that—for the industry as a whole—IT and business strategies are still poorly aligned. It is “the elephant in the room” for the sector. According to our research, up to 33% of CPGs have misaligned IT and business strategies. Moreover, very few build these strategies out as a single endeavor (only 19% of the CPGs).⁶

What’s worse is the degree to which CPGs still fundamentally underestimate the positive impact of alignment. Only 13% of CPGs in our survey acknowledge that such misalignment is a barrier in realizing the full potential of cloud. It’s hard to fix the problem when you don’t even recognize it.⁷

Broadly speaking, misaligned strategies prevent companies from realizing the full value of cloud. The difference in cloud maturity of CPGs with aligned vs. misaligned IT and business strategies is too stark to be ignored: 40% of those with aligned strategies, for example, significantly reinvented business operations in the cloud (in contrast to only 6% with misaligned strategies).⁸

There are also big mismatches in use case adoption. For instance, 36% of aligned CPGs currently have their cloud efforts supporting digital consumer experience use cases, as opposed to only 12% of misaligned ones. The same disparity is evident for other use cases: intelligent revenue management (54% vs. 33%) and digital R&D (66% vs. 33%).⁹

Recommendations:

Followers:

- ✓ Must first acknowledge there is an issue that isn't easy to fix. With many companies either growing in silos or being formed through mergers, it's understandable that misalignment exists.
- ✓ Must empower their technology leaders to fully understand each of the business functions they help enable and cement their role with their peers in driving tech transformation. These leaders should see complaints as opportunities to engage, always ready to evangelize the power of technology and the speed of operation that cloud brings.
- ✓ Need to align on strategy, IT must develop a specific approach for each function and then roll these up into a company-wide view, instead of trying to solve the challenge from the top down. From a governance perspective, it is more straightforward to get endorsement for a strategy that is specific to each function versus one that is generic for the entire company.
- ✓ Must "put the consumer back into CPG"—it's easier to get alignment when IT and business work together—backwards—from the end consumers and what they want and need.

Frontrunners:

- ✓ Should not rest on their laurels—there will inevitably be room to improve, particularly as their cloud estate is still likely to be maturing. Many will not have redesigned the end-to-end way they operate within each function. While they may have the capability to change technology within minutes, their business governance and processes frequently still take weeks or even months to play out. And so they are forfeiting the ability for cloud to accelerate operating speed.
- ✓ Should address this opportunity by developing joint business function and IT targets and the necessary transformations in ways of working and collaborating.

Barrier 3

Unmet D&A aspirations:
“The data conundrum”



The third challenge facing CPGs is the need to close the gap between their D&A aspirations and actual capabilities. Managing data effectively and generating meaningful, actionable insights is critical—the single most important transformational play enabled by the cloud for the industry. While a larger percentage of CPGs have invested to some degree in the cloud technology layer, only 14% have made the corresponding and necessary investments in transforming their business, culture, and processes to be truly data driven. This deficiency exists despite CPGs clearly having the goal of being data-driven: A full 49% of them say that data-driven transformation is the second biggest reason to move to the cloud in the first place.¹⁰ This results in the data conundrum where there are lots of inputs without corresponding outputs.

What's holding them back?

According to 58% of CPG respondents to our survey, it's their failure to secure the analytical capabilities needed to make all the data ingested useful and actionable.¹¹ This belies a larger challenge: a lack of completeness in D&A strategy that includes updated operating models, use cases and talent.

Crucially, with the establishment of highly flexible analytical products on the cloud, there is a need to re-think the end-to-end operating model to ensure the data and analytics capability can deliver business results at speed.

In fact, research of more than a hundred Chief Digital Officers (CDOs) states that 80% of CDOs/CEOs are struggling to deliver scalable value through data and analytics, due to their current operating model.¹²



On talent, critical gaps can be found in data science, visualization and a range of other D&A skills. Gaps like these are setting up a two-tier world—one that is benefitting from significant D&A talent build, and another that is coming up short. For example, 70% of CPGs who say their IT employees have advanced experience with cloud also report advanced D&A capabilities across sales and marketing and R&D in more than one market or on a pilot basis. But only 35% of CPGs who say their people have novice cloud expertise—or none—report these mature capabilities.¹³

The reality is that CPGs need a broad range of talent—from data “translators” to “storytellers”—with the right operating model and ownership—to unlock the full value of cloud investments and become data-driven.

Recommendations:

Followers:

- ✓ Must treat D&A as a transformational opportunity rather than an isolated initiative and aim to achieve data-driven results through appropriate use cases that generate proof points on success.
- ✓ Must understand that D&A transformation requires a culture, operating model and people shift as much as a technology one and invest in meaningful change management, embracing the talent renaissance. And this starts at the top: Many senior executives are not data-led, meaning this is a huge change for them and how they run their businesses.

Frontrunners:

- ✓ Must keep momentum going. Assuming they have the right sponsorship from the top, D&A talent who can speak business language and a growing data-driven culture, it then becomes important for D&A leaders to ensure the right operating model is in place with the right hub and spoke capabilities.
- ✓ Must continue to focus on upskilling and culture change across the business to develop new skills and embed data-driven ways of working. This needs to be combined with a range of ecosystem partnerships to provide access to industry data, leading technologies, and top talent to keep Frontrunners at the front.

Everyone:

- ✓ Must be able to quickly put together multi-disciplinary teams, have them focus on a specific D&A mission or problem to be solved, then rapidly reconfigure them to focus on a subsequent mission. In this way, the CPG begins to look like a collection of micro enterprises, far better able to capture transient opportunity.

Conclusion

Run to the front, don't follow

Put simply, CPGs won't succeed without deploying and harnessing the benefits of cloud: Without it, they risk being left behind with outdated technology and a sluggish business that will struggle to remain competitive. Focused investment in technology, however, is necessary but not sufficient for success. Instead, CPG leaders will only achieve real benefits by embedding end-to-end process, governance and culture change with an appropriately aligned business and IT strategy. The good news is that both Followers and Frontrunners can take steps now—using the above recommendations—to improve and accelerate their cloud journeys.



References

- ¹ Accenture CG&S Cloud Readiness Survey (2021-2022)
Response from 100 C-level Execs (CIO/CTO/VP etc.)
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- ¹² Accenture Chief Digital Officer (CDO) Research
(2021-2022)
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