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# Winning in the new age of the digital consumer

4 steps for CPGs

CPG End-to-End Experience

Winds of disruption are raging, and consumer packaged goods (CPG) companies are in the eye of the storm. From macro environment changes reshaping consumers' attitudes, expectations and behaviors, to material shifts in the way people are shopping, to the dramatic and rapid reinvention of retail models—CPGs are being battered from every direction. Weathering this storm requires a fundamental rethink on where to focus, how to enact digital transformation at scale and how to redesign a more responsive end-to-end operating model.

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New smaller and digital native competitors have been grabbing market share for years, but the current turmoil is now providing them with opportunities to solidify their positions. Their agile, digital first operating models are enabling them to create a higher level of consumer intimacy and to more rapidly respond to the continually evolving consumer needs—something large CPGs are not set up to do.

**Agile, digital-first models help companies create consumer intimacy and rapidly respond to changing consumer needs.**



**Reportedly, 70% of searches on Amazon don't include a brand name.<sup>2</sup>**

On top of that, the fundamentals of shopping behavior have been recast. The retail landscape changed seemingly overnight with the pandemic's onset. Demand for digital commerce, home delivery, curbside and click & collect surged—with an expected 340+% increase in consumers' digital purchasing frequency among previously infrequent users.<sup>1</sup> People expect to buy anytime, anywhere, so traditional methods of capturing attention and building loyalty are increasingly irrelevant.

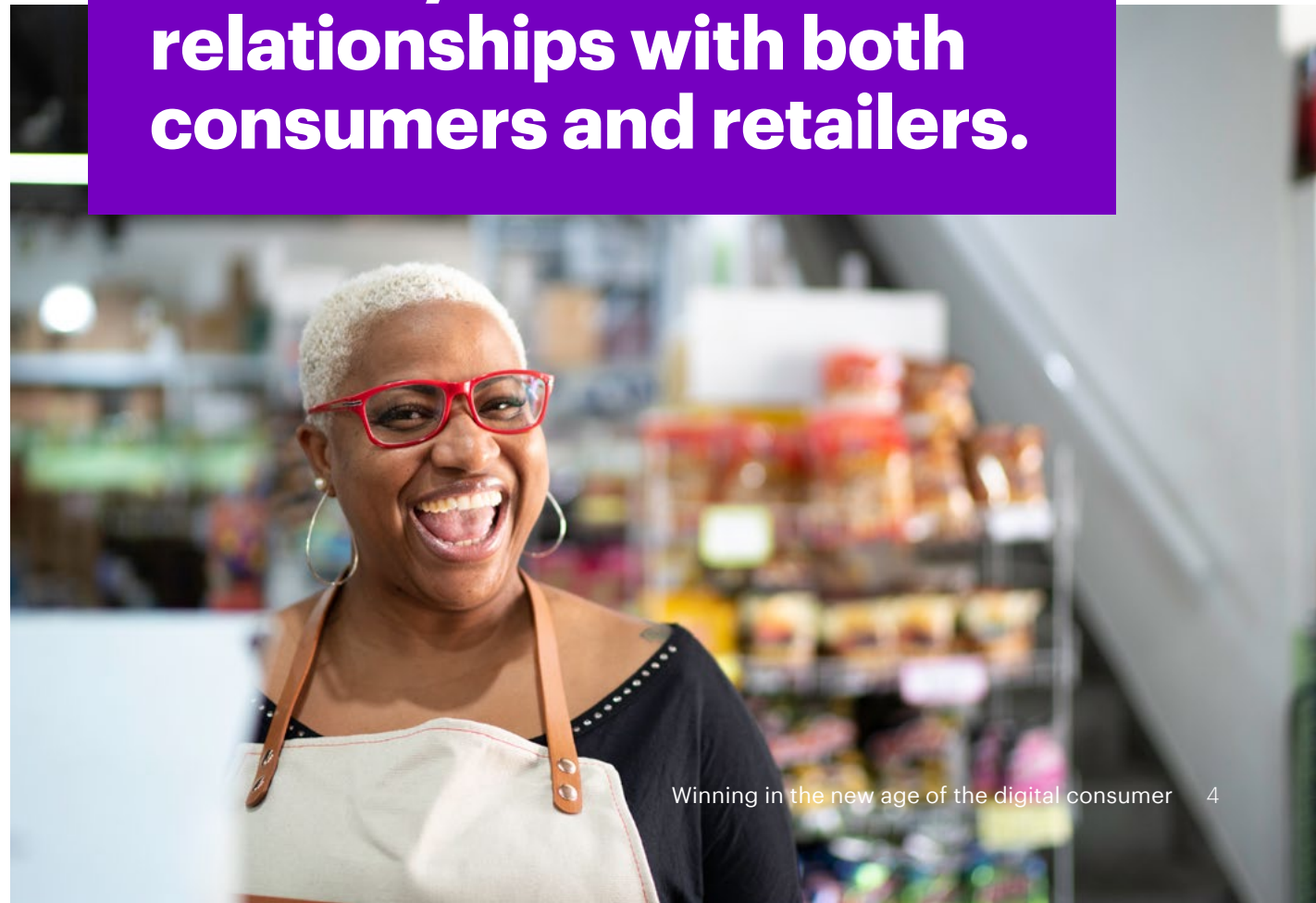
Added to this, major retailers are transforming at pace to remain competitive and drive new revenue and profitability. Aiming to become less reliant on making profit solely from selling products, they are creating new services aimed at building lifetime value and loyalty from their shoppers. At the same time, they are developing new service offerings for CPGs (such as retail advertising) that enable suppliers to engage more effectively with the retailer's consumers and shoppers; which in turn drives new, profitable revenue streams for the retailer. These changes are dramatically challenging traditional CPG customer engagement models and investment strategies.

Digital is driving the winds of disruption. CPGs have had no choice but to embrace and embed digital capabilities but the trouble is this has often been small scale and set up in discrete areas of their business, so the capabilities are neither sufficient nor scaled to the degree and speed required.

To grow, CPGs must radically re-think their relationships with both consumers and retailers. And they must forego old ways of operating—with legacy infrastructures, inflexible and constrained resources, and siloed operating models.

**If they fail now to establish and scale new approaches for growth, large CPGs may fall behind and never catch up.**

**To grow, CPGs must radically re-think their relationships with both consumers and retailers.**



# 1. Rethink relationships with consumers



## 1. Rethink relationships with consumers

CPG brands are struggling to remain relevant as the path to consumption has become so complex and fluid.

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Not only do companies need a unified strategy to drive a consistent brand experience along this complex path to consumption, but they also need to have a brand purpose which resonates with consumers' changing values and shopping and consumption behaviors.

There is also a critical need to rapidly move from the traditional one-way marketing approaches, including big ad spends, to creating two-way conversations with consumers and listening intently to their ideas and what matters to them.

Smaller companies and digital natives have quickly won market share precisely because they have been able to connect with consumers and don't have the legacy models that limit their agility. They use data and analytics to understand and listen to consumers, ensure they create offerings that are relevant to them and move at speed to respond.



## 1. Rethink relationships with consumers



### C'est qui le Patron

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French company, C'est qui le patron (which translates to “who is the boss”), is designed by its consumers. Their community provides feedback on ingredients, production methods and the quality of products they want, as well as the related price they are willing to pay for it. Launched in late 2016, it is the fourth-biggest milk brand in France, and sales exceeded company forecasts 10 fold.<sup>3</sup>

### BrewDog

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British beer company, BrewDog, uses advanced analytical capabilities to spot, respond and target changing consumption trends. They responded with agility and creativity throughout the pandemic, shifting to produce hand sanitizer, creating virtual bars, setting up the BrewDog Drive-Thru, and repurposing physical locations to create co-working space with Desk Dog.<sup>4</sup>

**By contrast, although many CPGs now have access to more data than ever before, most aren't equipped with the analytics needed to develop, share, and activate the insights across the organization. These insights should be driving new product development and enhancements, as well as optimal merchandising and media actions.**

## 1. Rethink relationships with consumers

### Blending experiences to grow the brand.

**To grow, this global beverage company wanted to substantially elevate the consumer and customer experience. Accenture partnered with them to define the digital strategy to drive growth through digital channels.**

The initiative is now underway as an extension of the brand's physical experiences, for a truly consistent omnichannel approach. It will also allow scalability and increase agility for the countries. The client will be able to provide a personalized, premium offering and interactive experience across all channels, to better meet consumer and customer needs.





**2.**

**Reshape  
relationships  
with retailers**

## 2. Reshape relationships with retailers



The retail reinvention that is taking place is increasingly shifting the cost and responsibility of managing brands in the digital environment on to CPG companies.

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With the launch of marketplaces and advertising platforms, retailers are now enabling CPGs to invest and drive their brands directly within the retailer's digital environments. This is having some profound impacts. "Digital shelves" are up for grabs.

Where CPGs have traditionally focused on owning and managing the physical shelf in store, they must now also contend with a much more complex and dynamic fight for share of the digital shelf. Physical shelves have historically created some stability of sales for CPGs, with new entrants finding it harder to get distribution.

Digital commerce and marketplaces have changed all that. They create a more level playing field where digitally native brands can strongly compete as they respond more agilely to consumer needs and buying patterns.

Additionally, ensuring the consistent delivery of the brand experience across thousands of retailer websites and responding in real time to consumers' needs and behaviors is a huge challenge to large CPGs—the complexity has never been greater!

## 2. Reshape relationships with retailers

**With the notion of online and offline now outdated as consumers fluidly move between multiple channels, the traditional channel-based view of CPGs that separates the in-store and online sales organization and processes for a given retailer is obsolete.**

Customers are tired of this fragmented approach and increasingly expect CPGs to provide seamless coordination between channels.

The storm of retail reinvention requires CPGs to rethink their customer segmentation to consider who will be the winners in this new environment and where they should prioritize. Investment strategies and trading terms will also need to change as new marketing dollars are now being spent advertising directly on retailers' marketplaces and websites. A complete re-think of the customer engagement model and how to create joint economic value is required.



# 3. Reimagining Routes to Market (RTM)



### 3. Reimagining Routes to Market (RTM)

The pandemic has created new and emerging pockets of growth. Local neighborhood retailers have diversified their category offerings, with many now providing home delivery services.

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Last mile delivery service providers give new opportunities for CPGs to partner directly and platforms such as Shopify allow companies to experiment with direct to consumer models.

Added to this is the rapid development of B2B marketplaces and eCommerce platforms that is challenging traditional wholesaler and distributor-based RTM models. CPGs must re-evaluate their channel strategies and redesign their routes to market to serve the new pockets of growth and build stronger direct connection with increasingly important small store retailers.

**Last mile delivery service providers give new opportunities for CPGs to partner directly.**



### 3. Reimagining Routes to Market (RTM)

#### Growth through digital, integrated RTM

A global foods business wanted to reconfigure their RTM in the away from home and independent channels where they recognized big growth opportunities. Accenture helped them by using Advanced Growth Analytics to identify white space opportunities and reviewed their current route-to-market capabilities and operations. The result: a 12% increase in revenue while reducing cost-to-serve by more than 20%. How? By building a digitally-led, integrated RTM strategy including data-driven partnerships, B2B optimization with order transfer capabilities and a data-led approach to field operations and customer value generation.

These changing routes to market are new for many, and going it alone isn't easy. High-performing CPGs are 50% more likely than peers to have further embedded and integrated a digital approach to their route to market, leveraging an ecosystem of partners to access and service priority demand spaces and using a digitally enabled customer/outlet-level sales and service model.<sup>5</sup>

New ecosystems of peers across consumer goods and partners among the traditional trade are linking online

buyers to local mom-and-pop shops for fulfillment. For example, the Coca-Cola Wabi app fulfills online orders through the traditional trade that is close to home. By building on the personal relationship that individuals have with their local shopkeeper, the experience can be "sticky" versus just transactional.

CPGs will have to decide where to partner in the route to market versus going it alone and will need to test new approaches to determine the growth potential and ROI.



**4.**

**Rethink old  
operating  
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growth**

#### 4. Rethink old operating models that are stunting growth

Many CPGs are stuck in siloes, in both functions and channels, and need the courage to replace old operating models to thrive.

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According to our research, CPGs are struggling with legacy operating models, rigid manufacturing processes, resources that are inflexible and less innovative, and unagile supply chains, which limit their chances for survival in today's dynamic marketplace.

In particular the traditional functional silo between Marketing and Sales makes it very difficult to deliver a joined-up consumer experience, instead these silos often lead to a rapid decay of brand messaging and poor experience delivery.

This situation is being significantly exacerbated by the changing role of digital commerce which is now a consumer engagement channel, not just a transaction channel. This is driving a need to re-look at the commercial operating model to find the best way to join up in a meaningful way and connect ways of working across the enterprise so that all teams support the new models and have the skills to sustain them.





#### 4. Rethink old operating models that are stunting growth

The ability to act on data-driven insights is essential, but many CPGs are constrained by their operating model. Only 33% of CMOs strongly agree their company's processes and operations are flexible enough to allow them to apply data-driven insights in real time.<sup>6</sup> Some CPGs had tried to buy capabilities through M&A to "reverse integrate" and bring agility into the larger organization. However, few succeeded. CPGs must build the needed foundation and capabilities by hiring the right digital talent to stand up and support digital technologies.

CPGs need to continue to adopt new end-to-end models and move to flatter structures to reduce complex decision-making processes, including full vertical and horizontal integration across functions. This end-to-end model needs to include radical redesign of supply chain operations to make them more consumer and customer centric, and able to efficiently respond at speed to the changing marketplace demands of personalization and customization. Ultimately, when the organization becomes "intelligently fluid," it will embrace a culture of innovation, learning and cross-functional teams that collaborate on the shared goal of delivering the desired consumer and customer experiences that will drive growth.

**Traditional functional silo between Marketing and Sales make it very difficult to deliver a joined-up consumer experience.**

# How can CPGs get started?

Collaboration alone with retailers, consumers and third-party partners will not be sufficient. CPGs will need to completely rethink how they meet consumer needs, reshape how they work with retailers, and re-orient their organizations.



## How can CPGs get started?



Create a unified brand strategy that establishes a two-way dialogue with your consumers.

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Be clear about your values and bring your organization's purpose to life through the creation of a unified brand experience that's agile, effective, locally relevant and scalable globally. Determine what your online experience needs to be for your consumers and what will unlock areas of growth while simultaneously optimizing performance.



Take a systematic approach to grow your digital consumer market share.

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This will require a rigorous ROI approach to owning the digital shelf, scaling a common architecture and set of capabilities to support all brands and customer channels, and new analytical services to leverage the abundance of data available through digital front ends to unlock category growth.

## How can CPGs get started?



### Rethink your routes to market and customer engagement.

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Rethink channel strategies and routes to market to service existing and new demand with the appetite to design new propositions and experiences to drive growth considering their role within a broader channel ecosystem. Reinvent the customer engagement model to deal with the disruption being caused by major retailer reinvention and to consistently deliver the brand experience along the entire path to consumption.



### Reshape your core organization with a holistic operating model.

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Integrate the organization by joining up functionally, enabled through digital tools and a liquid workforce, and creating end-to-end processes and an agile, resilient supply chain that dynamically captures market opportunity, is fit for the future and is consumer and customer-centric.

## How can CPGs get started?

Disruption is here, and its wide-ranging effects are undeniable in CPG.

Those on the path to growth will act quickly to avoid disintermediation by digital natives. They will open a new two-way dialogue with consumers.

**They will address consumers and channels in ways that are meaningful and relevant. And they will emerge stronger than ever before.**

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