accenture

Making space to grow

Learn how CPG companies are radically rethinking their foundations to grow digital commerce.

The consumer packaged goods (CPG) industry is experiencing the largest channel proliferation and fundamental shift in the relationship between consumers and manufacturers ever. It's a massive disruption. Yet it's also a significant opportunity for CPGs to radically rethink their role in the industry—and how they engage with consumers and customers across an **explosion of commerce channels.**

Digital commerce is becoming simply commerce

The online-offline paradigm that CPGs have clung to for years is beyond outdated. It's done. The path to consumption is increasingly fluid. Consumers aren't buying in one way. They move across digital and physical touchpoints all the time in everything from purchasing groceries to getting medical care. Customers are no different.

They want the same seamless experiences in their professional dealings with CPGs that they have as consumers. Most customers (87%) believe that B2B commerce solutions that mimic the B2C experience are the answer to meeting their needs.[1]

In this environment, the adoption of digital commerce is material—92% of consumers across eleven countries purchase through digital commerce channels today.[2]

The role of digital is not just about transactions. It is the dominant influencer of consumption decisions—and commerce is a huge part of that. What's more, digital engagement is the single biggest driver of commerce online, and in store.

Welcome to the new era of commerce.

Mismatched growth in costs and revenue

While consumers want a different kind of engagement, retailers are reinventing their business models to increase revenues from CPGs and compete with digitally-first retailers like Amazon. As an example, they are monetizing their customer base to create new services such as retail media and data services to sell to brands to increase profits. The high cost of selling through digital channels, and the complexity of managing brands across so many of them, has CPGs spending more to sell the same amount of products.

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Today's commerce models aren't working, but CPGs have a choice. They can be relegated to makers of products, or they can rethink roles and relationships—and shape the future of commerce in this industry. This starts with **becoming digital businesses:** being fully digitally enabled and changing how the company operates.

Market leaders across categories are placing their bets on digital commerce—setting big goals to increase revenue from digital channels.

Nike

Nike planned to reach **30% digital penetration by 2023,** which it surpassed. The company now expects half of its business to be from digital sales in 2022.[3]

L'Oréal

L'Oréal set a **target to reach 50% digital sales**—and the chief digital officer believes this shift will happen fast, especially after the big push to digital the beauty leader had in 2020.[4]

Nestle

Nestle has announced plans to **grow digital sales from 13% in 2020 to 25% by 2025,** focusing on connecting with consumers via its direct-to-consumer channels.[5]

Diageo

Diageo reports that **digital retail sales expanded by 70% across 13 markets between 2020 and 2021,** and the company is speeding up investments in connecting with consumers digitally.[6]

What leaders do differently

01 Brand

Own the brand experience in commerce

02 Build

Build better for the business of commerce

03 Become

Become digital on the outside—and the inside

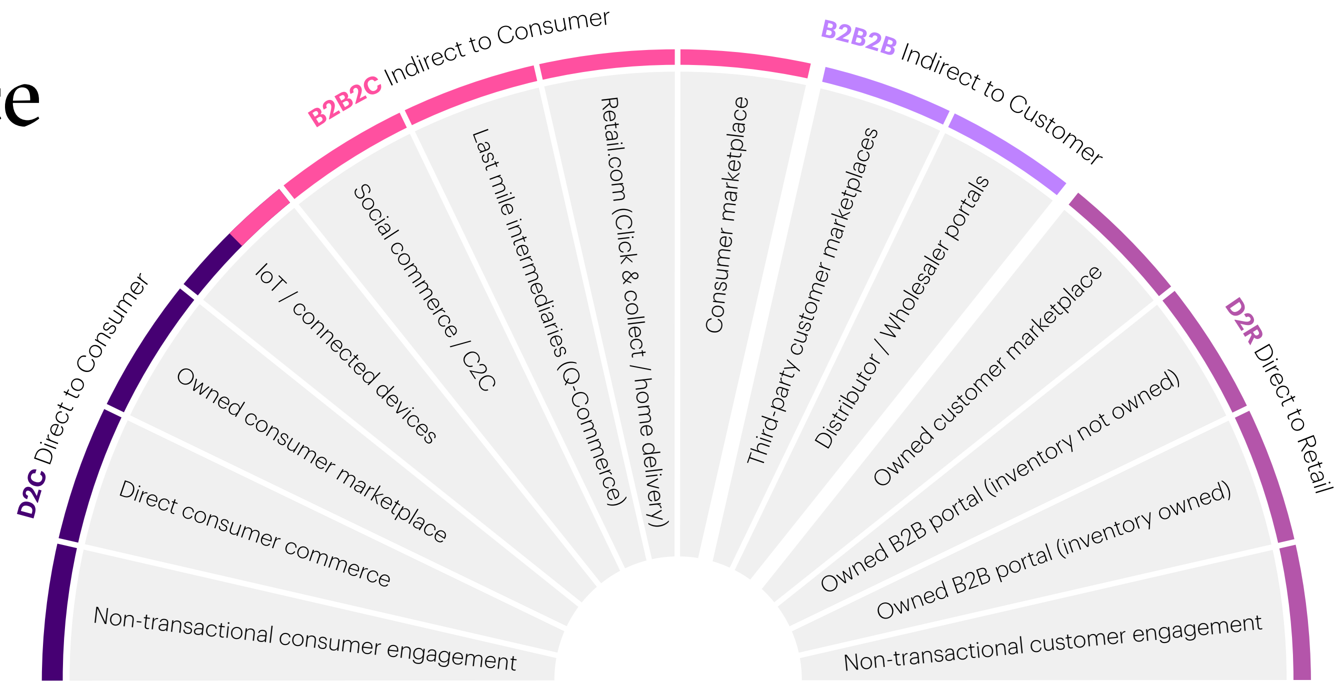
01 Brand


floral
concentrate
HYPOALLERGENIC
Homegrown botanicals
1L
25 loads
Vol:
1L

Own the brand experience in commerce

The brand has always been at the heart of CPGs' relationships with consumers and customers. Those relationships have evolved a lot in recent years, and even more so now because of an explosion in digital channels.

The hard truth is that owning the brand experience in commerce—and making it seamless—is harder than ever. From social commerce to consumer marketplaces, channels pop up all the time to meet consumers' expectations for involvement, experience and convenience. We count 14 distinct channels for consumer and customer engagement—each with its own complexity and maturity. And there is no telling what new channels may emerge from the evolution of the metaverse.



62% of all purchases were influenced digitally in 2021, up from 49% two years prior.[7]

Not only is it difficult for CPGs to own brand experiences, but they also face tremendous pressure to do it well. Digitally-born competitors use data and technology to build and express brands consistently across retail and direct-to-consumer channels. Also, digital brand experiences are now often more impactful than traditional media for brand building. We found that most consumers (89%) who bought a brand name product on a primary marketplace like Amazon or Alibaba recalled the product detail page. Just 35% recalled the TV commercial for the product.[8] When people want to learn about brands and products, they go to digital channels. So, when the brand experience isn't seamless or is absent, CPGs risk losing brand equity and becoming commodities.

It doesn't have to be like this. CPGs can bring brands to life in meaningful ways across commerce channels by listening to consumers' voices. This is key to delivering the brand experience authentically and effectively in commerce. Instead of a one-way decree of what a brand is, there can be two-way dialogues between brands and consumers that inform strategy, product development and innovation—and how the brand is best experienced in commerce channels. Doing this means connecting Marketing, Sales and Commerce so teams responsible for the brand experience work with teams responsible for commerce content. With commerce being an increasingly critical consumer engagement channel in CPG, the brand experience should be in every relevant channel. Every time.

Are you using your George? Integrating your unique brand assets and story is essential to customer experience.

Nespresso

Megastar George Clooney is the face of Nespresso®'s brand. His image is on print and television ads everywhere. Except on the digital channels where Nespresso sells its products. For a long time, consumers looking to learn about and purchase products missed out on George. So, they missed out on the full Nespresso brand experience.

But when Nespresso included George in a social and digital campaign that integrated the brand and a social cause, **the impact was crystal clear. With George on the PDP page, the product sold out.**

Not every CPG has a celebrity brand ambassador, but they all have their "George"—their brand story and the unique assets of their brand experience that belong on every commerce channel.

02 Build

Build better for the business of commerce

Owning the brand experience in commerce is essential, but it's often not easy, profitable or scalable. CPGs bear more of the cost and responsibility of managing their business in these channels than ever before.

CPGs are paying retailers for the privilege of managing the digital shelf without getting first-party data or closer consumer relationships in return. This shift in the retail model is a massive cost, resource and logistics burden for one product, let alone for hundreds.

And in the B2B world, CPGs are launching digital commerce apps to build a direct relationship with the store. However, many have not adjusted traditional distributor and salesperson roles, which layers in additional costs.

The rapid adoption of digital commerce means that most global CPGs didn't have the foundation to scale up cost-effectively in this environment. Commerce operations are typically sub scale and not fully optimized. Operating models that are functionally organized, internally focused and far from agile constrain them.

They often lack enough digital talent to **become more insights-led or fully embrace human + machine ways of working.** This talent is in high demand and incredibly challenging to recruit and retain. Added to this is a patchwork of disconnected technology systems and data black holes that stand in the way of CPGs' agility. Without a combined view of first-, second- and third- party data powered by analytics, CPGs cannot effectively engage, deliver and connect with consumers or customers.

One thing is clear. CPGs will never control costs and deliver at scale by doing more of the same. It's time for something different. CPGs must develop the scalable technology architecture and integrated data foundations with analytics to cost-effectively manage their growing commerce business. Experience hubs are key for managing all aspects of content and campaign insights and execution. It's also important to cultivate ways of working that use automation and AI, and the right mix of onshore, nearshore and offshore resources to address the talent gap and rising resource costs.

To develop capabilities faster and with less expense, CPGs should explore build-buy-borrow strategies to flex capacity and build capabilities.

Most importantly, CPGs can't rely on what the past taught them about driving growth. This business is no longer simply about selling a pallet of goods to a retailer. The rules of engagement are completely different, and customer tactics must evolve accordingly. By building the technology foundation to be more insight-driven and changing processes to be more agile, CPGs can make change happen instead of just watching it happen around them.

It's time to push boundaries.

The buzz – commerce platforms unify transactions and transform customer relationships.

AB InBev

AB InBev developed a full digital commerce platform called BEES for B2B customers. Not only is it among the world's largest B2B digital commerce platforms, it's transforming the relationship between AB InBev and its small- and medium-sized customers in markets across the world.

The global beverage leader launched BEES in 2019, and today, it's available in 13 countries. Customers access BEES through a mobile app—a one-stop-shop for browsing and buying products, tracking deliveries, paying invoices, learning about promotions and more. Going beyond processing transactions, BEES provides insights into how products are selling, as well as personalized recommendations.[9]

Customers are responding very positively. The platform is responsible for 80% to 90% of AB InBev's revenue in some markets. Also, BEES handled 20 million orders during the third quarter of 2021, which topped **$5.5 billion in gross merchandising value**. This was up 20% from the previous quarter, an impressive growth trajectory. AB InBev also reports that BEES is delivering higher net revenue per order and higher delivery frequency per retailer.[10]

BEES has been a major disruption in consumer goods. Competitors are scrambling to respond with their own commerce marketplace strategies in an increasingly complex landscape. Platforms launched by global GPGs are competing with piggy-back start-ups in local markets for the same space. Without any clear winners yet, expect more breakthrough change in B2B commerce.

03 Become


ESTD
1986
·ICE CREAM·
FRESH AND DELICIOUS
1 litre
RC COMBO BUILD
8.99
7.99

Become digital on the outside—and the inside

Building this foundation is enough to satisfy today's challenges, but it's not enough to create a lasting advantage for tomorrow. It's the difference between merely surviving and truly succeeding.

While we have tracked CPGs' digital evolution for more than a decade, the state of commerce today has dramatically increased the risk for digital laggards in CPG. Case in point: it's not uncommon to see market share impacted dramatically for offline market leaders that struggle online. With consumers increasingly flocking to digital channels, this dynamic is more of a liability every day.

While digital is (and has been) a priority for CPGs, it should now be the priority, because digital engagement is the primary driver of commerce today.

Success means leaning into digital as a fully functioning digital business. It is about engaging digitally on the outside with consumers and customers and operating digitally on the inside across the enterprise. **As difficult as this is, there is a silver lining. Integrating commerce with the rest of the enterprise creates greater agility in commerce channels—and for the company overall.**

The data available in commerce channels for categories and competitors can unlock new growth and improve category ROI—if CPGs are prepared to act on it. By integrating advanced analytics and insighting capabilities into commerce operations, CPGs can have useful insights and recommendations. Then, through integrated cloud infrastructure, signals can connect the front and back office to automatically execute on the data-driven operational strategy. For example, brands now have visibility into competitors' out of stocks at retailers at the local level. With Commerce, Marketing, Sales, Manufacturing and Supply Chain working together, CPGs can quickly implement tactical digital shelf investments that highlight their products to take advantage of the competitor out of stock. Even small shifts like this can deliver incremental growth.

To succeed in becoming digital on the outside and the inside, CPGs will need to significantly evolve their operating models. They should be integrated, modular and agile—powered by data, technology and talent. As part of rethinking operations, it is key to join up Marketing, Sales and Commerce, and then the rest of the organization. It's how **CPGs can operate with true agility—and become as "digital" as consumers and customers are.**

The beauty of brilliant basics: enabling experiences with more connection, service, and relevance.

L'Oréal

Global beauty leader L'Oréal is a digital commerce pioneer. The company began to develop its strategy over a decade ago, led by the CEO. Leadership understood even then that digital commerce was a consumer revolution and growth multiplier. They saw the chance to engage in new ways to "earn consumers' love" by bringing them experiences with more connection, service and relevance.

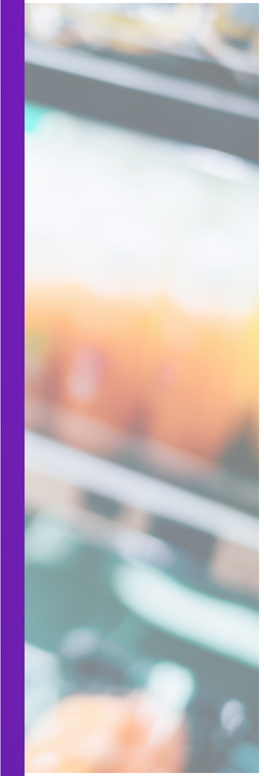
L'Oréal has invested in Beauty Tech to sharpen its relationships with consumers. With its acquisition of AI and AR leader ModiFace, the company offers consumers opportunities to try-on make-up virtually in realistic and fun ways across a number of channels.[11] Going a step further, AI-powered Perso customizes skincare formulas for consumers right in their own homes. Over time, the smart system can adapt formulas based as people's skincare needs change.[12]

From the start, L'Oréal's digital commerce journey has been CEO driven and organizationally enabled. To become more data driven, the company invested in technology, built talent and skills, and evolved the culture. It prioritizes "brilliant basics" and test-and-learn mindsets to continually improve digital performance.

The results have been impressive. Its strong digital commerce foundation helped L'Oréal absorb the shock of the pandemic. The company has experienced **33% sales growth in digital commerce**. It has 1.1 billion consumer data records and has **reskilled 16,000 employees.**[13]

Control your own commerce future

Most CPGs have been running so fast that they haven't fully formed their commerce strategy. They haven't had the hard discussions around the role commerce should play in their overall growth strategy or how critical commerce now is to brand building and category planning. The reality is that commerce is pushing CPGs to be more digitally enabled.



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CPGs can make room to grow by developing strategies that address these fundamentals:

01

Go with big, bold tech

Develop a platform ecosystem that integrates across the value chain and business functions to **support omnichannel experiences for consumers and customers.** A modular and flexible technology architecture that supports both the commerce channels you own and the ones you sell through is non-negotiable for managing the proliferation of channels.

02

Get rid of guesswork

Build a secure consumer and customer data foundation and analytics enabled by cloud. With this foundation, CPGs can start to think and act more like other industries such as Travel, Retail and Financial Services that have evolved to **embrace data-driven and dynamic digital commerce operations,** as well as personalization at scale.

03

Seal shut the talent gaps

Go beyond reskilling employees, enabling them with tools and recruiting digital talent. Commerce teams are often isolated with no one—not even senior leaders—who fully understands the complexities of commerce and how they impact the whole enterprise. CPGs should get intentional about educating everyone about the commerce space and exploring **alternative resourcing strategies** to get the capabilities they need quickly.

04

Pinpoint where to play

Avoid the trap of showing up equally in every channel. CPGs should develop their channel strategies by understanding the value potential of every channel by category, brand and geography. **It's about realistic and pragmatic prioritization.** It's also key to create a strong foundation for seamless experiences rather than a disjointed, channel-by-channel strategy.

05

Supercharge planning and execution processes

Stabilize the operating model. It's not about integrating functions. It's about finding scalable, seamless ways of working among functions and joining up planning and execution processes. There is no one way to do this—every organization is different. However, the organizational design should be grounded in the shared ambition to **deliver compelling consumer and customer experiences** across the chosen channels.

The shifts in CPG commerce are a profound departure from how things have always been done. The changes are disorienting. Scary, even. But CPGs that radically rethink how they engage consumers and customers—and operate as digital businesses—can seize opportunities to **grow digital commerce.**

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