Rethinking the Value Chain

NEW REALITIES IN COLLABORATIVE BUSINESS

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HOW CAN WE ACHIEVE THIS

- Data Trust
- Robotics - IOT - Autonomous

COLLABORATIVE VISIONING

Two-day Future Value Chain Design Shop
in Capgemini's Accelerated Solutions
Environment in London, 17th-18th March 2015.

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FOREWORD

As an organisation committed to positive action in bringing about needed change in the industry, The Consumer Goods Forum (the CGF) Board initiated the strategy and steps that led to the creation of this report. This paper considers some of the essential ways of anticipating and addressing profound shifts in consumer behaviour and the industry landscape. We urge you to read on.

Consumer behaviour has changed forever. The path to purchase is no longer linear and could involve social media, an app, web-based research, an in-store visit and an online purchase, in any order. Consumers now have the power and the means to share their concerns and opinions with a larger audience than ever, through a growing array of social and digital channels. In this era of the empowered consumer, how do we evolve our business models to deliver on consumers' expectations?

At the same time, the internet has accelerated innovative competition. Established technology firms and an army of internet start-ups are moving rapidly into consumer markets and do not follow established go-to-market patterns. Emerging markets are incubating new retail and manufacturing business models, based on digital technologies. Can we re-engineer our business models rapidly and efficiently enough to rise to these growing challenges?

China and India are creating expanding urban economies at the fastest pace in history. By 2025, an additional 1.8 billion people worldwide will join the consuming classes. In contrast, rural populations will continue to develop along different lines. Ageing populations in Japan, China and much of the West are creating a massive demographic shift. Can we serve these new markets at the same time and ahead of digital interlopers and start-ups?

These are among the questions that The Consumer Goods Forum's End-to-End Value Chain & Standards Pillar sought to answer with the Future Value Chain study. The Pillar seeks to identify emerging trends and recommend concrete actions. These trends are set to continue over the next 20 years and will transform our industry.

Gathering in London during March 2015, executives from more than 40 companies, together with Capgemini, formed a research group to ask:

- What has fundamentally changed since companies first came together to form collaborative industry bodies in the nineties?
- How will changing demographics, increased urbanisation, digitisation and new shopping landscapes change our value chains?
- How will this evolution progress in developing economies – and can business leapfrog current infrastructure constraints in the early stages of market development?
- What will be the role and impact of consumers, individually and collectively, as they increasingly drive the value chain?
- How will we address security and trust as information proliferates in a world that is increasingly transparent and ubiquitously connected?

A smaller group in Paris, in April, held follow-up sessions on the output from the intensive London workshop that was further supported by additional analysis, expert interviews and teleconferences. Resulting from this, the group put forward three strategic thrusts. These address consumer engagement, transparency and the last mile of distribution.

This report argues that these thrusts will benefit from future value networks. A departure from linear value chains, they will be born from dynamic non-linear collaboration and will evolve alongside existing ways of working. The report takes a closer look at each megatrend and its implications for the industry, and presents the initiatives and their associated action plans.

As Board co-sponsors of this strategically relevant study, we appreciate the support of the Board, the Core Team and all others who have contributed to this important work and are confident of the CGF's commitment, with the backing of the CGF Board, to push forward with the continued research and development of these areas of focus. Going forward, the CGF will further explore these initiatives with a view to developing concrete action plans. We invite you to help us ensure that future value networks strengthen our industry and benefit consumers through the challenges that lie ahead.

Board Co-Sponsors of The Consumer Goods Forum's End-to-End Value Chain & Standards Pillar

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'Rethinking the Value Chain: New Realities in Collaborative Business' on the Web
More information about the report and programme can be found at www.futurevaluenetwork.com

EXECUTIVE SUMMARY

From value chains to value networks

Understanding value chains has been central to growth in our industry for 30 years. Dramatic changes in consumer behaviour, business innovation, demographics and economics mean value chains will no longer meet business goals as they once did. As a result, future success will increasingly require a shift from traditional, linear value chains towards more collaborative value networks.

More than ever, consumers are empowered. In business and society, we see networks springing up that are organised around consumers and their communities, and supported by the internet and the new business models it makes possible. Networks are non-linear; they offer many routes to consumer value. They respond rapidly to changing needs because they need less top-down control. They help build mass collaboration with multiple partners.

If we do not understand and start to consider this fundamentally different approach, the industry will struggle to create value and secure long-term growth.

Consumers changed

The path to purchase is no longer linear. It might involve social media, an app, web-based research, an in-store visit and an online purchase, in any order. So consumers are less engaged with the industry's traditional communication platforms (television, radio, print) and rely more on online social networks. They expect businesses to present content and offers relevant to them, their physical location and their place on the path to purchase. And they are wary of what may happen to the digital data that they provide.

Consumers also demand accurate, accessible information about products, their ingredients, their provenance and their social and environmental impact wherever they see an item or a reference to it online.

Business changed

Businesses born in the internet era are contributing to a dynamic competitive environment, requiring a rapid response and higher standard of customer service from incumbent businesses. Meanwhile, emerging markets are incubating new retail and manufacturing business models, many of which are also digitally native, offering them a competitive advantage.

The world changed

Emerging markets are producing a rapidly growing urban middle class who will have more in common with western consumers in metropolitan areas, sharing the same struggle for space and access to resources. In contrast, rural populations will present the industry with a radically different set of needs. Meanwhile, the West, Japan and China are seeing a massive demographic shift to ageing populations, which offer yet another set of distinct expectations.

Our value chains have not kept pace

The value chains that we have built over the years have become vastly more efficient but they remain mostly linear: important information is frequently trapped in silos and responding to change can be agonisingly slow. This fundamentally linear architecture makes it difficult for them to respond simultaneously to multiple demands.

How to respond

We will see value networks play important roles in many aspects of business, with new collaboration models as a crucial success factor. This report identifies three strategic thrusts where collaborative networks will underpin central elements of a rapidly emerging industry agenda.

They are:
- **Consumer engagement.** Taking part in a dialogue with consumers, justifying their trust in our industry
- **Transparency.** Keeping consumers informed about products' key attributes, ingredients, nutrients and provenance as well as their environmental and societal impacts
- **The last mile of distribution – both to the retail store and to the consumer.** Reconsidering the assumption that it is an area in which we operate independently of each other, and exploring opportunities to collaborate, under certain circumstances, to improve speed, efficiency and consumer satisfaction

Value networks can drive each thrust forward, providing we adopt a culture more open to collaboration, embrace a more modular approach to technology and build new business processes around both. Together, we will put the consumer at the centre of collaborative networks which will help us achieve long term growth.

Value chains reach their limits

Prelude: early tremors

A sunny morning in September 2014 sees a taxi pull up outside a small jewellery workshop on the outskirts of Stockholm. The owner hands a package to the driver and, without knowing it, both play a small part in challenging the value chain that has supported our industry for more than 30 years.

The exchange was part of an experiment in which Uber taxis picked up items from small retailers and manufacturers and took them to customers in the metropolitan area. Only one hour elapsed from order to doorstep. Participating retailers saw trade grow 500 percent during the 24-hour trial, which was designed and implemented by ecommerce platform Tictail. The firm plans to introduce the service in full this year.

Think about it. No extended supply chain, no big carriers, no large warehouses, no capital investment and in a month or so, Uber and Tictail achieved something most conventional retailers could not do with millions of dollars of investment and years of planning. Next day delivery is tough enough. Within the hour? Forget it. These are the early tremors in a seismic shift which will transform our industry.

Chained to the past

Consumer industries have relied on chains. Whether supply chains or value chains, nothing gets from A to Z without marching through the rest of the alphabet in the right order. Chains are sequential; they are linear. Companies like Uber and Tictail offer a different model. Built on the internet from the ground up, organisations like these are flexible and nimble because they have less internal hierarchy than traditional businesses. They work in parallel, structuring activity across a network, both internally and with external suppliers and customers. Networks allow many different paths to the customer. They are non-linear. They represent new models for value creation.

Traditional value chains and supply chains cannot respond effectively and quickly enough to the complex and varied demand signals we now face. This is not just bad for a business; it is bad for the whole industry. If the value chain no longer supports growth, what will happen to investment capital? Could we see flight of capital to industries or business models with more potential for growth?

Let’s examine the problem in more detail.

Why change?

To see if such fundamental change is necessary, we need to ask:

- How consumers have changed, not just over time, but geographically, and across the globe
- How business changes, with the advent of new technology and new business models
- How the world has changed as demographics shift and emerging markets develop
- Whether our current value chains can serve new consumers in the new world

Taking each in turn, we find that…

CONSUMERS CHANGED

New paths to purchase

Shoppers can find just the right item in many different ways. It might be in a store, from an online retailer, direct from the manufacturer, through social media, in an app, from advertising or via word-of-mouth. Meanwhile, online networks influence consumers' personal set of rational, emotional and social criteria for deciding what to buy. They face hundreds of choices of different brands and retailers in a complex physical and digital journey.

In just a few years, we will see massive adoption of new consumer technologies embedded in new business models, all aiming to improve the way people live their lives. A trip to the doctor might result in a prescription, a product, an app, online monitoring and a digital service. Consumer goods, healthcare, financial services and social care providers will hope to align paths to purchase, blurring the line between goods and services and placing a premium on information quality and connectivity.

The societal need to drive trust

Research from Edelman[1] shows 87 percent of people want meaningful interactions with brands, but only 17 percent think this is what brands offer. The study also shows that, in addition to 'emotional needs' and 'rational needs', there is now a third important need-category for consumer trust, a 'societal need'.

Through social media, consumers share content and information about themselves, make purchases and recommend brands, but do not feel they get much in return. They expect to get more from brands, especially if we are asking them to share their data.

Consumers demand data on health, environment and social impact of goods

Consumers have a growing concern about, and understanding of, the impact of goods on their health, the environment, animal welfare and the societies touched by the supply chain. They are beginning to demand clear, concise, accurate information on all of these, consistently across all channels. This need for consistency in information is what's driving the CGF and industry in the development of GS1 standards to define context and meaning.

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[1] http://www.edelman.com/insights/intellectual-property/brandshare-2014/

Successful companies are proactive about how they can retain and enhance trust. They engage with consumers, not just on a product-by-product basis, but as retailers and manufacturers. Consumers see them doing the right things, throughout their organisations. They are able to link their company values to consumer value.

BUSINESS CHANGED

Business breaks boundaries

Globalisation and ecommerce mean the competitive landscape has changed. Digital, high-tech companies do not recognise established market boundaries. Apple has jumped from computers to consumer electronics and even, with Apple Pay, into banking services. Amazon started by selling books to consumers; now it also sells cloud computing to big business. Companies such as these do not follow established patterns in commerce. At the same time, start-ups are continually generating new business opportunities, changing distribution models, and creating novel buying and spending patterns. They are all declaring a multi-front innovation war as well as collaborating with traditional and non-traditional business partners in new ways.

From 2003 to 2013, 712 companies fell out of the Fortune 1000[2] while the average lifespan of a company within the S&P 500 has dropped from 90 years in 1935 to an average of 18 years in 2011.[3] Clearly, it is no longer business as usual.

THE WORLD CHANGED

Emerging opportunities

Patterns in global economics and demographics have shifted. We have long been fascinated with emerging markets, but most international companies are just beginning to understand what it means to sell and operate in them. At the same time, our industry faces a compelling opportunity to improve lives with access to goods and information in these markets.

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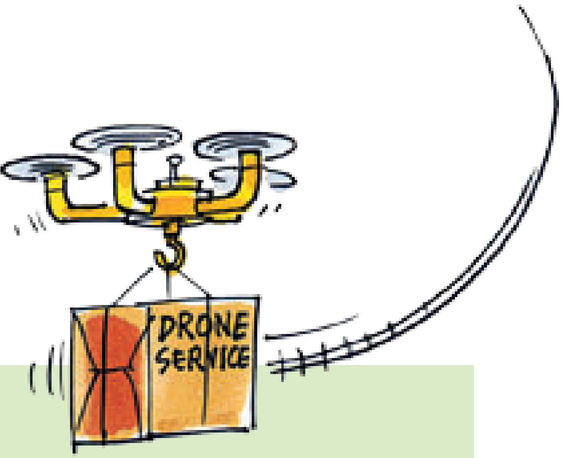
[2] https://www.cbinsights.com/blog/corporate-war-innovation

[3] http://fortune.com/2014/10/09/dom-barton-four-things-that-worry-business/



WHAT'S DIFFERENT NOW?

In March 2015, Capgemini conducted an in-depth study of all trends that impact our industry, examining global economies and societies, consumer expectations, natural and human resources, governmental regulations, corporate governance, data and technology. Some trends are not new. Although they continue to be relevant, they will not significantly change the way we operate. However, some are new and emerging and will act as catalysts to transform our industry. These are:

- Socially networked consumers demand access to more information, more rapidly, in order to trust the products they buy and the companies that serve them
- Global economic and demographic shifts including increasing urbanisation, smaller households, ageing and millennial population shifts and the rising middle class in developing nations. These changes mean new products, services and distribution and accountability models will be focused on consumers and communities. They will also involve major infrastructure investments, for example, in mega-cities
- Social media, mobile and wearable technology, the internet of things, advanced data analytics, 3D printing and robotics will combine with new business models changing the shape of our industry. New shopping landscapes will result in both developed and developing markets
- Increasing concern for the health and well-being of consumers in their communities, including demand for ethical and local sourcing, traceability of materials and ingredients and environmental sustainability
- Scarcity of natural resources and need for more efficient, ethically sourced production while reducing waste
- Increase in regulatory compliance requirements and oversight of industry practices and transparency

If you are interested in further details on this trend-research, please reach out to Capgemini (see appendix).

In China and India, per capita income is less than US$8,000; yet their size will soon make them the largest economies in the world. Expanding urban areas are creating new consumers at the fastest pace in history. By 2025, an additional 1.8 billion people worldwide will join the consuming classes, representing annual growth of 3.7 percent, according to an MGI report.[4] The growing consumer class will spur rapid growth in demand for products and services specific to new urban needs.

Growing emerging markets will require investments in the coming decades to meet surging demand for buildings and infrastructure capacity. Cities will need an additional 80,000 square kilometres of residential and commercial floor space by 2025.[5]

The world economy was once linear, with goods and services moving between developing nations and the US and Western Europe. Now it is more like a network, with value moving in complex patterns, in both directions, across developed and emerging economies.

The internet and globalisation have already changed consumers and the world. Can our current value chain keep up?

OUR VALUE CHAINS ARE NOT KEEPING PACE

Back to the future

Over the last 30 years, consumer industries have made the value chain more responsive and efficient. But while each wave of new management thinking makes an impact, we have not changed the fundamental architecture of value creation.

The Efficient Consumer Response (ECR) model began in the 1990s. The aim was collaboration between companies on efficient replenishment, upstream logistics, and data synchronisation as well as restructuring systems around category and demand management. Through this, major benefits have been achieved in supply chain efficiency and the management of spend categories. Through the mid-2000s, we pushed collaboration to the fore. New Ways of Working Together, which went on to become a CGF initiative, focused on shared processes and standards, connecting business information between organisations and sharing data across the supply chain.

Each iteration offered business advantage for a time, but collaboration was linear, mostly between leading retailers, large manufacturers and their tier-one suppliers.

Are we doing a good enough job?

Despite all our collaboration initiatives over the last 20 years, there are still a number of significant areas where the industry must improve. The opportunities and challenges described here cannot all be addressed by individual companies or by bilateral collaborations.

Consumers are changing and their trust in business is slowly draining away because the industry does not offer consistent, clear and accurate product information. If a consumer scans a product in the supermarket with their smartphone, will they get the right information and the same information they find on a website? It's unlikely.

IGD ShopperVista research showed 56 percent of shoppers want to know more about where their food comes from, up from 34 percent in 2011. Currently only 12 percent feel they know 'quite a lot' about the origin of their food.[6]

But most information in the value chain sits in silos. Even within companies, systems may not be interoperable and may not share data easily. This lack of transparency is becoming more and more visible to consumers.

[4] https://www.mckinsey.com/~/media/McKinsey/dotcom/Insights%20and%20pubs/MGI/Research/Urbanization/Urban%20world%20-%20Rise%20of%20the%20consuming%20class/MGI_Urban_world_Rise_of_the_consuming_class_Full_report.ashx

[5] https://openknowledge.worldbank.org/bitstream/handle/10986/17599/842260WP0infra0Box0382136B00PUBLIC0.pdf?sequence=1

[6] http://www.foodmanufacture.co.uk/Supply-Chain/Big-leap-in-shoppers-traceability-concerns

EVOLUTION OF COLLABORATION

While the 1990s and 2000s saw linear value chains achieve greater efficiency, demands on consumer industries now require a new, non-linear, approach.

EFFICIENCY
Efficient Consumer Response

MID-1990s

ECR EUROPE
EFFICIENT CONSUMER RESPONSE

GROWTH
New Ways of Working Together

MID-2000s

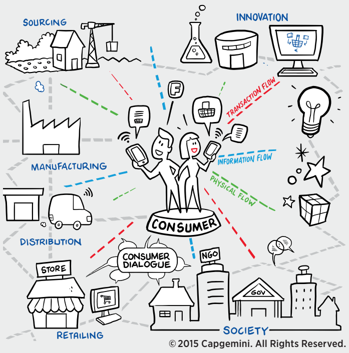
Industry Track (collaboration)

- Focus on Consumer
- Connect Business Information
- Prepare our People
- Share our Supply Chain
- Consumer/Shopper Satisfaction

Trading Partner Track (competitive advantage)

LONG-TERM GROWTH BY NEW VALUE CREATION
Value Networks

2015-2025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CONSUMER
CONSUMER DIALOGUE
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STORE
GOV
SOCIETY
RETAILING
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COLLABORATION VALUE
+
-

▲ SUPPLY-SIDE FOCUS

DEMAND-SIDE FOCUS ▲

This relates not only to product information, but also to consumers' data. In the US, in 2014, 45 percent of online adults did not trust companies with their personal information, up from 43 percent in 2013.[7] In the UK, 45 percent of UK consumers are more concerned about their online privacy than they used to be, and 50 percent express unease about the visibility of their social networking activity.[8]

The last mile to both the retail store and the consumer is also falling short. According to the European Commission, 20 percent of all trucks in the EU run empty. This creates carbon emissions and costs fuel. With limited space on the roads, and mega-cities becoming more crowded, our approach to the last mile will damage service to consumers.

Overall, there is an argument for change. Successful companies will remove the constraints inherent in linear value chains and will anticipate the threat from new competition. This will require an evolution across industry towards value networks, that encourage collaboration, to address these challenges.

Why networks are different

Traditional value chains, with the consumer positioned at the downstream end of the chain, are built on relatively static relationships between companies and designed around internal business processes, most often supported by siloed information systems and data storages that follow these structures.

Networks are different. They are organised around consumers, offering a multiplicity of channels and interfaces across all value-add processes in our industry: from consumer dialogue, sales and innovation to sourcing, manufacturing and distribution. Networks are made up of dynamically connected 'plug and play' relationships between retailers, brand manufacturers, logistics service providers, suppliers and organisations from other sectors, including governmental bodies and civil society. The consumer, as the centre of these networks, is pulling the strings in their dynamic paths to purchase, and mobilising the network whenever and wherever they explore, buy or enjoy products and services.

Let's look at an example. At the 2015 Global Summit of The Consumer Goods Forum, Stefano Pessina, executive vice chairman and chief executive officer of Walgreens Boots Alliance, talked about new partnership models to serve consumers' health. Providing better value, he indicated, comes from improved co-operation between retailers such as Walgreens Boots with consumer goods manufacturers to share important insights about consumer behaviours. Bringing together information about insurance provision will help provide consumers with better choice. Working with medical charities will help patients understand and cope with the side effects of medication. And the retailers' customer reach offers the opportunity to work with healthcare providers and technology companies to realise the potential of new techniques to monitor health and get expert advice at any time of the day or night. Patients can remotely consult with doctors who can also prescribe medication.

The industry cannot create such partnership-models with linear value chain collaboration. They require networks to be connected via autonomous and interoperable business services which can, for example, provide relevant information (information flow), conduct a business transaction (transaction flow) and deliver a relevant product (physical flow). They need to be orchestrated in an agile and modularised 'plug and play' manner. This demand for autonomy and interoperability will require us to collaborate to ensure that we can innately understand the data that we are exchanging, by ensuring that it is standardised and reliable.

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[7] https://www.truste.com/resources/privacy-research/us-consumer-confidence-index-2015/

[8] https://www.truste.com/resources/privacy-research/uk-consumer-confidence-index-2015/

Ultimately, the consumer is increasingly in charge, making decisions that have direct impact across the value network, with the industry responding to that – rather than the other way around. This means that the value networks of the future cannot be managed like chains. Industry-driven, top-down commands cannot direct all the simultaneous activity across different tiers of the network. Instead, they need protocols to maintain order.

Future value networks will be based on widespread collaboration enabled by a raft of new technologies, including:

- The internet of things
- New means of transport, such as driverless cars
- Smart, mobile and wearable devices
- Social networks
- Virtual, augmented reality
- 3D printing, robotics, etc.

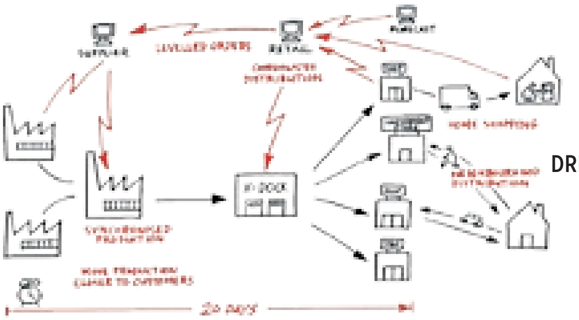
All of these technologies generate data which new tools can analyse in vast volumes, predicting future opportunities. A company failing to collaborate through these technologies could find itself disconnected as the network builds new paths to value creation around it.

Can we afford not to change?

If the industry does not change, the consequences will be stark. Content distributed on social networks is drawing consumers' attention away from the print and broadcast platforms which have traditionally carried our messaging. Meanwhile, new market entrants, such as eBay and Amazon, are raising expectations of online service and delivery. These companies, along with firms from emerging markets, can take revenue from incumbent organisations by engaging consumers and creating a sense of trust and transparency beyond our current status. We will be left with dissatisfied consumers who spend less time and money with us. They will no longer trust the industry because of the lack of consistent information about the products and their origins and scepticism on the use of personal data. They will not engage with us if we do not fit into their lives in an easy, healthy and sustainable manner.

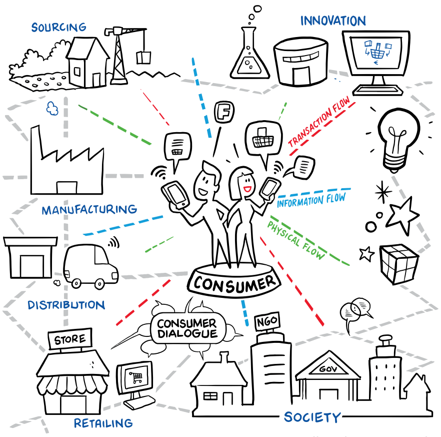
But, by putting the consumers at the centre of value networks, we can prevent this damage to our industry and put it on the path towards future growth.

FROM VALUE CHAINS TO VALUE NETWORKS: WHO'S IN CHARGE?



The industry in charge, consumers respond

INDUSTRY-DRIVEN VALUE CHAINS → CONSUMER-DRIVEN VALUE NETWORKS



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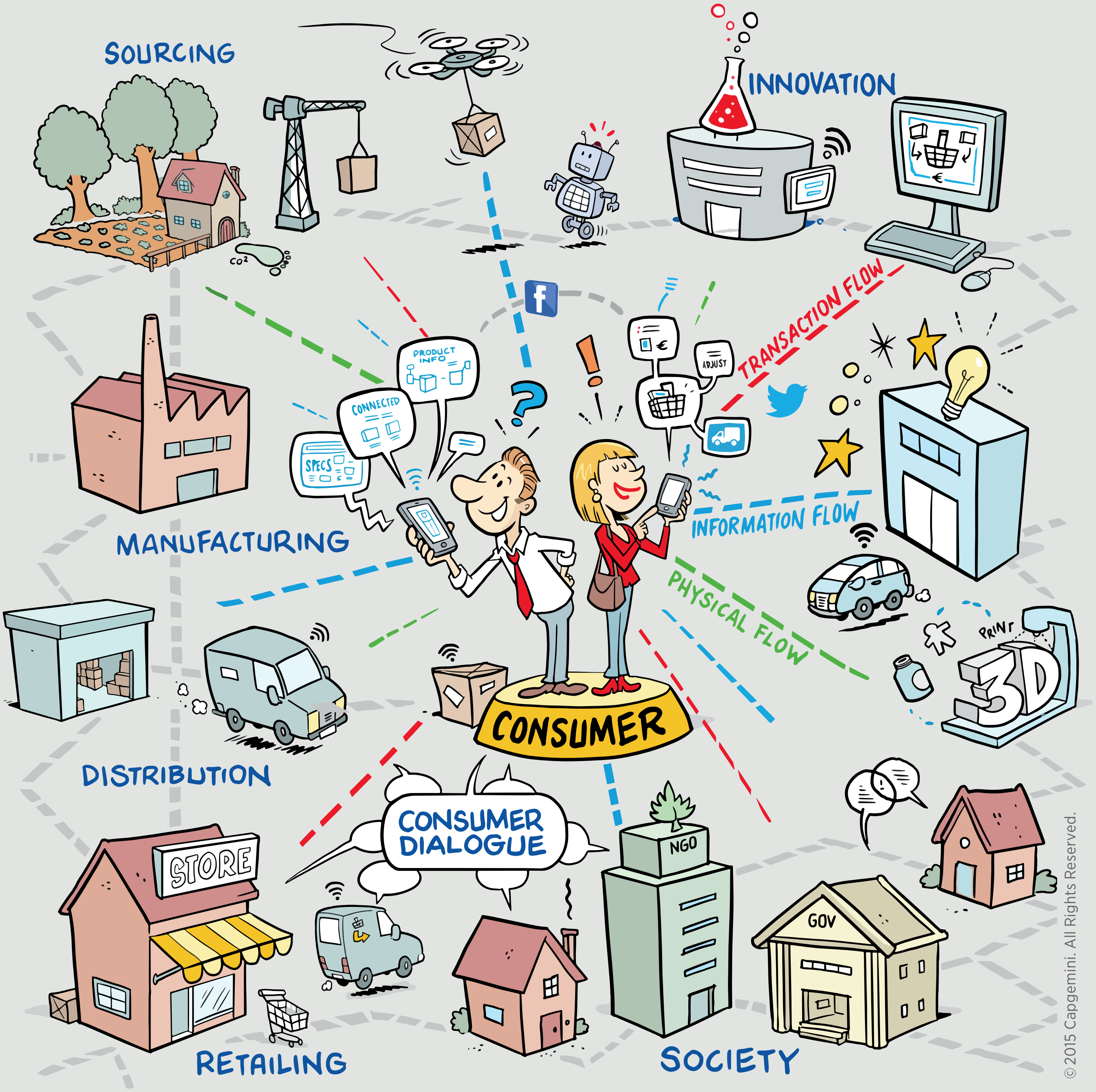
Consumers in charge, the industry responds

FUTURE VALUE NETWORK

MASSIVE COLLABORATION based on new value creation principles enabled by pervasive, modularised technologies.

- Retailers
- Manufacturers
- Healthcare companies
- Farmers
- Logistics providers
- Suppliers
- Service providers
- Entrepreneurs
- Project developers
- Technology providers
- NGOs
- Central governments
- Local governments
- Financial service companies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DISTRIBUTION
CONSUMER DIALOGUE
STORE
NGO
GOV
RETAILING
SOCIETY

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What will change look like?

It is 2025 in São Paulo, Brazil, and Jorge feels his phone buzz in his pocket, telling him the self-driving car he shares with his neighbours will pick him up in two minutes. At the community experience centre, he'll get a replacement part for his broken dishwasher from the 3D printer and take his youngest son to the doctors. The boy will get his feet measured before Jorge commits to a clothing-and-healthcare service plan the government, a retailer and a pharmaceuticals firm have put together. Quickly, he checks his phone's digital wallet before shepherding the child to the front door.

Jorge and his family are not science fiction characters. They are typical of a group of consumers emerging in urban areas, worldwide. They could be in Brooklyn, Berlin or Beijing. Space will be tight and so will resources but collaboration within and between communities, businesses and government means they will make the most of everything at their disposal.

These urban area consumers are one of the groups we imagine successful businesses will put at the centre of value networks. We have also identified ageing consumers, millennials and rural area residents as the most salient groups where consumer businesses can apply a collaborative approach most effectively, although the industry will no doubt address other groups of consumers in this way.

> 'What's good for the consumer, is good for all of us.'

COLLABORATIVE VALUE CREATION FOR LONG-TERM GROWTH

Millennials, ageing consumers and those in urban and developing rural areas are examples of consumer types the industry can best serve by putting them at the centre of the value network. But first we must change how we work with them. This also means reassessing and adapting the way we operate within our industry, with companies outside the sector and with the public sector and civil society.

For **businesses**, value will be created by increasing service quality in parallel with reputation and consumer trust, which will secure consumer spending and revenue growth. In addition, value will be created via efficiencies, elimination of waste, better use of assets and having more adaptable and agile businesses.

Consumers, communities and civil society will get value from improved quality of living. Consumers will enjoy products that are affordable, accessible and fresh. They will appreciate full transparency in ethical sourcing and product information regarding sustainability, health and well-being. There will be less pollution, congestion and waste. Social inclusion will be important.

ILLUSTRATING FUTURE VALUE NETWORKS

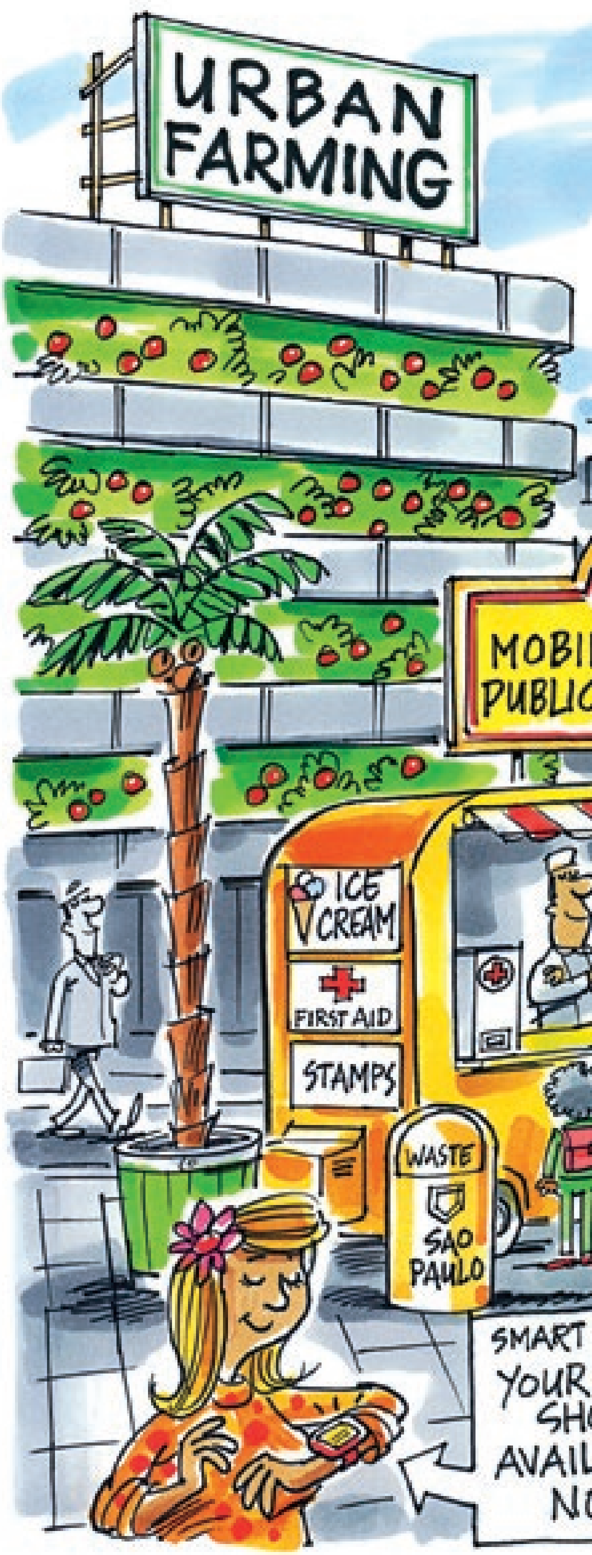
URBAN AREAS

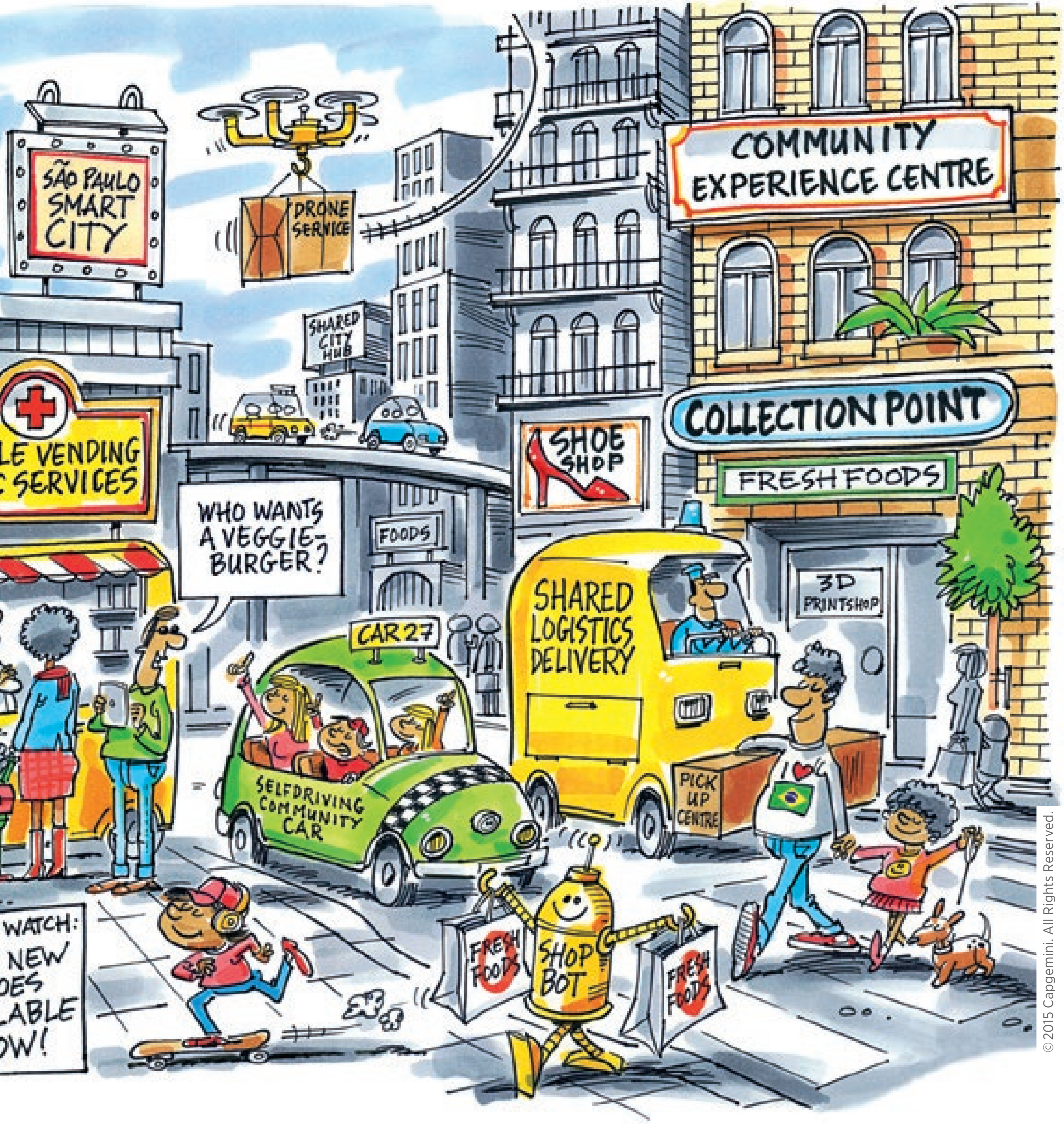
What has changed for Jorge and Isabella in 2025?

Jorge and Isabella are typical city-dwellers in São Paulo, Brazil. They live with their two kids in a convenient apartment in a vibrant urban area. For them quality of life is very important. Over the past 10 years better roads and public facilities have transformed their community along with a fast, reliable digital infrastructure. They frequently visit the ‘Community Experience Centre’, which offers them a seamless mix of commercial and public services, such as a collection-point for online purchases from different vendors, 3D printing, health and educational services and stores offering an experience, rather than shelves stacked with thousands of items. They especially appreciate the instant availability and freshness of the produce they need. They control their lives via mobile devices that provide personalised services and offers, tailored to what they are doing and where they are. Jorge and Isabella don’t own a car, but share a self-driving car in their community. Self-driving vehicles and drones deliver online purchases to their home when it suits Jorge and Isabella. He considers buying a next-generation house-robot and he dreams of the possibility of having his robot programmed to pick-up goods at the collection-point. All their payments are electronic, seamlessly integrated in everything they do in their daily lives.

What has changed for the consumer goods industry in 2025?

Mass collaboration has begun to take off. Consumer goods and retail companies work together and with companies from other sectors such as healthcare, finance, utilities and technology, to offer products and services through smaller stores. The foundations of common standards and interoperability that were so desperately needed have been developed to support this new world. City governments and national governments are also partners. There is a role for private business providing public community services. For example, mobile vending kiosks offer consumer goods, but also public services such as healthcare and public security. City governments and businesses are investing together in community facilities and digital and physical infrastructure. Consumer goods manufacturers, retailers, online crowdsourcing services and third party logistics companies are collaborating in ‘last mile’ logistics via shared city-hubs to stores, collection-points and home-delivery, including reverse-logistics. Much of the retail space has been re-purposed to offer experiences and services. Other physical assets have also been altered. For example, city farms have replaced parking space freed up by car sharing and improved last mile logistics. This is all based on a common, modularised and standardised technology foundation, where accurate and context-relevant information is shared with consumers in a fully transparent manner.




SÃO PAULO SMART CITY
DRONE SERVICE
SHARED CITY HUB
COMMUNITY EXPERIENCE CENTRE
COLLECTION POINT
FRESH FOODS
SHOE SHOP
LE VENDING
C SERVICES
WHO WANTS A VEGGIE-BURGER?
FOODS
3D PRINTSHOP
CAR 27
SELFDRIVING COMMUNITY CAR
SHARED LOGISTICS DELIVERY
PICK UP CENTRE
WATCH:
NEW
OES
LABLE
OW!
FRESH FOODS
SHOP BOT
FRESH FOODS

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RURAL AREAS

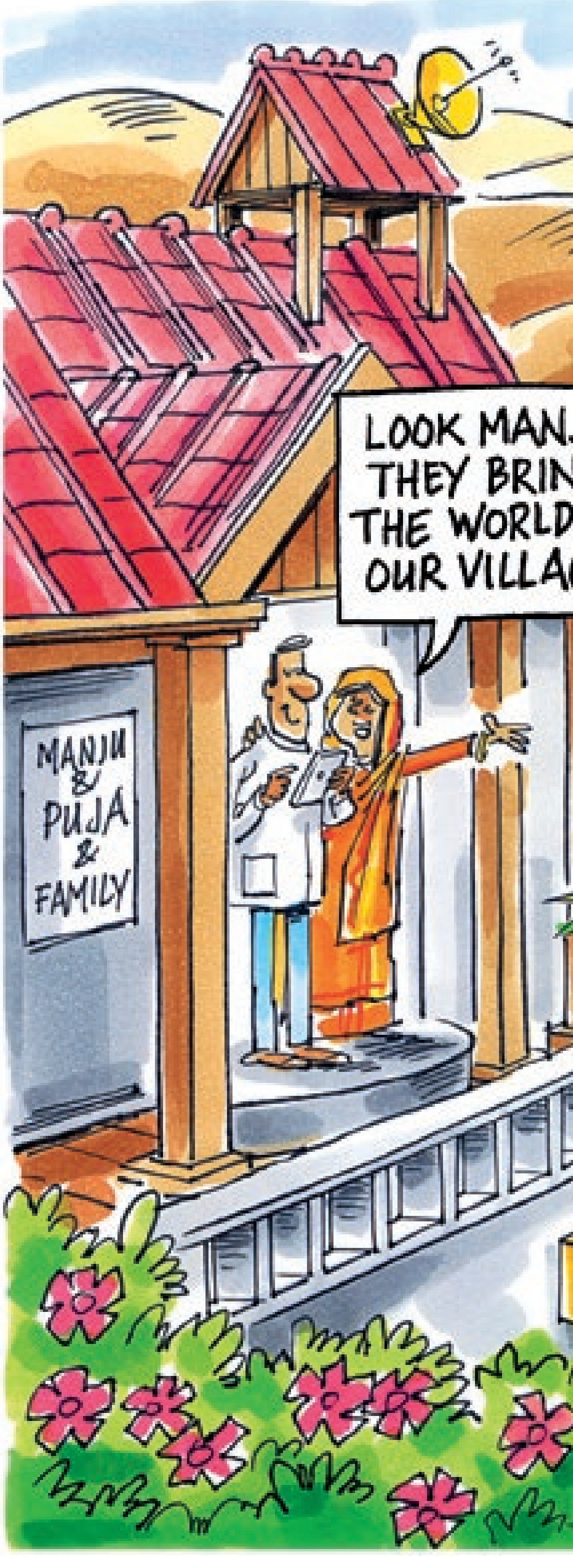
What has changed for Manju and Puja in 2025?

Manju and Puja are a young, newly married couple living in a single story dwelling in the Indian countryside. With newly paved roads to their village, they have better access to the goods and services they need and can travel more easily. Better public transport and driverless cars mean they can continue to live in their family home and commute to larger neighbouring towns for work.

Both Manju and Puja work at the same factory, built in their area to meet local demand for health and beauty products. With the income from their factory jobs, they aspire to purchase the latest goods they see becoming more popular. They now have more discretionary income to buy consumer technologies as food takes up a lower proportion of their spending. With these purchases, the couple has better access to digital information which informs their choices and fuels spending on healthcare, education and entertainment.

Their employer, working with community groups, has helped set up wellness clinics, as well as tele-health and tele-diagnostics facilities, at their work so employees don't have to trek to the nearest medical facility which is hours away by public transportation.

Manju is attending a nearby college, sponsored by his employer, to earn a degree. He plans to be a knowledge worker, part of the virtual workforce that his company employs in developing countries all over the world. Manju and Puja finally feel that they have the stable income they need to build a bigger house, buy a car and have children.

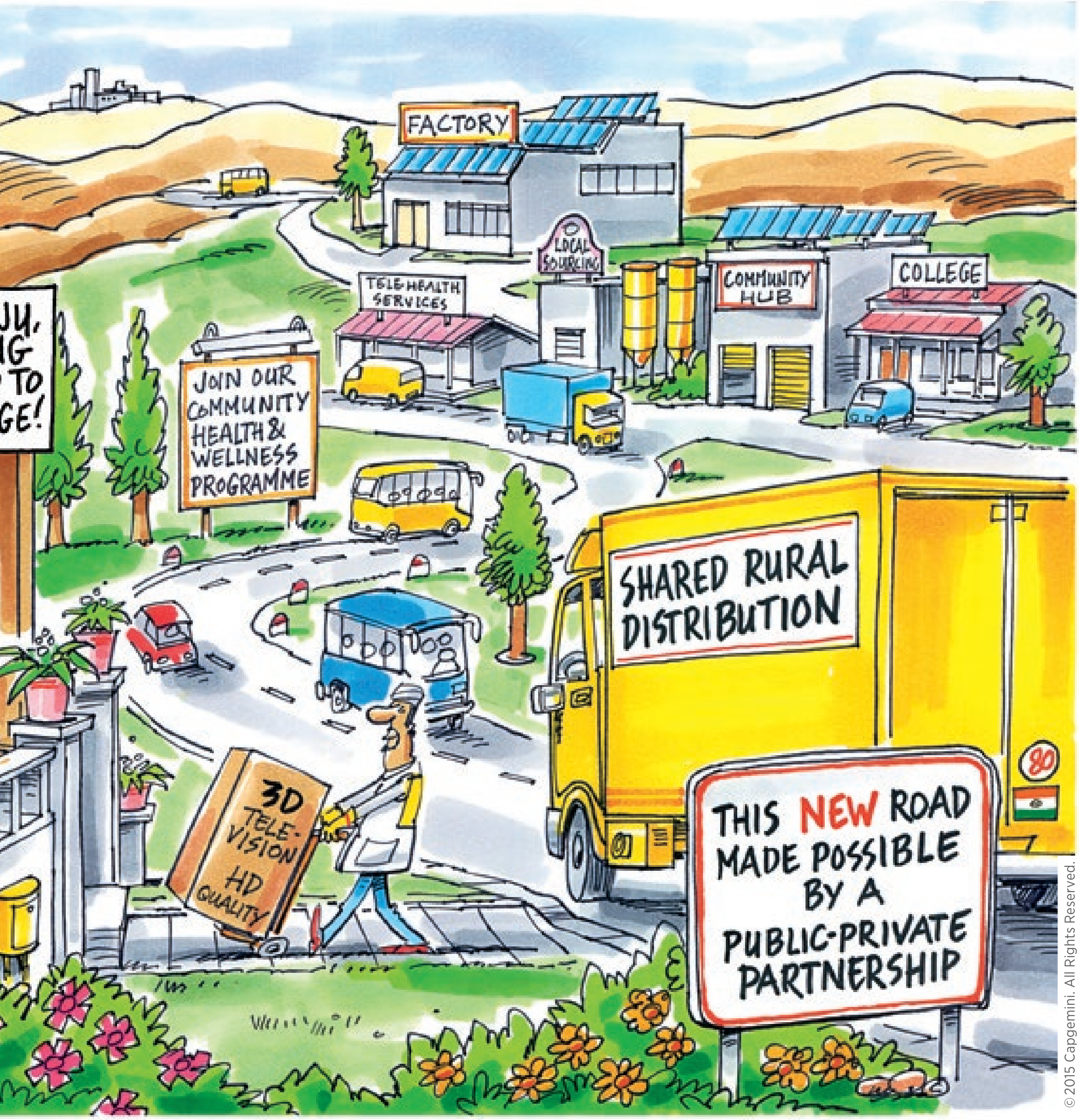


What has changed for the consumer goods industry in 2025?

Demand for discretionary goods has increased substantially in developing markets such as India, providing growth for consumer goods companies. Infrastructure and cultural differences remain challenging so manufacturers, retailers, suppliers, government and civil-society collaborate to create the services, products and development communities need and want.

Businesses are working together with government to improve infrastructure and public transport in previously isolated areas to allow residents to access jobs, providing businesses with a workforce and a market for their products. Cross-sector collaboration also creates social and wellness programmes to keep employees healthier while increasing productivity and employee morale.

Mobile internet access among consumers exposes them to new products and technology creating a desire to 'trade-up' that companies need to anticipate. Although infrastructure is improving in many rural areas, in others it is still poor, calling for alternate distribution models including working with regional independent stores to deliver products from multiple manufacturers to community hubs. As rural areas drive demand for products from around the globe, industry has responded by ensuring that products can be uniquely identified, consistently described, and sourced reliably. To better meet demands, manufacturing has become more distributed and localised. Consumer goods companies have begun to source locally and have identified ways to more efficiently consume scarce resources such as water.


JU,
IG
TO
GE!
FACTORY
LOCAL SOURCING
TELEHEALTH SERVICES
COMMUNITY HUB
COLLEGE
JOIN OUR COMMUNITY HEALTH & WELLNESS PROGRAMME
SHARED RURAL DISTRIBUTION
80
3D TELE-VISION HD QUALITY
THIS NEW ROAD MADE POSSIBLE BY A PUBLIC-PRIVATE PARTNERSHIP

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AGEING CONSUMERS

WE ARE ALL AT YOUR SERVICE!
WALK THE DOG
HOUSEHOLD SERVICE ROBOT

What has changed for Maureen in 2025?

Maureen is an 'empty nester' from a small city in the south of England. She was dreading this phase of her life: she is reliant on friends and neighbours for company and support while her grown-up children are far away. But it is not how she imagined it. Healthcare, shopping and household help have been organised well around her to make life easier, helping her live by herself as she gets older.

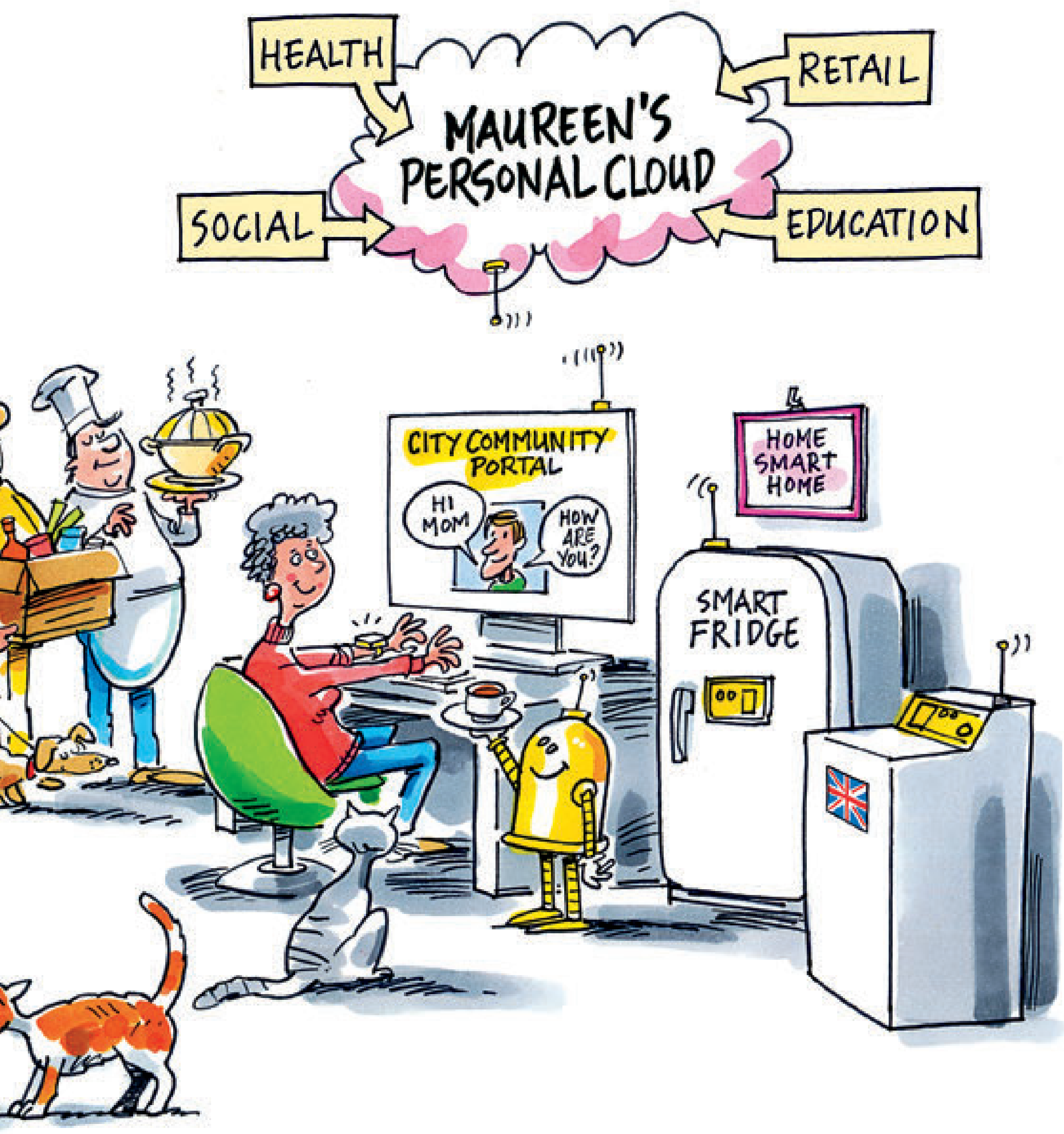
Household-robots do the vacuum-cleaning and other chores while personalised mobile devices track her needs and provide support. For a number of years now, Maureen has signed up to a new community service for the elderly. A group of businesses have created integrated, personalised services which help her shop for groceries, buy flowers, medicine and supplies for her pets without a car. The city community website now bundles everything Maureen wants from shops in the area and delivers goods to her door.

Maureen also gets the relevant health, entertainment, food, financial services, news and other content straight to her tablet. She has confidence in the devices and services that remotely monitor her health. She often looks into her own digital health portal; not just out of interest, but also to help her make the right food choices. Her son in Australia can access the same information, including the latest GP reports and health-checks, making him feel still connected to his mum.

What has changed for the consumer goods industry in 2025?

Consumer goods businesses collaborate with health care providers, financial services firms and public bodies to create an effective and efficient support system for the ageing segment of the population that almost makes up the majority in the western world. These include shared logistics for goods distribution from city-hubs to stores and collection points close to public transit within walking distance from home. On-demand, subscription based services provide health monitoring and remote diagnosis. Social care and home maintenance services come from the same provider to minimise travel. All are personalised services based on tiered levels of affordability.

Collaboration across businesses and public-sector partners enables on-demand services for this segment, shifting consumption from goods to services. As part of the process, the industry has created new jobs and community-based services that have taken pressure off children caring for their elderly relatives. Companies help finance such services through micro and community financing partnerships. Companies are fulfilling the needs of the community they operate in, as well as the needs of consumers, as the two have become more interconnected. This interconnectedness is driven by industry working with the CGF and GS1 to create processes and systems that enable these services.


HEALTH
RETAIL
MAUREEN'S PERSONAL CLOUD
SOCIAL
EDUCATION
CITY COMMUNITY PORTAL
HI MOM
HOW ARE YOU?
HOME SMART HOME
SMART FRIDGE

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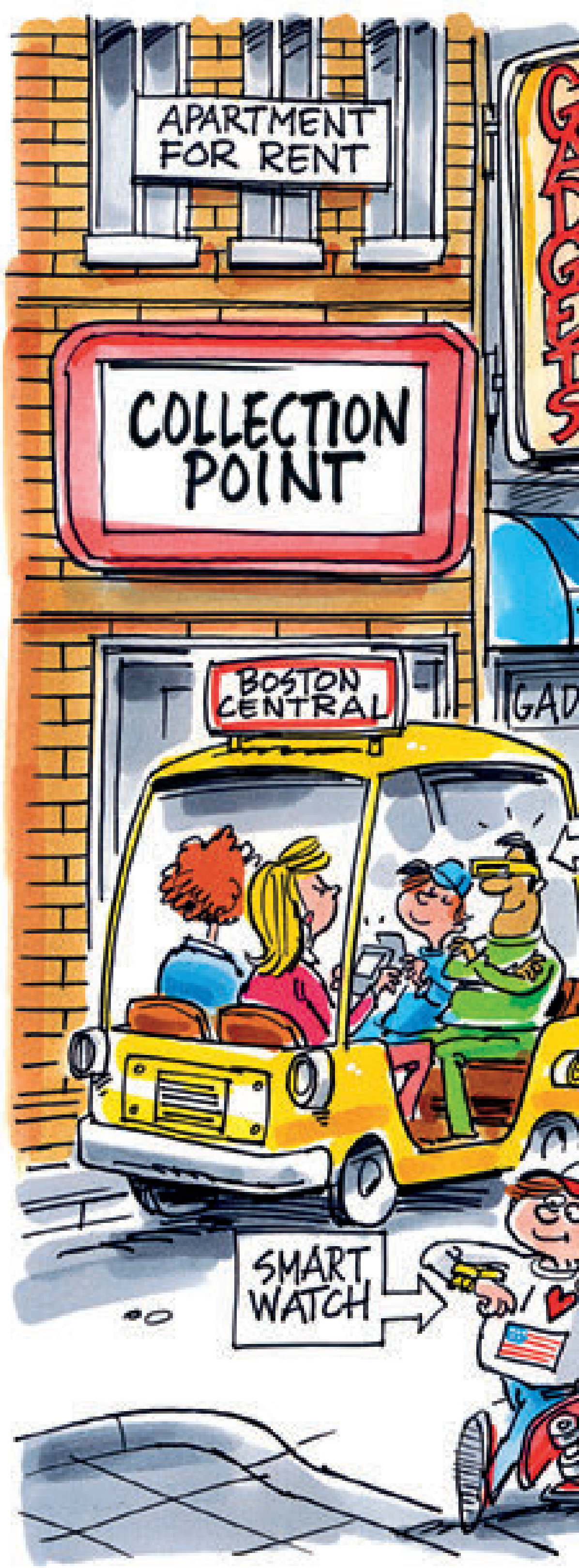
MILLENNIALS



What has changed for Jamie in 2025?

Jamie lives in urban Boston, close to restaurants, stores and outdoor recreation. The 26-year-old rents and shares his home and is not interested in owning a car, as he often works remotely. He likes to walk, cycle or take public transport but also uses car-sharing services.

Jamie works irregular hours and may take off the middle of the day to play basketball with friends but work until the early hours of the morning to finish a project. Jamie prefers to buy fewer goods with more purpose, always assessing product sustainability. For this reason, he lives near small stores who offer great services and an engaging communal experience. He purchases on an ‘as needed’ basis.

As a digital, mobile-first native, Jamie prefers services over products, localised via mobile devices. He is influenced by the word-of-mouth through his online networks. But company brand factors such as innovation, shared values, traceability and transparency also affect his purchase decisions. As such, accessible, accurate product and company information is important.

Jamie owns multiple mobile devices: large screens in his house, a smart mobile screen and a smart-watch. They all offer location and context-specific information and interactions and Jamie is willing to trade personal information for the right rewards and convenience.

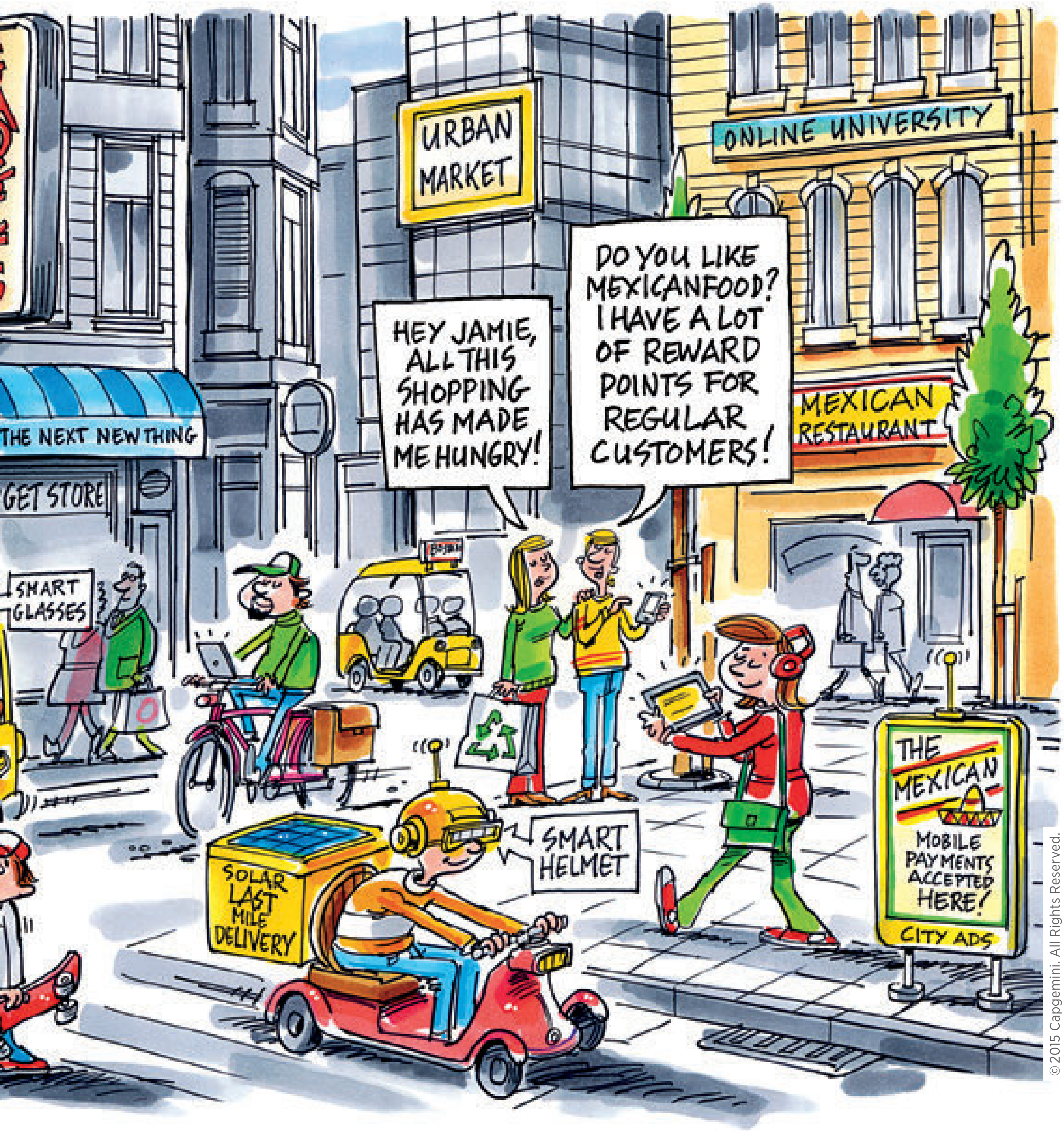
Jamie is open to bartering for or sharing goods, as well as using recycled goods. Eating local, fresh and healthy produce is important to Jamie but he doesn’t shy away from periodic indulgences.

What has changed for the consumer goods industry in 2025?

Industry collaboration is providing information on ethical sourcing, social responsibility and traceability that is so important to this segment.

Consumer goods manufacturers have created shared logistics with retailers and third-party carriers to move goods from shared city-hubs to stores, collection-points and the home. This helps stores set up close to public transit and within walking or cycling distance. Companies are providing standardised, accurate and context-relevant information, driven by big data analytics, accessible anywhere on mobile devices. These consumers generate huge amounts of data due to their active participation and their openness to a value exchange that rewards their information sharing with benefits. Consumer goods and retail companies can better understand this data now, and are analysing this data to help them deliver further personalised value to consumers in a transparent way, while meeting business goals.

Businesses and public bodies have repurposed urban structures and shops to fulfil multiple functions, increasing focus on community living and experiences among millennials.


URBAN MARKET
ONLINE UNIVERSITY
THE NEXT NEW THING
GET STORE
HEY JAMIE, ALL THIS SHOPPING HAS MADE ME HUNGRY!
DO YOU LIKE MEXICAN FOOD? I HAVE A LOT OF REWARD POINTS FOR REGULAR CUSTOMERS!
MEXICAN RESTAURANT
SMART GLASSES
SMART HELMET
SOLAR LAST MILE DELIVERY
THE MEXICAN
MOBILE PAYMENTS ACCEPTED HERE!
CITY ADS

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What should we do?

FRESH FOODS
SHOP BOT
FRESH FOODS

Value networks will touch everything in business, affecting all activities and business processes, from R&D, production, finance, HR, merchandising, logistics and asset management, market research, marketing and sales. Where should we start? The industry is under-performing in three overarching priorities where collaborative networks can accelerate return on investment.

These are:
- consumer engagement
- transparency
- the last mile

By creating a strategic thrust in each area we will help establish collaboration models in the short term, creating value and improving how consumers view our industry. Also, to support each of these thrusts, we need a more modular approach to technology. These problems may not be new, but value networks give us the opportunity to address them in a collaborative manner and with a collective urgency, as outlined in the following sections.

CONSUMER ENGAGEMENT: PEOPLE WILL TALK TO US AND WORK WITH US

What is the problem?

There are technologies around the corner that will transform how consumers and businesses understand and talk to each other. Wearable devices that record consumers' movements and habits will become more widespread. Cars and home appliances will be connected to the internet, similarly sharing data. Business can crunch through their own data, customer data and vast swaths of information from third parties in volumes previously unimaginable and at unprecedented speed.

These advances are known respectively as wearable technology, the internet of things and big data analytics and they will become the foundation for dialogue with consumers informed by their preferences, routines, media habits, areas of interest and location.

The digital and physical path to purchase is complex and non-linear, but it also leaves footprints in the form of a growing trail of personal data. As a result, consumers are becoming more aware of the value of their personal data and the risks it can present to their privacy and security. They are also concerned about how data is collected, shared and used by businesses and want to be protected against its misuse.

These concerns are exacerbated by so called 'digital landmine accidents' involving data breaches and privacy risks. They not only damage individual companies but also the consumer goods and retail industry at large. For example, the 2014 TRUSTe Privacy Index found that 89 percent of US internet consumers say they avoid companies that do not protect their privacy.[9]

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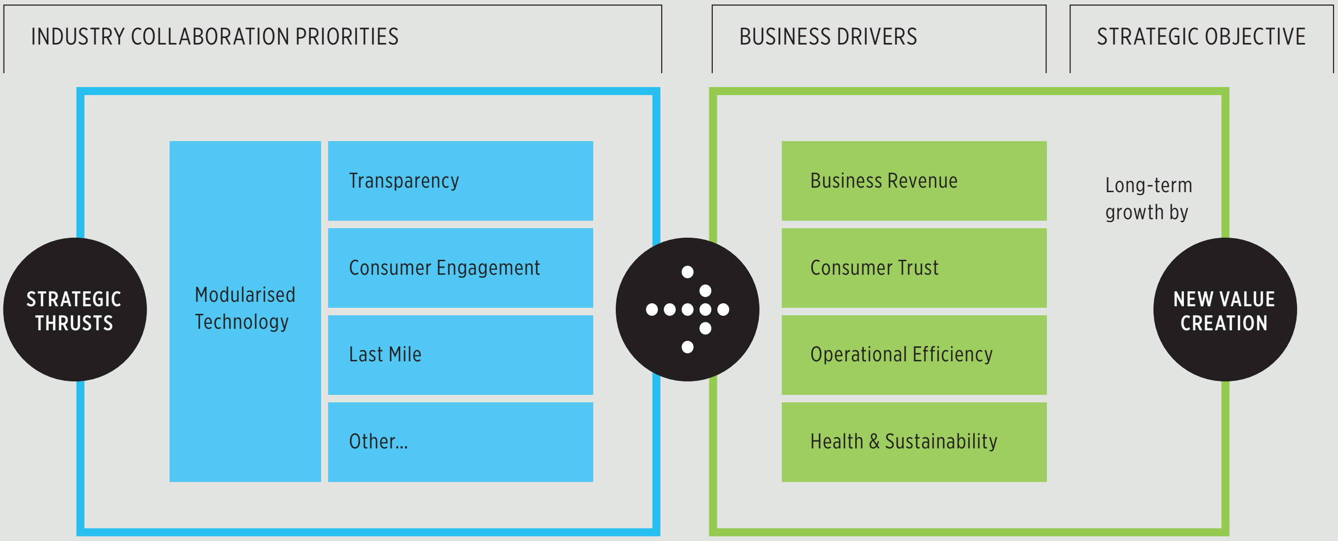
[9] 'TRUSTe Privacy Index: 2014 Consumer Confidence Edition,' TRUSTe, December 2013

FUTURE VALUE NETWORK BUSINESS RATIONALE


INDUSTRY COLLABORATION PRIORITIES
BUSINESS DRIVERS
STRATEGIC OBJECTIVE
STRATEGIC THRUSTS
Modularised Technology
Transparency
Consumer Engagement
Last Mile
Other...
Business Revenue
Consumer Trust
Operational Efficiency
Health & Sustainability
Long-term growth by
NEW VALUE CREATION

For more information on the Consumer Engagement Principles, please go to: www.consumerengagementprinciples.com

HEY JAMIE, ALL THIS SHOPPING HAS MADE ME HUNGRY!
DO YOU LIKE MEXICAN FOOD? I HAVE A LOT OF REWARD POINTS FOR REGULAR CUSTOMERS!

The industry needs to be consistently responsible with consumers' data so it can add value through an on-going dialogue with them. This will also help avoid unnecessary government intervention.

What is our ambition?

The goal is to have consumers view the industry as a responsible user and steward of their data and the insights we gain from it. This gives us a common foundation from which a digitally-enabled value exchange can be optimised by individual companies.

What are the building blocks for success?

With the industry-wide Consumer Engagement Principles, as agreed by the CGF Board, we have an initial framework describing how companies should engage with their consumers, which is designed to promote an environment of trust and openness.

This is the result of a number of ongoing, collaborative initiatives in a process that has involved a large group of global industry experts from the retail, manufacturing and online sectors, as well as other strategic value chain partners.

With these principles, the consumer goods industry has committed to a number of positive actions in how companies deal with data-driven consumer engagement and data privacy. These include:

- enabling consumers to easily choose whether and how their personal information is used; clear communication on how their personal information is used; and giving them the ability to correct or remove it
- listening and responding to consumer feedback about the use of their personal data
- preserving integrity in social media practices
- protecting the reliability and accuracy of consumers' personal information and, should things go wrong, being open about the status of their personal information

What is the call to action?

In order to help build trust with consumers and shape the way companies, retailers and manufacturers use consumer data, the industry is urged to adopt clear principles for consumer engagement: The Consumer Goods Forum's 'Consumer Engagement Principles', as developed with representatives of the industry from across the world. The principles will benefit all stakeholders as the industry safeguards consumers' data and nurtures greater consumer trust.

TRANSPARENCY: PEOPLE WILL SEE WHAT WE DO

What is the problem?

The UK had its 2013 horse meat scandal and the US a salmonella-in-peanuts outbreak in 2009, but they both point to the same conclusion. Consumer trust takes decades to build but can unravel in a day. In parts of Asia, 2008's contamination of baby milk with melamine tells the same story.

Not only do incidents like these damage the culpable retailer or producer, they also tarnish the industry as a whole. Consumers who do not have trust in companies and industries will simply not buy their products and services – and look for options elsewhere.

Across the board, trust in institutions is falling. Trust in government, business, media and NGOs in the general population is below 50 percent in two-thirds of countries, including the US, UK, Germany and Japan, according to Edelman research.[10]

Trust in the consumer industries lags behind the technology, consumer electronics, automotive and entertainment sectors, Edelman found in 2014.[11] Our industry is scored at 65 percent, compared with a 79 percent rating for the technology industry. What is more, this level of trust is under significant pressure as stories about food safety hit the news daily and activists voice concerns about the social and environmental impacts of products and their supply chains.

Being transparent with consumers, both as individual companies and as an industry, we can turn around their declining trust in us.

We also need to change how we provide information. Consumers now move rapidly between the online and physical world and they expect product information to be consistent across both. But, at the moment, the information in the digital world is often incomplete or inaccurate. Without having the same assurance in the digital world we currently provide on physical packaging, the industry will struggle to improve consumer trust.

Consumers are generally happy with the level of information they get on packaging. They know what to expect, because much of this information is presented in a standard way. The GMA found the vast majority of data consumers want is already available. Its research shows 80 percent of consumers are looking for the expiry date while 70 percent are looking for name and flavour, storage and handling instructions, calories and nutritional data.[12]

Problems arise when demand for information is triggered by new priorities hitting the public agenda, according to a Hershey/gravitytank study. Such a trigger occurred in the case of the 'pink slime scandal' where a few media commentators, amplified by social networks, were able to rebrand and create widespread alarm over boneless lean beef trimming, a safe ingredient used in a number of meat products. The industry argued there was no evidence BLBT was dangerous and the negative perception was due to a shift in branding coupled with misinformation.[13]

This is the problem for the industry. We often struggle to meet demand for new information about products and, when it does arise, fail to communicate our message effectively.

Traceability is increasingly important for consumers in their decision making, but what is important can change rapidly. Specific aspects of ingredient provenance and supplier ethics, as well as environmental and ecological impact, can become important to consumers overnight, depending on the public agenda. Failing to meet these expectations can make consumers suspicious of our industry and susceptible to messaging from social and traditional media.

[10] http://www.edelman.com/news/trust-institutions-drops-level-great-recession/

[11] http://www.edelman.com/insights/intellectual-property/2014-edelman-trust-barometer/trust-in-business/

[12] GMA/TPA work on ITI - Information Transparency Initiative (source: GMA)

[13] http://www.huffingtonpost.com/2012/03/09/pink-slime-criticism_n_1335022.html

This is not a new topic. Our industry has been struggling to share consistent and accurate product information with business partners and with consumers for many years now. We have not been able to solve the issue. Meanwhile, digital interlopers in our market are putting more emphasis on better management of product information and third parties, such as app providers and online portals, offer product information services which may or may not be accurate and authoritative.

What is our ambition?

Our goal is to improve trust in the industry by being more transparent. As a first step we can make information online consistent with information on packaging, with an equal level of quality assurance. To succeed here, the data that we need to be consistently represented will also need to be consumable, shareable and intelligible. While the data content itself may be variable, the structures that contain and define the data will need to be standardised. To achieve this, we must work together even more closely than we have in the past.

This is the minimum starting point, but trigger events mean consumers will search for new information at short notice. Our ambition is to consistently provide consumers with exactly the right, accurate information they need, at the right moment and via the right channel. This applies to all information about the product itself and all additional digital information that is relevant to consumers. This requires full traceability across the industry. Providers of ‘non-packaged’ goods, such as fresh food, will also have to create these online resources as traceability and provenances can be even more important in this context.

What are the building blocks for success?

At the moment barcodes that carry the same product identifier do not uniquely describe product or package variations, meaning minor changes cannot be accurately disclosed. Urgent work is needed to develop and adopt standard, global approaches to providing the data that consumers and their proxies demand. If we fail to act, the industry faces the prospect of every region or supply sector coming up with their own approaches to product data and then, later, the more difficult task to standardise them.

We need an industry-wide approach which balances prescriptive rules with principles and guidelines when it comes to traceability and sourcing information, provenance and safety, nutritional information, ingredients and allergens as well as sustainability. Currently, this information most often resides in silos. To be effectively utilised, it needs to be more open and connected.

The industry must also signal to consumers that something has changed: a strong declaration of a trustworthy promise. Smart label initiatives offer an opportunity to broadcast these changes.

Finally, we need to measure how we improve the information we provide to consumers, who will ultimately judge whether this improves trust.

What is the call to action?

Working groups of The Consumer Goods Forum have joined executive leaders in our industry to prioritise transparency consistently within their own organisations. This will not only affect supply chain operations, but also the demand side of the business such as marketing and sales.

Industry must agree on a clear strategy for unique product identification and align initiatives and GS1 Standards that enable provision of transparent information to consumers, such as Trustbox in Belgium and the SmartLabel initiative in North America.

Successful companies will assign a specific executive role to address transparency. This is likely to involve a chief digital officer operating cross-functionally to close the gap between the information companies provide and the information consumers want, consistently across all channels — although it may also involve leaders in marketing and strategy, depending on how the organisation is structured.

THE LAST MILE: EXPLORING OPPORTUNITIES TO COLLABORATE

What is the problem?

Supply chains have become increasingly efficient over the past decades, continuously reducing the 'slack' in the system. However, we are now seeing a number of changes that have a profound impact on the traditional orchestration of the last mile. These changes are driven by enhanced consumer demands and expectations, alternative last mile business models, cost-pressures and demand for environmental sustainability.

Consumers expect more when it comes to availability, convenience and choice, and want personalised experiences and service levels in how goods get to them. They increasingly want to choose their own scenarios when it comes to online ordering, in-store experience, home delivery and click-and-collect services.

Meanwhile, alternative distribution models are rapidly emerging. Companies such as Amazon are forcing the industry to rethink the last mile distribution model. Already it has 23 percent of online retail sales[14] and, in the UK for example, it commands almost a 23 percent share in all consumer entertainment sales (based on data from July through September, 2014).[15]

Amazon has launched a one-hour delivery service in the US and the UK and is experimenting with crowdsourcing the last mile of delivery[16] using privately owned vehicles, in an approach similar to the Uber taxi model created in collaboration with Tictail [see page 11].

At the same time, conventional retailers with both a physical store and online presence face the pressure of meeting consumer expectations of the last mile without incurring prohibitive costs. Research from IGD shows that, compared to the 'zero' marginal costs for customers picking up goods in store, the 'click and collect' model has a marginal cost of £10 per delivery, and the 'pick and deliver' model has even higher marginal costs of £15 to £18 per delivery. There is a clear opportunity to further explore alternative models that drive down these last mile costs.

Sustainability is another important expectation in our management of the last mile. There are too many half-empty trucks on the roads, raising significant questions about efficiencies and emissions.

The complexity of last mile orchestration will only increase in the context of further urbanisation and the expansions of mega-cities and with further proliferation of convenience-driven retail outlets.

We are on the verge of a last mile revolution. The industry must prepare its response.

What is the ambition?

Faced with the combined pressures on the management of last mile deliveries, the consumer industry must carefully assess the effectiveness of current systems. But deciding on the response means navigating some difficult decisions about where to collaborate and where to act proprietarily.

This is not just about optimising last mile distribution on its own – this is about looking at the impacts and opportunities for the last mile to enhance the consumer experience in an efficient and sustainable manner.

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[14] http://www.customerparadigm.com/amazon-continues-to-dominate-ecommerce-although-theyre-losing-money/

[15] http://www.theguardian.com/technology/2014/nov/10/amazon-uk-entertainment-market-sales-games-film-music-tesco-hmv

[16] http://uk.businessinsider.com/amazon-on-my-way-delivery-service-could-crowdsource-deliveries-2015-6?r=US

Retailers and consumer goods companies must decide if the last mile of distribution is a ‘customer facing experience’ and what this means for their brand. There is a difference between straightforward ‘brown-box’ deliveries and those that are part of a differentiation strategy, which is often important in grocery retail.

In looking for new ways to orchestrate the last mile, we need to balance proprietary differentiation against the benefits of collaboration in efficiency, costs, sustainability and consumer convenience. This does not mean we have to choose one or the other. We will instead see a continuum emerge between collaboration and independent execution in the last mile. We will need to find the right balance between the two approaches.

The initiative will always be with those experimenting in new last-mile collaboration models which improve efficiency and enhance consumer satisfaction and experience. These models can improve availability, accessibility and speed in getting products and services to consumers where and when they want them. New models can also optimise use of assets such as warehouses, vehicles and stores while minimising waste.

What are the building blocks for success?

There is no single response to the challenges in the last mile. The success of collaboration will depend on the consumer segment, product category, proprietary efficiencies and geography.

Most of all, the new approach to the last mile requires a change in mindset. Companies that simply try to defend their traditional models and assets will not win. As an industry, we must explore new and optimised models to enhance the shopping experience in stores re-imagined around consumer experience, accounting for the growth in online shopping. Other models will include click-and-collect, pick-and-deliver and click-and-deliver. Collaborative models for sharing of warehouses and distribution assets should be considered and tested for mutually beneficial efficiencies.

The existing efficiencies of direct store deliveries for fast-moving consumer products in developed urban markets should be better understood. The industry has to be alert to opportunities to develop new models and learn what will work where. Companies such as Amazon and eBay are already experts in rapid experimentation and the consumer goods industry needs to learn from them to compete effectively.

What is the call to action?

The industry will benefit from understanding the opportunities for collaboration that are becoming available in the last mile, and where they will sit on the continuum between collaboration and independent execution.

There is little public evidence or data on which approaches to collaboration work best where. Different companies are piloting different point solutions. Every stage and option will have to be analysed to understand the business case (for both consumers and business) and the conditions for potential collaboration, validity by type of category, type of region and market maturity.

Such an industry assessment and longitudinal view will give further direction to exploring new collaborative opportunities.

The three strategic thrusts of consumer engagement, transparency and the last mile will be difficult to execute using existing business systems modelled, as they are, on linear value chains. To evolve value networks, we need a new approach to technology.

MODULARISED TECHNOLOGY ENABLES AGILE COLLABORATION

Legacy systems impair agility

Most of the IT systems in our industry adhere to established business models and value chains. As a result, they are often inflexible, hindering our ability to respond to the rapid pace of change. Of course, the enterprise applications that run our business, and the data warehouses that report on and analyse performance, have greatly improved efficiency. But their legacy, scale and importance to our existing business processes often slows down our agility to change. And we often find that data is trapped: the business applications and organisations create silos which make it difficult to share information.

Our current applications are like trains. They are efficient and reliable but make sudden changes in direction difficult.[17]

Value networks will demand rapid collaboration with external providers, supported by flexible, plug-and-play business applications and data. It will require a much better understanding of consumers and their behaviour in order to frame and monetise the right services. Data will come from inside the business, but also from external sources such as open data, mobile geolocation and social media. Our approach needs to be open and extensible, but our systems have been built to support rigid, linear and closed processes.

Our commitment to rapidly improve consumer engagement, transparency and last mile cannot be achieved with our current technology capabilities and architectures.

As an industry, we need to much better exploit the next generation of business technology that is faster to deploy, more agile, and designed to openly share data. This allows applications to be developed and owned in close proximity to the business.

The problem is not just technology. It is also culture, skills and leadership. The level of executive awareness on the potential and impact of this new breed of technology opportunities is still insufficient. There is genuine resistance to change; it’s going too fast for many.

Compare our approach to IT with that of the internet-enabled, sharing economy. Companies such as Uber have an open approach to data. They create rapid collaboration with disparate data sources. They are agile. They are transparent. They are responding to and creating new markets on the fly.

The case for modular technology

The business case for new technology-enabled industry collaboration will be built around consumer trust, lifetime use of products, touch points with consumers and interactions between shoppers and brands. Success will be determined by the collaborative change that is achieved in consumer engagement, transparency and last mile. Other criteria will be based on the ability to:

- provide business units (especially new and innovative ones) with the IT support and tools they need to quickly create, manage and measure value
- be an open and data-driven enterprise
- become a collaborative digital enterprise

This approach to technology can create a 360-degree view of commercial possibility. Rather than using linear business processes and IT systems which only go in one

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[17] https://www.capgemini.com/blog/cto-blog/2014/12/technovision-2015-from-train-to-scooter

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direction, successful companies will use an open, extensible approach that allows them to create 'mash-ups' of products and services at short notice, in collaboration with other organisations. For example, airline British Airways has moved to allow other businesses to build services on top of its offering by opening up application interfaces for its flight information.[18]

Modular building blocks break down barriers

Business agility and rapid collaboration require the transformation from monolithic corporate structures into smaller operational components. We need component-based technology that breaks down these rigid, purpose-built structures into multi-use modules, easily-assembled or dissembled according to business needs.

The hallmarks of this approach will be:

- **Autonomous and Cleansed Data.** Data – the performance numbers, the customer information and selling, general and administrative expenses – is the lifeblood of an organisation and the network it operates in. The modular approach separates data from its originating application and removes internal duplication
- **Services-Oriented Business Technology.** At its core, this is the ability of an IT organisation to rapidly create 'services' in support of an existing or new business process. Such services would generally be formed from multiple data sources (both internal and external), and driven through off-the-shelf or externally-developed applications. In the modular approach, an assessment of business processes leads to the selection of the necessary IT building blocks including data sources, open application programming interfaces (APIs), analytics tools and user experience dashboards
- A corporate commitment **to the governance disciplines** necessary to establish and maintain a modular, component-based IT architecture

What is the call to action?

To create the technical foundations for rapid collaboration, we must:

- Understand the collaborative use-cases and scenarios that need technology support in consumer engagement, transparency and last mile
- Agree to develop and adopt an open systems-oriented technology roadmap to aid the required modularisation with the goal of enhancing speed of communications and enhanced connectivity of information. This offers a plug-and-play approach to business applications and data services to enable the key strategic thrusts
- Increase executive awareness of the impact of technology on industry collaboration and its importance to being able to connect necessary collaborative information

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[18] http://www.computerweekly.com/news/4500249571/BA-opens-up-API-on-flight-information

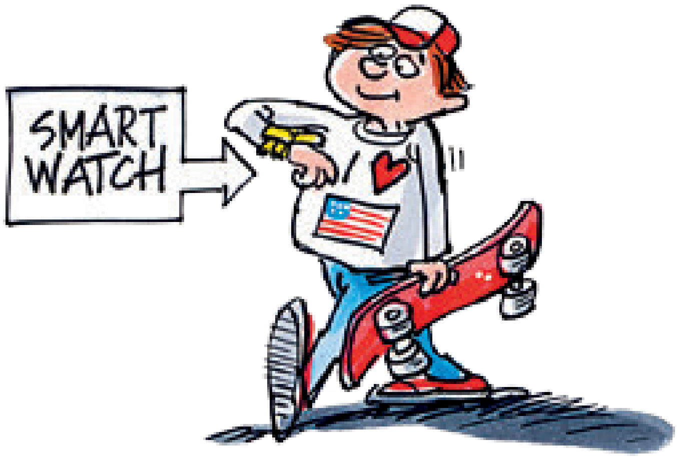
How do we get there?

With this vision of how value networks will cluster around new types of consumers, we can begin to see what the future might look like. Value networks will create a fundamentally new approach to the value chain, reconsidering its principles and processes.

But how do we do that? It is time for a new approach. Successful industry leaders will create and instil a new mindset in their management teams to make the future value network real, learning through real world examples that already exist – and imagining those that have yet to emerge.

Traditional collaborative value chain efforts have focused on supply chain and operations, delivered in one-to-one relationships. We now need to further establish a collaborative culture on the demand side of our businesses, with consumers at the centre of conversation.

Consumers, technology and the business world are changing extremely fast. There is no single cookbook for success. But targeted at specific problems, with specific goals, collaborative value networks do succeed and success will spread.



Where do we start?

It is time to take action. We will benefit from future value networks as individual companies and an industry as a whole, only if we set clear goals with deadlines and metrics. The best place to start is by working together on consumer engagement, transparency and the last mile supported by modular technology.

It is up to individual companies to rewrite strategies and adapt collaborative cultures so they can generate value from networked economies and consumers.

Drawing on the research-based digital transformation framework of the MIT Center for Digital Business, developed in collaboration with Capgemini[19] (and illustrated on the facing page), successful companies will:

- Understand the contemporary **consumer experience** (networked, collaborative, non-linear) and align value creation to it
- Remove traditional constraints in **business operations** to allow collaborative, networked working
- Build business models that **re-order value chains** and create new opportunities

To achieve these goals, successful corporate leaders will:

- Create shared **transformative vision** of their role in the future value network
- **Engage employees** at scale to help them act on the vision
- Build **governance** to ensure collaboration fits with corporate compliance
- Exploit new technology, fusing IT and business communities to build required **skills and technology platforms**

This requires executive leadership by individual companies and suggests a facilitating role by The Consumer Goods Forum.

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[19] https://www.capgemini-consulting.com/leadingdigital

THE CONSUMER GOODS FORUM'S ROLE IN REMOVING BARRIERS TO COLLABORATION AND CREATING VALUE NETWORKS

The Consumer Goods Forum (the CGF) serves the needs of its retailer and manufacturer members by balancing three major platforms to create value. These are:

A Platform of Business Needs
The CGF solves issues faced globally by a wide range of companies, both large and small, and across a broad range of geographies. It helps make open-source solutions available to all industry players and improves the life and satisfaction of the consumer, globally.

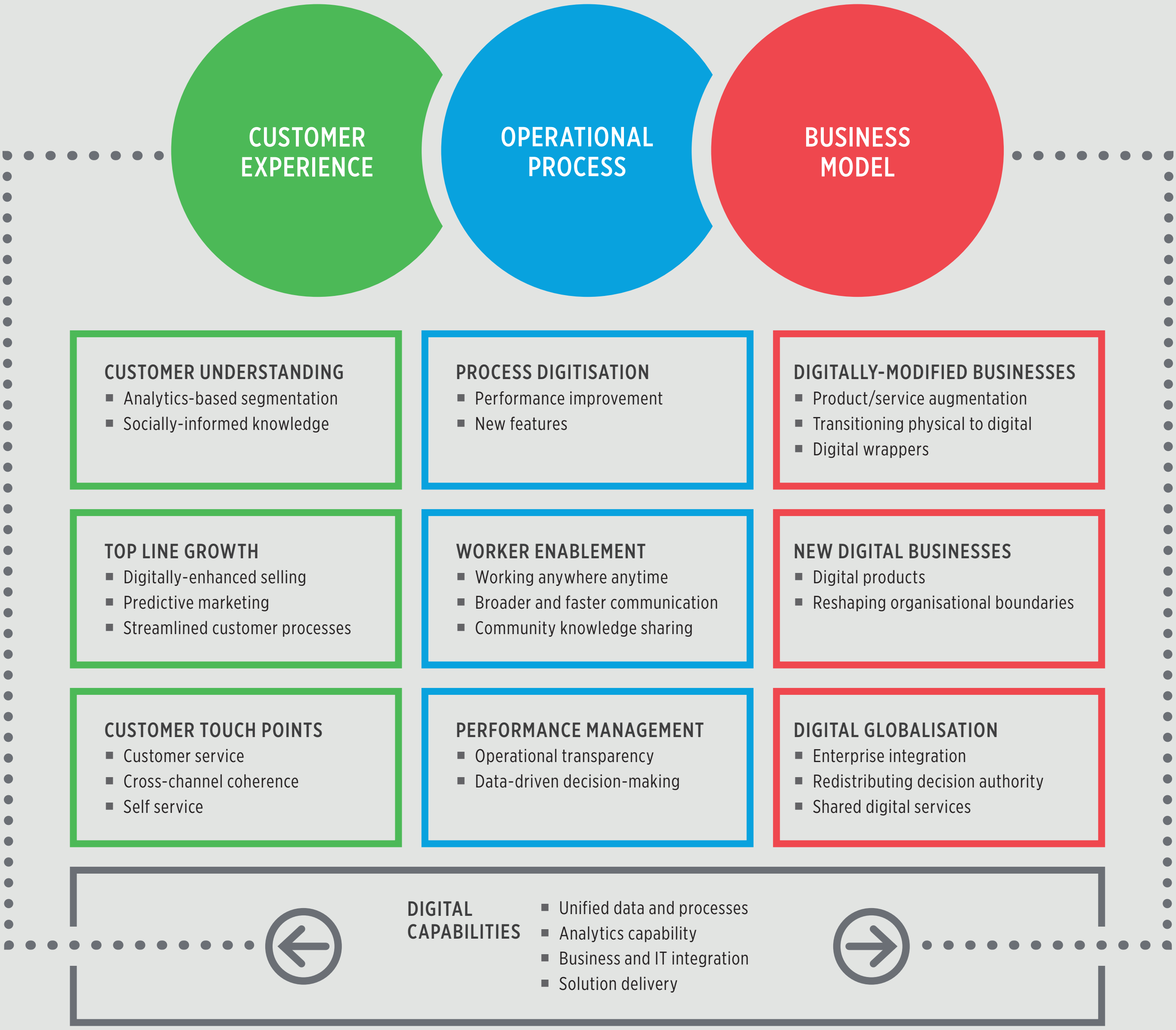
A Platform of Service Providers
The CGF provides the know-how for industry members to solve issues collaboratively, applying special rules for this unique, global and collaborative platform, like working towards open common standards, definitions and protocols, no strings attached.

A Platform for Industry Organisations
Capturing, sharing and driving best practices and implementation.

As part of the work accomplished by its strategic End-to-End Value Chain & Standards Pillar, the CGF is working on:

- The Consumer Engagement Principles;
- Traceability and Product Safety, cross pillar;
- Transparency; and
- Further research into the Last Mile via the Pillar's Steering Committee

BUILDING BLOCKS OF THE DIGITAL TRANSFORMATION FRAMEWORK



CUSTOMER EXPERIENCE

CUSTOMER UNDERSTANDING
- Analytics-based segmentation
- Socially-informed knowledge

TOP LINE GROWTH
- Digitally-enhanced selling
- Predictive marketing
- Streamlined customer processes

CUSTOMER TOUCH POINTS
- Customer service
- Cross-channel coherence
- Self service

OPERATIONAL PROCESS

PROCESS DIGITISATION
- Performance improvement
- New features

WORKER ENABLEMENT
- Working anywhere anytime
- Broader and faster communication
- Community knowledge sharing

PERFORMANCE MANAGEMENT
- Operational transparency
- Data-driven decision-making

BUSINESS MODEL

DIGITALLY-MODIFIED BUSINESSES
- Product/service augmentation
- Transitioning physical to digital
- Digital wrappers

NEW DIGITAL BUSINESSES
- Digital products
- Reshaping organisational boundaries

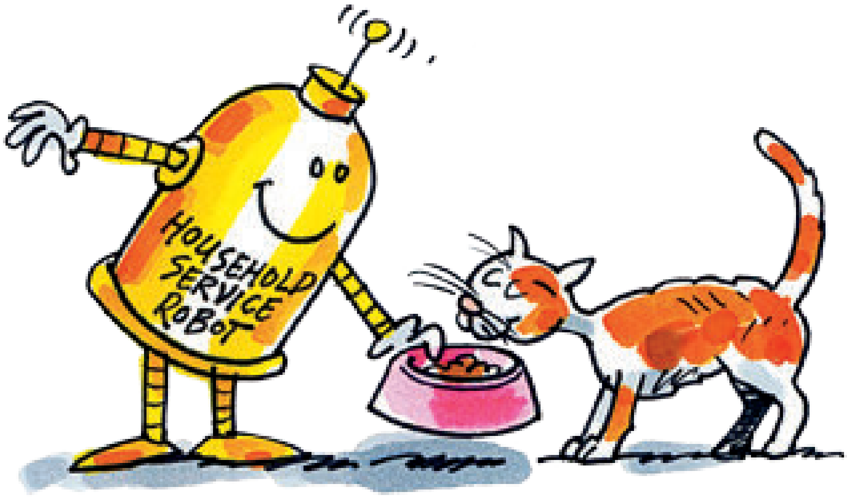
DIGITAL GLOBALISATION
- Enterprise integration
- Redistributing decision authority
- Shared digital services

DIGITAL CAPABILITIES
- Unified data and processes
- Analytics capability
- Business and IT integration
- Solution delivery

This research-based framework of the MIT Center for Digital Business was developed in collaboration with Capgemini.

Come in WE'RE
AWESOME

Conclusion



The recipients of our goods and services are no longer passive. Empowered by their own networks, they are driving change in our industry.

To embrace this change we need to learn from them and let our industry be guided by them. Aligning our values with theirs, we can earn their trust and set ourselves on a path towards new growth.

To achieve these objectives, collaboration is vital, but it will not be linear. A model based on value creation networks will help us respond to rapidly changing demands.

Through our research we have identified three strategic thrusts which will instigate collaborative transformation. There will still be areas where it is not appropriate to collaborate but a value network provides a strategic platform for collaboration to become readily available whenever we need it.

It will often be challenging but there is much cause for optimism. We have the tools, the people and the knowledge. We must use them to place consumers at the centre of the future value network and secure a path to long-term growth.

APPENDIX: THE PROCESS BEHIND THE PROJECT

In order to develop the 'Rethinking the Value Chain: New Realities in Collaborative Business' report and associated business model for action, The Consumer Goods Forum (the CGF), working with Capgemini, brought together 55 participants and experts from leading industry players, including consumer products manufacturers, retailers, service providers, technology companies, NGOs and other industry organisations, including a governmental body.

The first step in the process was an intensive two-day workshop held at the Capgemini Accelerated Solutions Environment (ASE) in London, 17th-18th March 2015. The objective of the workshop was to evaluate the market, technology and consumer forces driving change in the future and their impact on the value chain. The industry participants also worked together over the two days to develop a vision for how value chains of the future will need to transform and the associated implications for business, including practical guidelines and solutions. A key finding coming out of the workshop was that new collaboration models will be pivotal to how companies deliver value to consumers and other stakeholders along the value chain.

The workshop session included three phases:

Phase I: Scanning the Future Landscape

The group started the session by scanning and understanding the key trends that will impact the global landscape as well as the industry over the next 10 years, and looking for the opportunities and threats they bring. The areas of focus included:

- Consumer Expectations & Trends
- Data & Technology Disruptions
- Influence of Global Economies & Societies
- Government & Corporate Governance
- Natural & Human Resources Trends

Participants were assigned different vantage points (manufacturer, retailer, consumer, technology provider, government/legislator, disruptor) to approach the research from, before sharing insights in small subgroups. The subgroups then presented their findings back to the whole group, where common themes emerged as well as the outlines of a 'compelling case for change.'

Phase II: Focus on the Future

Using the insights from phase one, participants were put in a 2025 future mindset, where the industry has transformed itself in serving consumers in a way that is inspiring other industries, governments and NGOs. Small breakout groups were given different consumer lifestyle contexts such as Urban Areas, Rural Areas, Ageing Consumers and Millennials from which to design and create models of the value chains of the future. From this work, it was clear that the linear value chain had been transcended by the idea and need for a 'Value Network.'

A subgroup of participants started the ongoing process of consolidating the future 'Value Network' model. In parallel, the remaining groups were asked to consider areas of collaboration and non-collaboration within their company; with consumers and shoppers; with transactional business partners; across industry; and other, encompassing key elements of the existing value chain such as sourcing & production, distribution & channels, consumer engagement and technology enablers. Within each element, the groups were challenged to identify three areas of collaboration that would balance the tension between value and achievability. Over 15 areas of collaboration were ranked on a matrix to determine the key areas of collaboration to focus CGF efforts in the future.

Phase III: Action to Create Solutions and Guidelines

The final phase focussed on how to turn the insights and models from the first two phases into reality. In this phase, participants identified six possible areas of collaboration to take forward for further consideration and refinement.

An ambition was created for each area, as well as an understanding of the business rationale and cost of inaction. It was clear that not only did the participants agree why and what they should be doing collectively, they also started to generate ideas as to how they could go about future collaboration in this area and the organisational implications involved. Underpinning this thinking were a set of strategic initiatives which could be taken forward to put these areas of collaboration into action, for the industry as a whole and for individual companies.

The three-phase process helped achieve alignment among the participants, defined a roadmap for the CGF to follow, and created momentum and commitment to deliver on the recommendations, in the form of a collaborative value network model and the accompanying comprehensive report.

ABOUT THE CONSUMER GOODS FORUM

The Consumer Goods Forum (the CGF) is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 2.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises 50 manufacturer and retailer CEOs.

For more information, please visit:
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ABOUT CAPGEMINI

With 180,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.573 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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About Capgemini's Consumer Products & Retail Practice

Capgemini's global Consumer Products and Retail practice works with a majority of the world's largest retail and consumer products companies plus hundreds more. A team of more than 12,500 consultants and technologists throughout the world helps these clients reap the benefits of industry-specific solutions such as Consumer-Driven Supply Chain, Digital Transformation, Insights and Data, and Global ERP Integration.

For more information:
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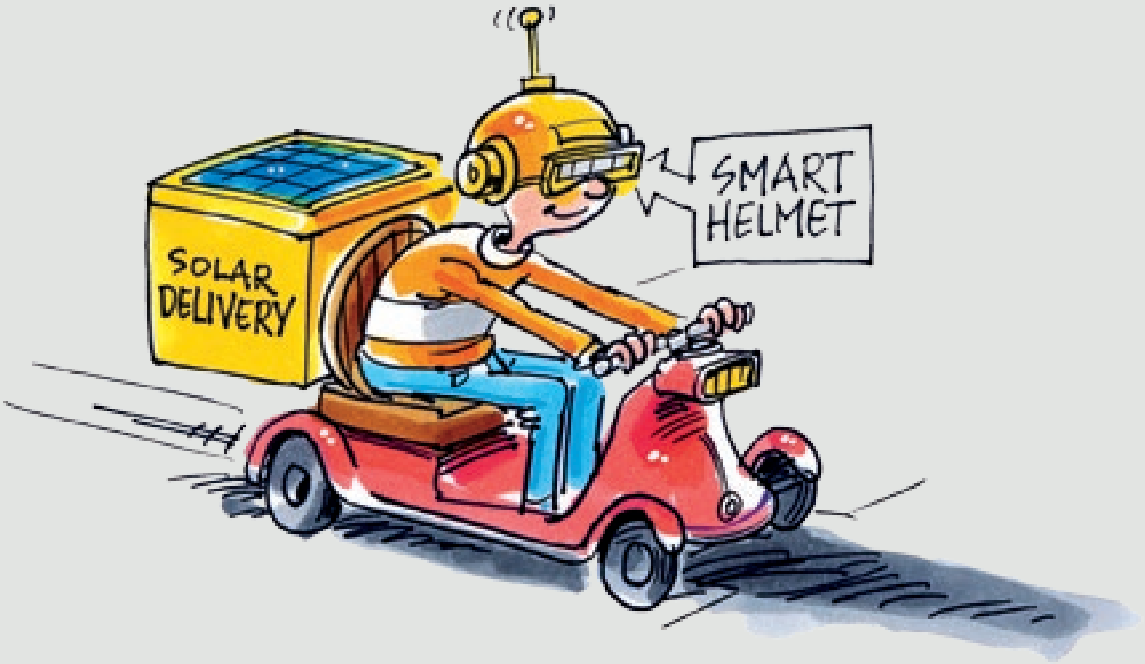
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