

# Building a consumer-centric supply chain in consumer goods

By [Yashwin Bhoola](#)

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Globally, consumer packaged goods (CPG) companies are under intense pressure to profitably grow. Yet, incumbent companies are losing out to nimble, digital-native competitors. For large CPGs, it's no longer enough for supply chains to be engines of efficiency.



Source: Getty

Supply chains must become laser-focused on delivering the outcomes that enable the company to meet consumer and customer needs. The value of these outcomes will vary by consumer segment. Since it is neither possible nor practical to be differentiated across all outcomes, CPGs will need to prioritise which are most important to each consumer segment. Then, the organisation must align around building the required capabilities to deliver these outcomes.

## Value at stake

The supply chain, traditionally viewed as a cost centre, can help a CPG organisation pivot to growth. Those CPG companies that do not invest in essential capabilities that enable resilience are, essentially, holding growth hostage.

Our analysis indicates a \$10bn CPG company that develops an intelligent supply chain could grow revenues up to 3% through improved availability of the right products, better customer service and reduction in lost sales. It could increase profitability up to 4% through cost reductions and improve working capital by almost 3%. Furthermore, the company could also increase trust and sustainability through reduced energy consumption and carbon emissions.

## Delivering on consumer value propositions

Accenture's *2020 Supply Chain Survey* of 178 supply chain and operations executives in consumer goods shows a small group of companies that have excelled versus their peers. These leaders have prioritised for the next three years consumer value propositions including: connected customer experience, price competitiveness, and trust and sustainability.

**Connected consumer experience:** The focus on a connected consumer experience has been emphasised amid the pandemic. E-commerce was already growing, and the growth from the past 10 years has doubled since Covid-19. This is no surprise as people spend more time at home and are buying products online through e-commerce websites, social media outlets and through subscription models. In fact, interest in subscription models surged during the pandemic, and 80% of new users plan to continue to use them.

To deliver a connected customer experience, CPG supply chains must be tailored – providing the right product proposition for each channel and consumer segment and adapting the portfolio as preferences change. They must also be responsive – meeting consumer and customers' demand shifts across products and buying channels.

**Price competitiveness:** Offering price competitive products and services has become essential during the pandemic and recession as customers are more conscious of price. More than half (54%) of consumers are shopping more cost-consciously by buying budget brands. Delivering on the outcome of price competitiveness requires a supply chain that is optimised, operating cost-effectively to provide price competitiveness and contribute to the company's profitability.

**Trust and sustainability:** Companies are focusing on sustainable products and services as well as sustainable (green) supply chain and manufacturing. Operating with responsible and sustainable practices builds trust and does good for society and the environment.

Seventy-eight percent of consumers are making more sustainable purchases, and 93% plan to stick with these beyond the pandemic.

Sustainable supply chains provide end-to-end transparency and optimise for sustainability to drive trust and demonstrate social responsibility.

Supply chains that are agile and responsive are more resilient to disruption and better equipped to deliver on a variety of customer value propositions. But CPGs must make choices about what's most important. They should prioritise desired outcomes per segment and then build the right capabilities to deliver them. Only a small number of companies have successfully done this.

Customer-centric CPG supply chain leaders report higher maturity than their peers, according to our research, in several areas: customer and product segmentation, design-to-margin and collaborative innovation, and concurrent planning and execution. Leaders have strategically invested in areas that would help them to shape more customised products and services, while their peers often struggle with a variety of challenges and spreading investments across capabilities.

## **How to develop a consumer-centric supply chain**

Building a consumer-centric supply chain calls for rethinking the supply chain configuration, advanced technologies and people. Our research showed CPGs' legacy supply chain operating models and organisational structures are a barrier – so it's time for change.

**Configuration:** CPGs need to establish a set of supply chains with a network and assets that meet the needs of each segment. The supply chain assets need to be leveraged at scale across these segments, where possible, to manage the cost base and adjust dynamically to enable responsiveness and resilience. Some companies are adopting more asset-light structures in which they outsource a significant portion of assets and use an ecosystem to be more flexible.

**Advanced digital technologies:** Customer and product segmentation, collaborative and agile innovation and other mature capabilities rely on digital technology. Companies we surveyed say they lack the right digital architecture and digital capabilities to be connected across the enterprise and ecosystem. This connectivity is needed to enable cross-functional decision making that leads to a consumer-centric supply chain.

**People:** Many CPG organisations are siloed, with accountability that is process-based and domain-oriented versus demand-driven, cross-functional decision making. These silos trickle down into the way talent is skilled. Many employees are skilled for a single functional domain and don't have access to analytics and capabilities that will support strategic decision making.

CPGs should invest in capabilities that will deliver on the value propositions and outcomes they have prioritised. These will be different for every business – and almost no business can do everything.

But what will be the same across companies is the need for the right technology that will enable innovative capabilities within the supply chain, flexible processes that enable the business to provide differentiated offerings and experiences, and the organisational structure that will allow cross-functional decision making, collaboration and an agile response to new challenges or opportunities.

## ABOUT THE AUTHOR

Yashwini Bhoola, managing director supply chain and operations, Accenture in Africa.

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