

REGION FOCUS: WORLDWIDE

Breaking Barriers to Becoming Digital First

Consumer brands must leverage technology across operations to identify opportunities, deliver premier customer experiences and drive revenue



Leslie Hand
Group Vice President,
IDC Retail and Financial Insights, IDC



Dorothy Creamer
Senior Research Manager,
IDC Retail Insights, IDC

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Executive Summary

Becoming Digital First

Consumer goods (CPG) brands are increasingly seeing benefits from being digital first, but the competitive bar has been raised. **To be digital first, companies must use technologies to address internal processes, customer experience, products and services, and partnerships.**



of consumer brands feel they are **digital first to a large degree, have a digital-first strategy, and have deployed digital technologies** at scale across the organization.



of CPG brands **are somewhat less confident;** while they have a digital strategy, they are in the process of transforming the business to become more digital.

“As consumer demand and preference continue to drive change at pace and the model for retailer partnership shifts, it is critical for Consumer Goods firms to priorities becoming digital-first organizations. This means cementing digitization across all functions with a customer-journey focused operating model, developing the foundations to garner insights at pace to enable personalization and product innovation through direct-to-consumer models and utilizing AI and automation tools to provide experience-focused relationships with customers.”

ELIZABETH PAPASAKELARIOU
Publicis Sapient, Consumer Products Lead

Source: IDC's Future of Enterprise Resiliency and Spending Survey (FERS), Wave 10, November 2022; IDC's FERS, Wave 8; IDC's FERS, Wave 2

Executive Summary (continued)

The Need for Personalization and Customer Data Management Drives Data Democratization Across All Areas of Business



70% of CPG brands say that using technology to utilize contextualized data as it relates to **financial operations and operational activities such as labor management, manufacturing, supply chain, logistics and asset management** is critical to success.



49% of CPG brands are **most concerned with the ability to customize products as part of enterprise strategy** to ultimately improve customer experience across the board.

Digitization Will Enable Brands to Respond to New Product Needs and Demands, and Weather Supply Chain Issues

Becoming digital first will require the integration of systems and access to real-time data across operations and customer-facing interactions. Market pressures of the last 12 months only increase CPG companies' resolve to innovate, develop new products and identify new revenue streams.



30% of CPGs view market pressures as an opportunity to **invest in digital innovation** to drive growth.



52% view market pressures as a requirement to eliminate costs associated with digital innovation, and the balance of CPGs **will not change their approach to digital innovation.**

Source: IDC's Future of Enterprise Resiliency and Spending Survey (FERS), Wave 10, November 2022; IDC's FERS, Wave 8; IDC's FERS, Wave 2

Executive Summary (continued)

AI and Automation Will Be Critical To Efficient Operations and Enterprise Management

Balancing serving B2B customers with a variety of newer direct-to-consumer channels is driving investments in customer data platforms (CDPs) and AI-enabled commerce and marketing capabilities. These investments aim to reduce the cost of customer acquisition (while improving acquisition and retention), increase customer lifetime value (CLV), and better predict supply chain needs.

Big Data and analytics is the **most important innovation** cited by:



Source: IDC's *Future of Enterprise Resiliency and Spending Survey (FERS)*, Wave 10, November 2022; IDC's *FERS*, Wave 8; IDC's *FERS*, Wave 2; IDC's *Supply Chain Survey*, March 2022.

B2B and D2C Brands Prioritize Digitalization to Drive Business

IDC research shows that brands are **prioritizing simplifying and reducing the costs of becoming digital by modernizing more completely** — leaving legacy capabilities in the past and innovating for the future — but significant barriers to achieving digital-first status remain.



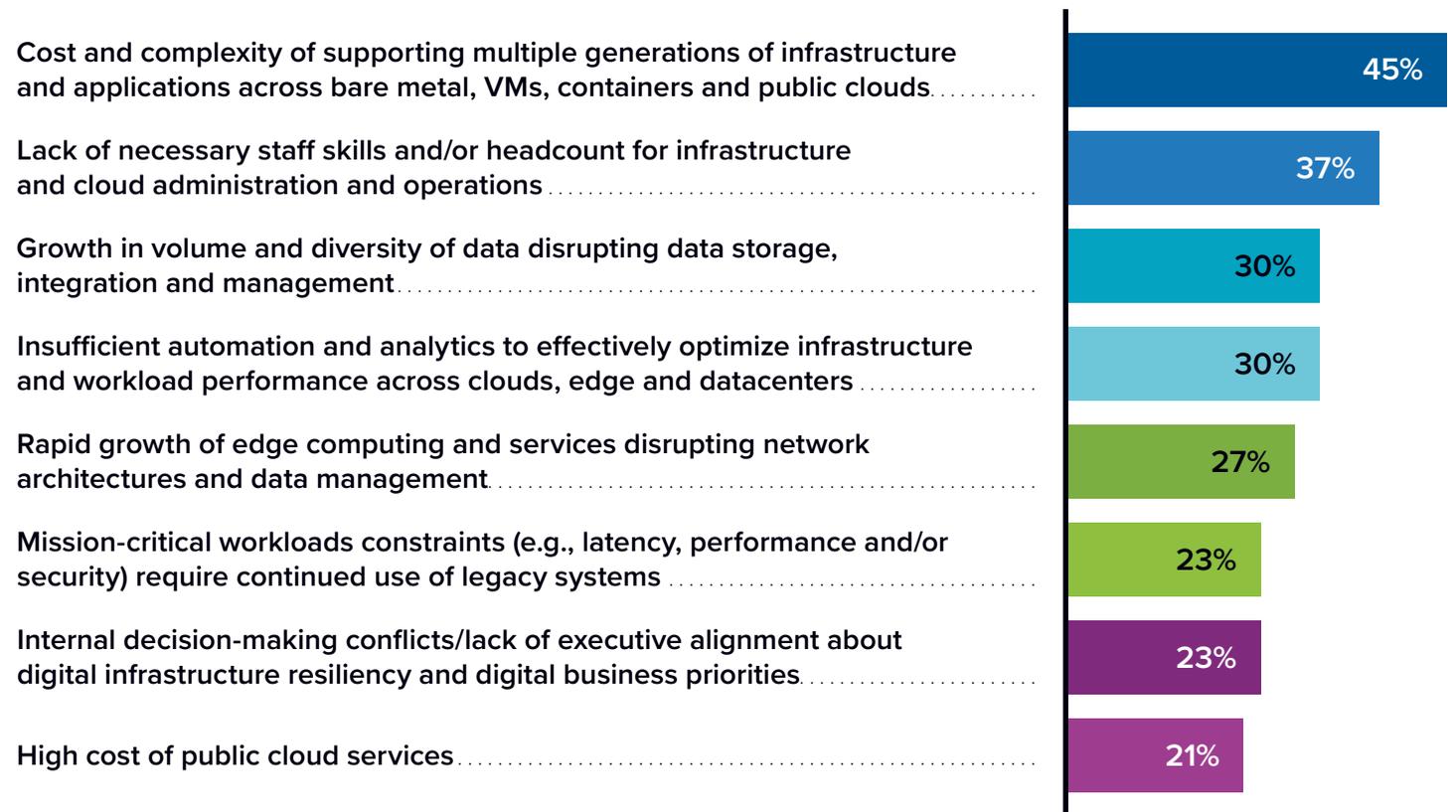
of CPGs have a digital strategy and **are in the process of transforming the business to become more digital.**



of CPGs have a digital-first strategy and **have deployed digital technologies at scale across the organization.**

Source: IDC's *Future Enterprise Resiliency & Spending Survey, Wave 11*, December, 2022

Greatest Barriers for CPGs to Achieving Digital Infrastructure Resiliency Goals by 2024



Source: IDC's *Future Enterprise Resiliency & Spending Survey, Wave 2*, March 2022

Digitalization of CPGs Delivers Against KPIs with Faster Time to Market and Cost Savings

DX Initiatives for Brands Yield Greatest Benefits in Time to Market and Cost Savings



To be digital-first and yield benefits, brands must address digital transformation holistically across the organization. Solutions must:

- ✓ Be cross-channel (omni-channel)
- ✓ Be integrated across processes
- ✓ Address customer and employee experience
- ✓ Offer real-time access to data to evaluate products and services and enable abilities to introduce new products more quickly into the most profitable channels
- ✓ Leverage partnerships
- ✓ Increase speed of innovation cycles and enable brands to pivot quickly

Source: IDC's Future Enterprise Resiliency & Spending Survey, Wave 10, November 2022



Critical Success Factors in Becoming Digital First

Customization and Contextualization Matter

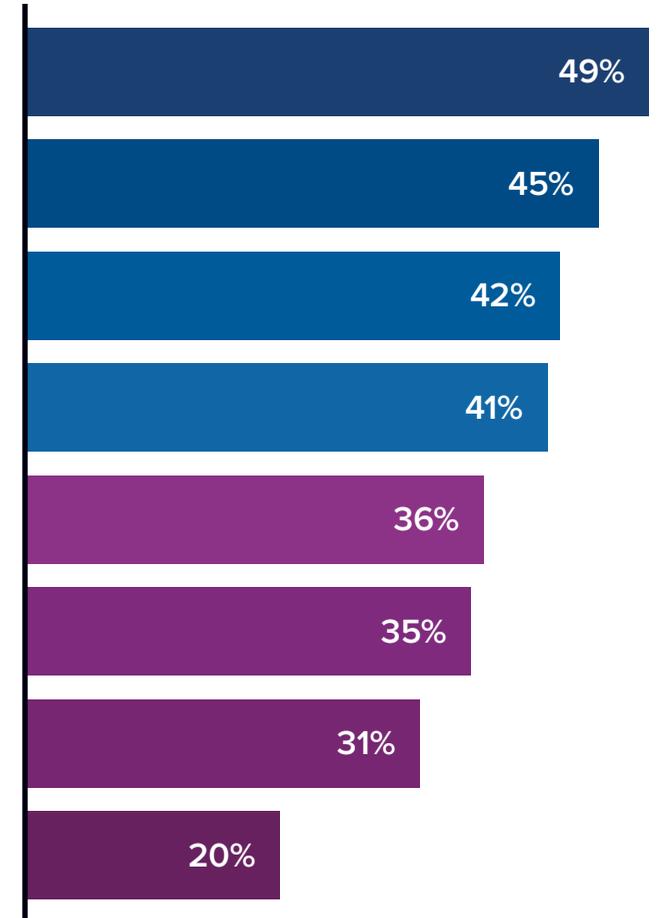
Data combined with digitalization is the key for CPGs to personalize product development and appropriate marketing.



Product customization will be increasingly important for brands to manage and leverage to drive revenue.

Top Focus Areas for CPGs

- Customer onboarding and support** (product customization, implementation assessment and modification, digital-based training, customer care and support, digital self-support, crowd-sourced support) 49%
- Customer fulfillment** (supply chain intelligence, inventory management, order management and fulfillment, contactless fulfillment) 45%
- Customer satisfaction** (customer satisfaction measurement, brand sentiment, sourcing visibility, sustainable products, customer loyalty management, digital rewards, continuous engagement) 42%
- Sales and renewals** (partner and channel integration, Interaction management, ubiquitous commerce, headless commerce, predictive upsell and resell) 41%
- Customer data and intelligence** (customer data management, customer journey analysis, voice of the customer, social influence, personalization/contextualization, external customer data and analysis, sentiment analysis) 36%
- Advertising and marketing** (digital content optimization, digital and omni-channel marketing, contextual marketing, social marketing, extended reality engagement, AI-driven engagement) 35%
- Customer trust and privacy** (secure customer data, customer identity, secure transactions, fraud management, privacy management) 31%
- Organizational customer-centricity** (customer-oriented operating model, empowered workers, inclusive hiring) 20%

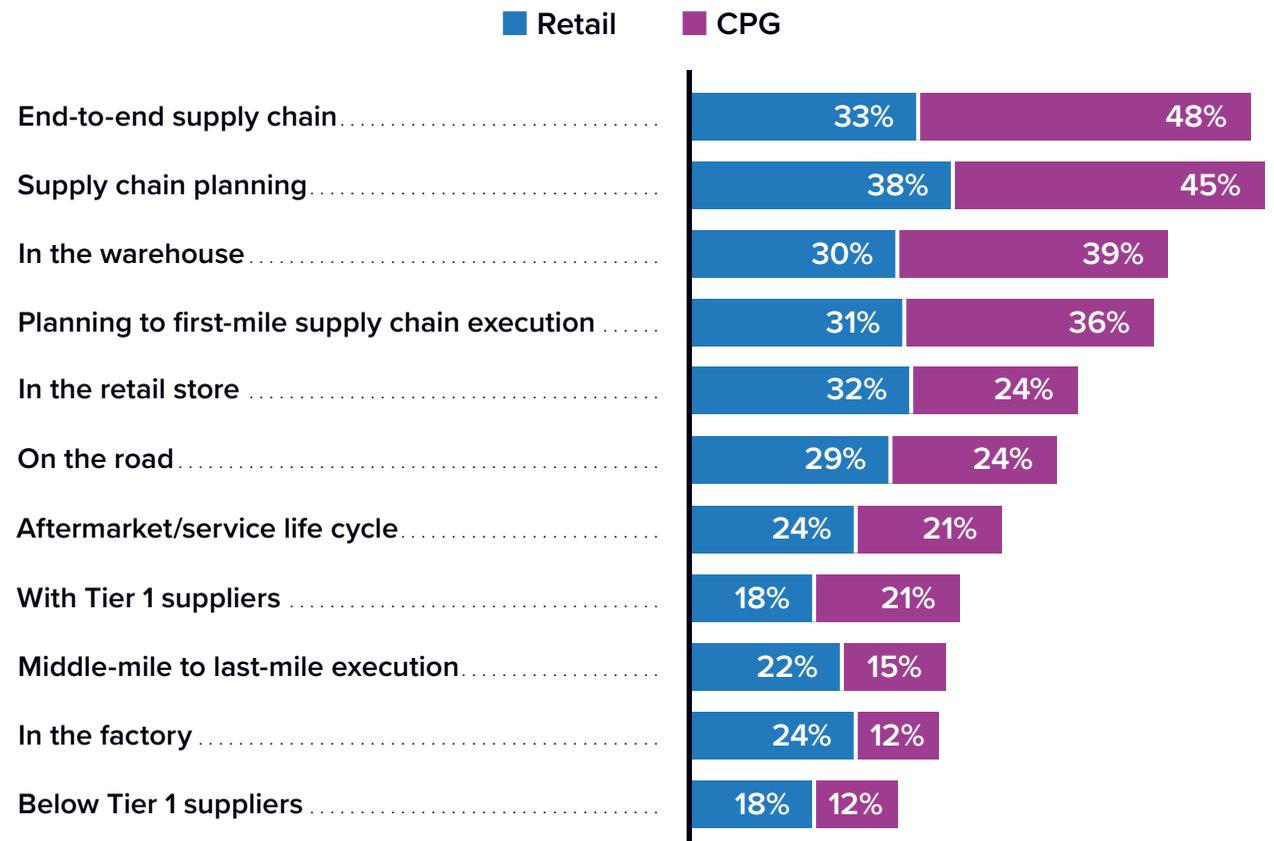


Source: IDC's Future Enterprise Resiliency & Spending Survey, Wave 2, March 2022

Visibility Through the Product Life Cycle Enables Faster and More Profitable Product Development

- ✔ **Seamless operations will require robust visibility into the supply chain** to achieve CPG brands' business objectives, including driving revenue and improving customer satisfaction.
- ✔ Improving end-to-end supply chain visibility and building more responsive supply chain planning capabilities will establish a **strong foundation for tackling factory floor, middle and last mile, and Tier 2 and Tier 3 visibility challenges.**
- ✔ 45% of CPG brands and 38% of retailers **prioritize supply chain planning**, and 48% of CPG brands and 33% of retailers **prioritize end-to-end supply chains.**
- ✔ With better end-to-end supply chain visibility, CPG brands can start to **deepen collaborative relationships by focusing on meeting customer needs** with product design flexibility and planning and execution of the supply chain.

Where is the focus for visibility in the supply chain?



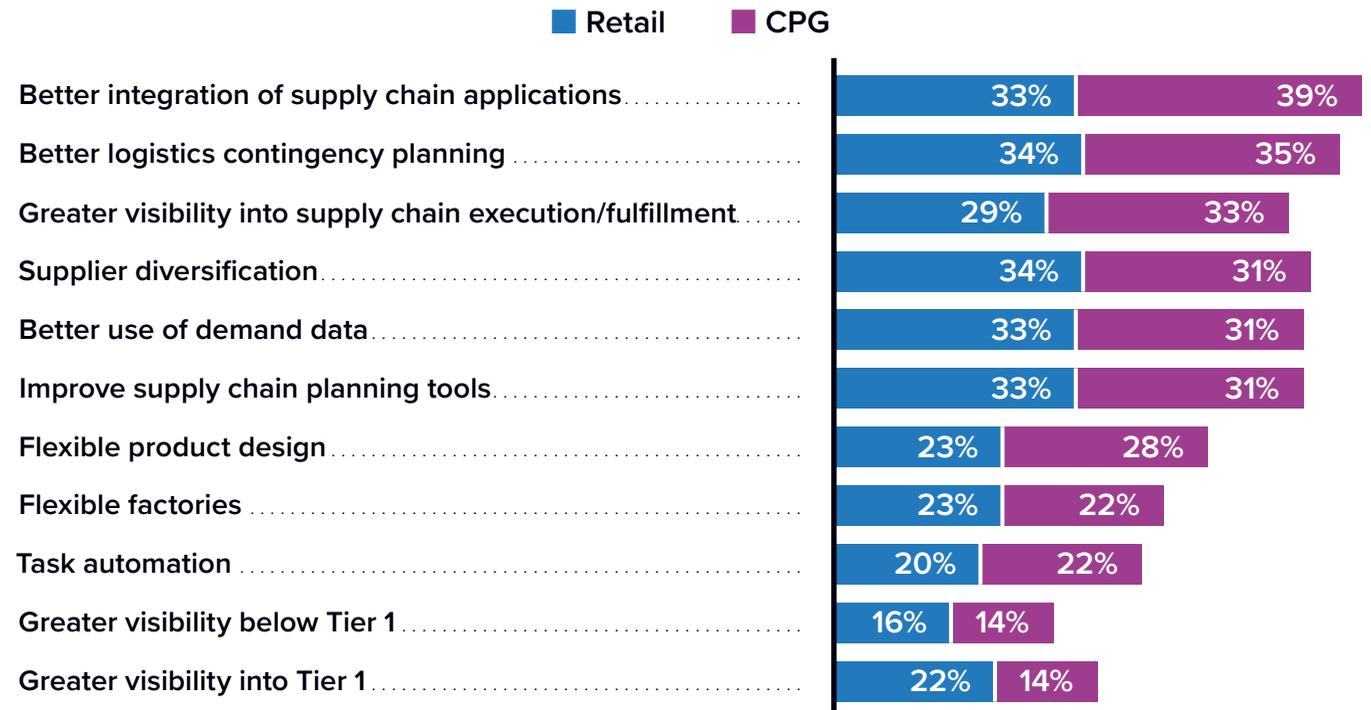
Source: IDC's Future Enterprise Resiliency & Spending Survey, Wave 10, November 2022

Modernizing the Supply Chain Will Result in Responsive and Predictive Production, Fulfillment and Replenishment

- ✔ **Poor integration of supply chain applications thwarts digitizing the supply chain.** The top CPG supply chain risk mitigation strategy is to better integrate supply chain applications (39%); 33% of retailers are also focused on integration.
- ✔ **Seamless access to current data creates an opportunity to fine-tune supplier diversification and logistics contingency planning, driving costs out of the supply chain while improving the ability to meet on-time demand commitments.**
- ✔ **33% of CPG brands are digitizing the supply chain to gain better visibility by connecting the dots between applications, reducing delays and enabling proactive demand planning.**
- ✔ **CPG brands and retailers are challenged by demand volatility.** To address this volatility, a third of retailers (33%) and consumer brands (31%) are looking to improve supply chain planning tools.

Source: IDC's Supply Chain Survey, March 2022

What steps are you taking to mitigate existing or potential supply chain planning issues this year?

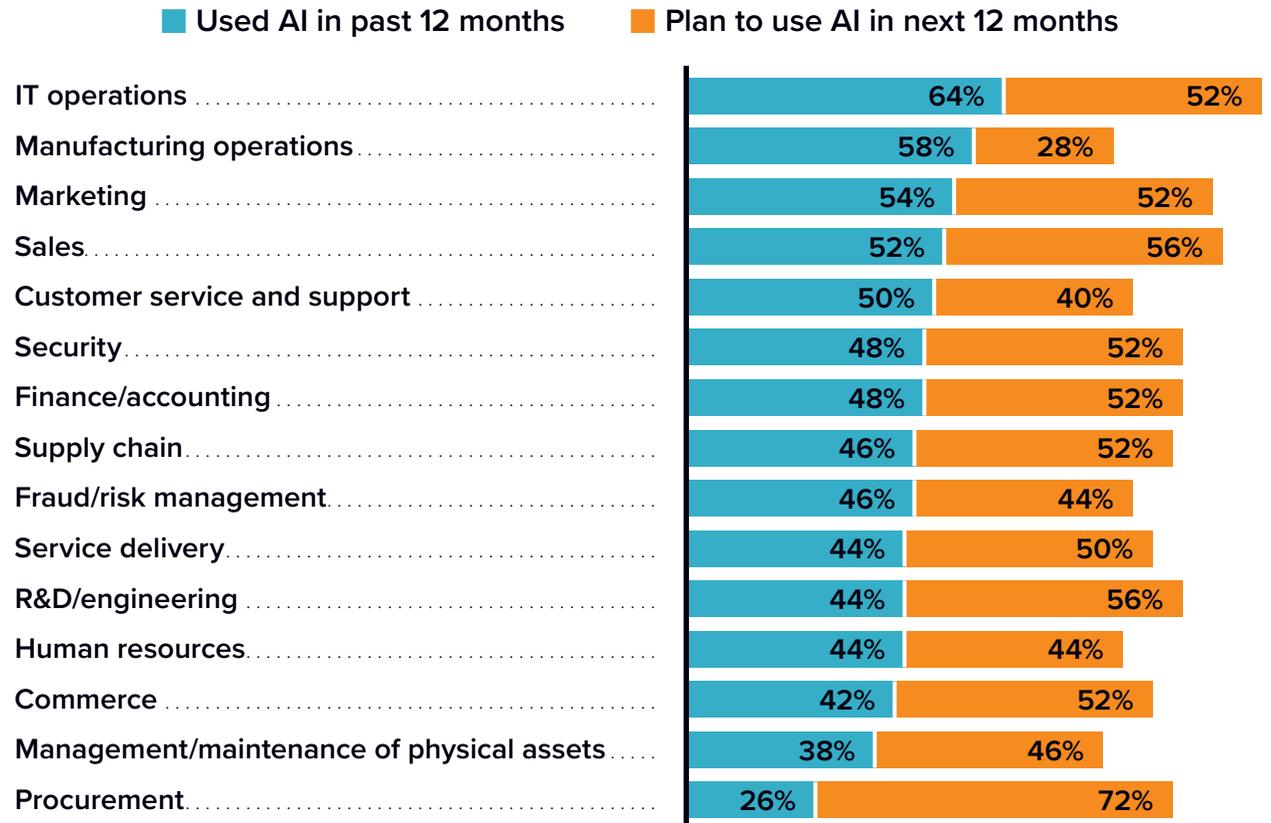


Agility for B2B2C Will Require Integration to Connect and Digitize Cross-Channel Touchpoints

- ✔ Retailers and CPG brands will increasingly apply AI to become **more resilient and responsive to demand and customer and consumer needs**.
- ✔ Most companies are **modernizing IT and manufacturing operations**. Marketing, sales and customer service are also being streamlined.
- ✔ As CPG companies add direct-to-consumer capabilities, **AI will support balancing the needs of B2B channels with other commerce** (ecommerce, pop-ups, marketplaces, etc.) **capabilities**.
- ✔ **Big Data and analytics is the most important innovation** cited by retailers (36%) and CPG brands (37%).

Majority of Business Processes to Use AI by 2023

(Responses are not mutually exclusive)

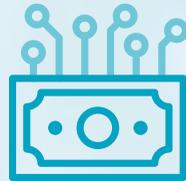


Source: IDC's Supply Chain Survey, March 2022; IDC's Industry AI Path Survey, September 2022

AI-Powered CPG Brands Prioritize Service and Support



CPG brands are investing in improving how well they can serve B2B customers and direct consumers.



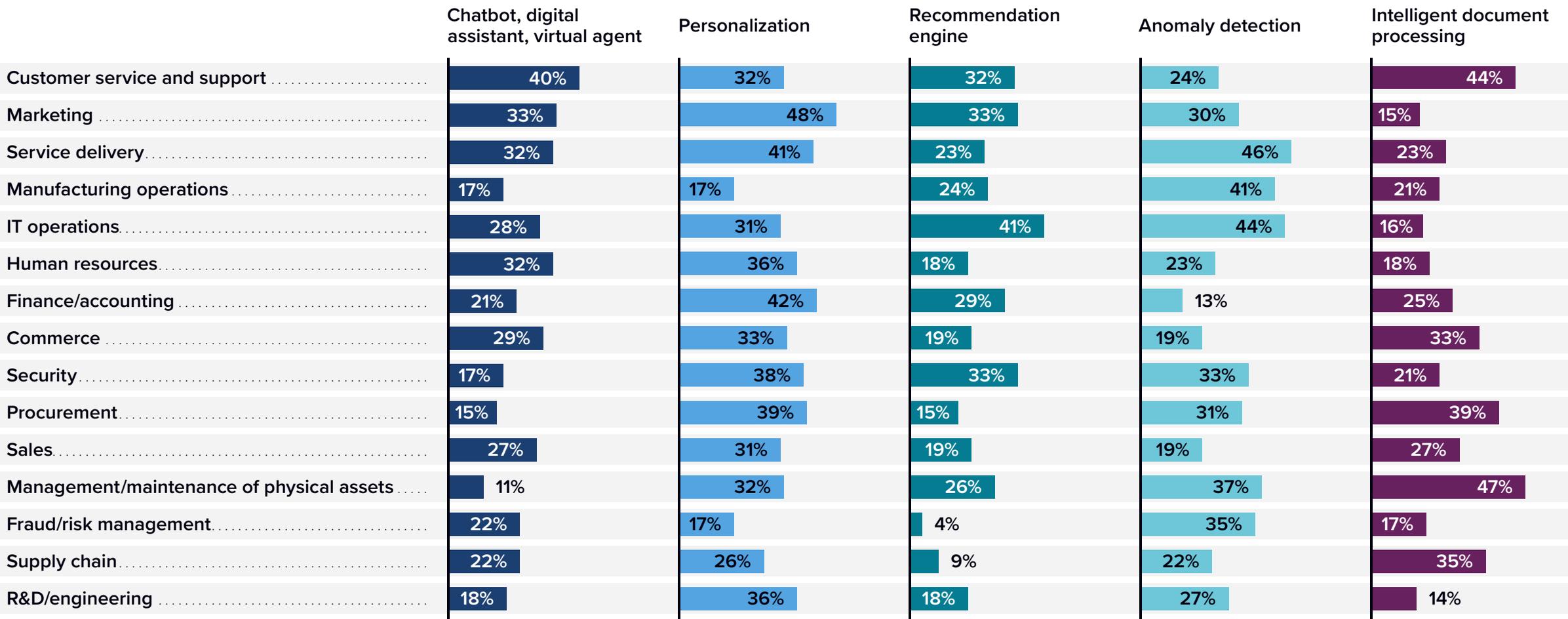
Overall, CPG brands are investing the most in a variety of technologies to drive improvements in customer service and support, marketing and service delivery.



Top technology areas for investment include discovery/analysis, personalization, chatbots/virtual agents and prediction/forecasting.

AI-Powered CPG Brands Prioritize Service and Support (continued)

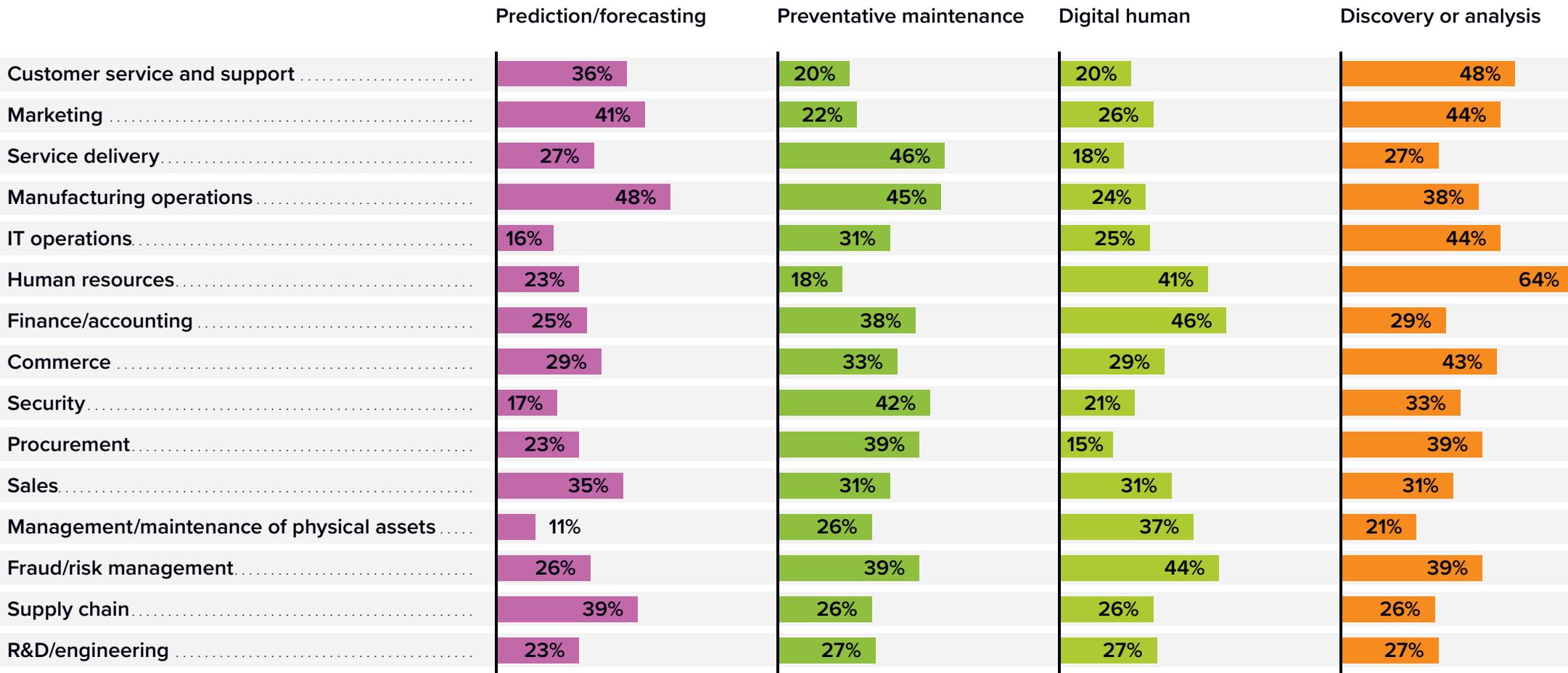
What kinds of AI applications are you investigating or deploying currently for the following business process areas?



Source: IDC's Industry AI Path Survey, September 2022

AI-Powered CPG Brands Prioritize Service and Support (continued)

What kinds of AI applications are you investigating or deploying currently for the following business process areas?

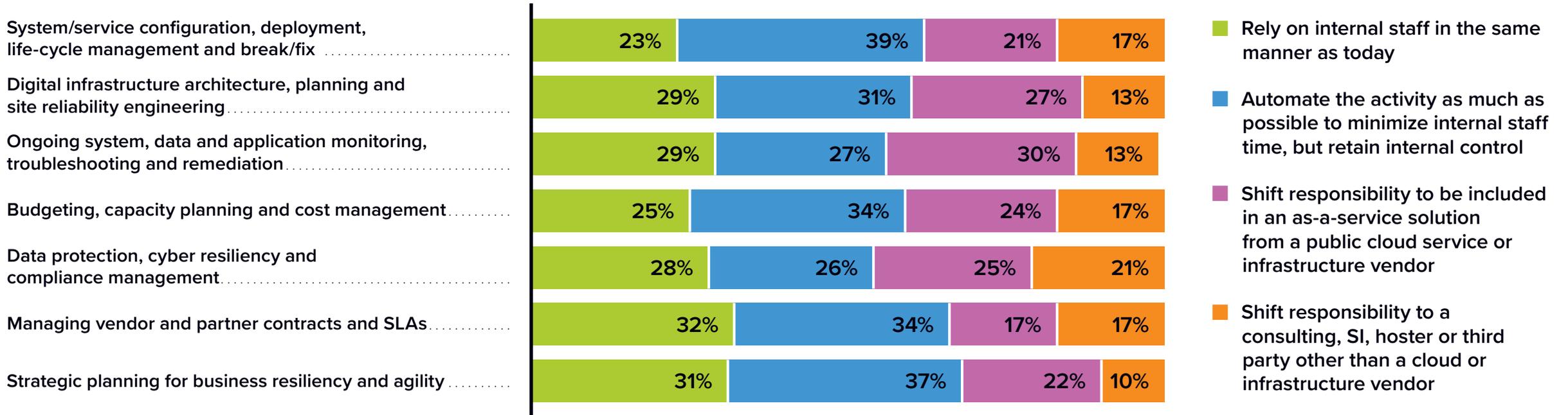


Source: IDC's Industry AI Path Survey, September 2022

Automation Serves as the Foundation for Future-Ready Operations

Partner management will become increasingly automated, as will strategic planning. Data access and visibility across commerce channels and partners will be vital for having a holistic view of business and identifying areas of opportunity and new revenue streams.

Primary Approaches for Digital Infrastructure Activities



Note: totals may not sum to 100% due to rounding. Source: IDC's *Future Enterprise Resiliency & Spending Survey, Wave 2, March 2022*



Sector Priorities Within Consumer Products

CPG Sector Business Priorities to Consider



Luxury, Beauty and Personal Care

- ✓ **Grow loyalty and extend customer care personalization** by targeting marketing and digitizing the product selection process by adding AI-enabled support and augmented reality try-before-you-buy elements.
- ✓ **Leverage digitalization to grow/find new/alternative revenue/business models.**



Food and Beverage

- ✓ **Improve collaboration for better last-mile fulfillment** and acquiring/retaining customers through personalized offerings.
- ✓ **Improve demand forecasting capabilities** to optimize inventory/promotions/pricing.



Consumer Durables (white goods, electronics)

- ✓ **Improve collaboration for better supply chain planning,** production and replenishment.
- ✓ **Focus on trend analysis and aligning** sourcing, logistics and fulfillment with customer feedback.

B2B Priorities Summary



Personalization of customer data management and marketing



Agile B2B2C integration to connect and digitize all touchpoints



Rapid new product and product life-cycle management processes



AI-enabled operations and process management



Responsive supply chain planning, production and replenishment orchestration and automation enabled by AI-driven forecasting and seamless workflow

Essential Guidance

- ✓ **Carefully consider and identify the intended benefits and value to be derived from digital-first initiatives.** While retailers' strategic objectives aim to increase revenue, customer satisfaction is paramount as well. Identify how to measure customer satisfaction and communicate that to stakeholders.
- ✓ **Automate operations where appropriate, with considerations for how automation will benefit both customers and employees.**
- ✓ **Recognize differences between retail segments to adapt solutions appropriately.** Luxury brands are the most digitally advanced from a marketing perspective, and personal care companies have the most sophisticated supply chain and collaboration capabilities, with food and beverage brands split between leaders and laggards.
- ✓ **Address the typical “softer” challenges/roadblocks to innovation, including lack of commitment from management, lack of a digital transformation roadmap, organizational barriers like resistance to change and lack of a company-wide culture for innovation.** These challenges can be addressed by involving cross-departmental teams in innovation conversations. Find out where innovation is most needed — where there are gaps and what is causing issues with customer service. These conversations will also help to avoid areas where technical debt could become an issue with antiquated systems.
- ✓ **Connecting systems to ensure data-driven decision-making must happen across the enterprise** will require the involvement from C-level executives to store-level employees.

About the Analysts



Leslie Hand

Group Vice President,
IDC Retail and Financial Insights, IDC

As group vice president, Leslie Hand is responsible for the research direction and teams supporting IDC Retail Insights and IDC Financial Insights. Hand works closely with the teams to help guide technology suppliers and buyers to develop best practices and strategies, aligned with where they are and where they want to go, leveraging IDC quantitative and qualitative data sets. Hand's specific research focus includes a particular emphasis on the digital transformation of the future "store," which operates in real time, is AI-enabled, and connects omni-channel customers to the frictionless, "touch-free," and secure experience they desire.

[More about Leslie Hand](#)



Dorothy Creamer

Senior Research Manager,
IDC Retail Insights, IDC

Dorothy Creamer is a senior research analyst for IDC Research, Hospitality & Travel Digital Transformation Strategies, providing research and advisory services for hotels, casinos, restaurants and travel organizations. Dorothy's research focuses on how these business segments are transforming and leveraging technology to increase efficiencies, deliver operational benefits and identify new revenue streams. Dorothy's research reports on effective digital strategies to empower both guests and employees and analysis of areas of opportunity in a fast-evolving and highly competitive segment.

[More about Dorothy Creamer](#)

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In Consumer Products, Publicis Sapient enables our clients to get ahead of the fast-paced consumer goods space, unlocking agility with the power of data and commerce experiences—from a new consumer engagement model with Nestle to story-led commerce with Bang & Olufsen.

“As the landscape for Consumer Product brands increases in complexity and speed, Publicis Sapient is committed to partnering with our clients to solve new, unforeseen challenges. With a long history of ‘firsts,’ Publicis Sapient is dedicated to delivering long-term growth through digital business transformation.”

ELIZABETH PAPASAKELARIOU,
Publicis Sapient, Consumer Products Lead

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IDC Research, Inc.

140 Kendrick Street, Building B, Needham, MA 02494, USA

T +1 508 872 8200



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