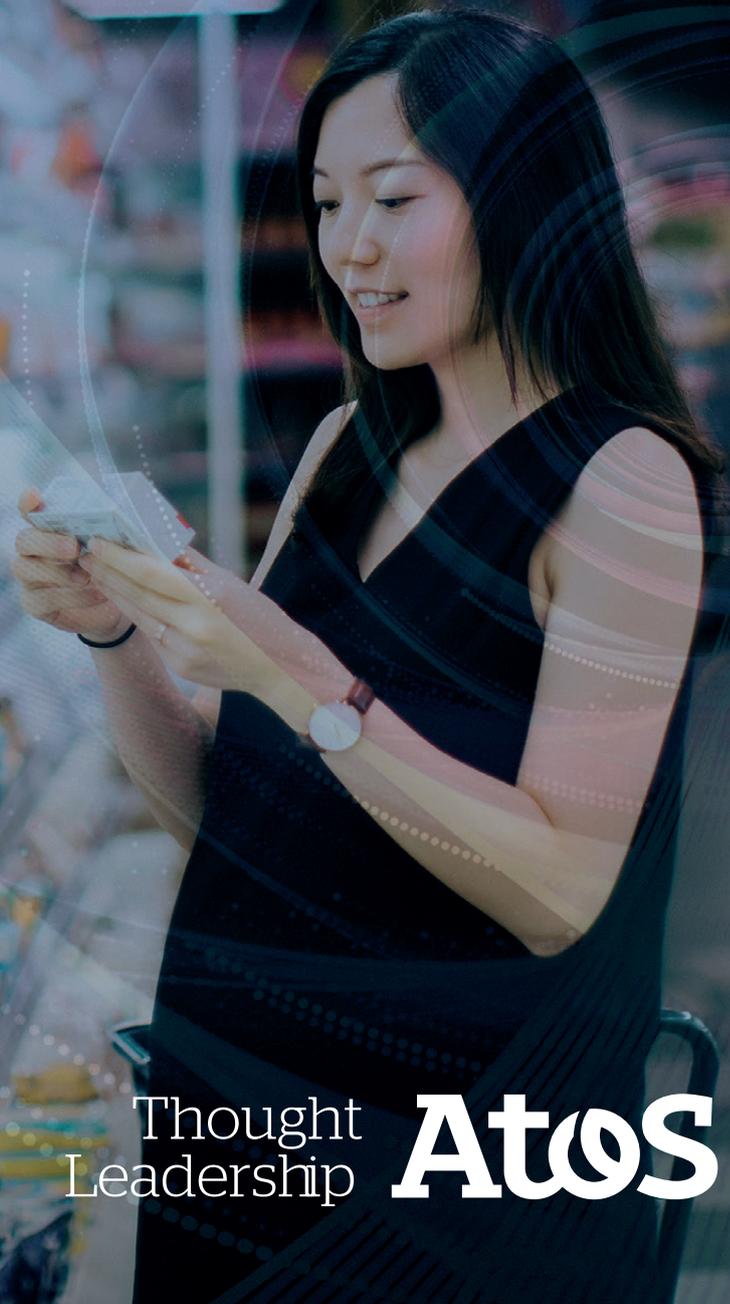


**Look Out 2020+**  
Industry Trends  
Consumer Packaged Goods

# Moving from products to experiences



Thought  
Leadership

**Atos**

## Megatrends in Consumer-Packaged Goods: Challenging opportunities ahead



“To succeed in an increasingly globalized and digital world, CPG players should not only accelerate Direct-to-Consumer initiatives; they should rethink their value proposition, moving from pure product sales to the supply of experiences.”

**Terry Lobel**  
Senior Vice President, CPG & Retail, Atos

Rarely have times been so promising and threatening for the CPG industry. In spite of a sluggish economy, societal changes, the rise of new middle classes in Asia and emerging demographics offer many opportunities for growth.

At the same time, increased globalized competition and changing market structures propelled by digital are progressively but intensely challenging incumbents. In a market that has always been very competitive, this makes top-line growth remain elusive and puts profits under pressure.

### Facing digital shockwaves

Digital, notably, is slowly but profoundly disrupting the sector. With the rise of lightweight production outsourcing, Direct-to-Consumer (D2C) distribution and the rise of subscription or service-based models, large incumbents' scale advantages and negotiating power with retail players are waning. This makes the sector evolve into a much more agile and complex ecosystem. The striking entry of new digital-based players and behemoths such as Amazon or Alibaba are signposts of a major transformation.

### Addressing new consumer desires

For incumbent CPG players, these changes can be threats. But players that leverage digital to reinvent themselves will gain extraordinary new perspectives that will help them thrive.

To succeed in this new world, they must not only rethink the way they engage with consumers and drive their operations but also zero in on what really makes them different and what truly grants them a competitive advantage.

Today's mutations represent immense opportunities for CPG to strengthen and even take ownership of customers relations and to find new avenues for growth.



the CPG industry will double in size in the next decade



CPG startup funding has experienced an 8-fold increase in the last 6 years



of customers are purchasing personalized products today



of consumers are already Generation Y and Z



of the US market has been taken by upstarts in the last 5 years

\$ = USD



of grocery sales will be online by 2025



of US homes already shop for food and beverage online



Amazon is the 1<sup>st</sup> private label supplier in CPG goods



share of the CPG market will be in grocery in 2025

Sources: Deloitte, Kleiner Perkins, McKinsey, Nielsen, PWC

# Four transformation challenges and opportunities for the future of CPG

1



## Shift from products to 360° experiences

In today's globalized world, consumer habits and expenses are shifting. Societal changes are transforming the structure of markets, driving the **rise of the low-cost and high-value segments**.

**The way people live and think is evolving too.** Not only do Generation Y and Z consumers shop in stores and online but also on mobile apps, Instagram and via text messages. They expect their purchases to be delivered to their door or picked up, returned and exchanged easily via lockers, hubs or dark stores.

More disruptive changes are underway with the growth of **'marketing of one'** (B2Me), subscription models and associated services.

To succeed in an increasingly fragmented market landscape, CPG companies must master the latest Big Data sciences to **gain a deep, real-time understanding of what consumers are expecting** all along their customer journey and what consumers are willing to pay for.

> **What's at stake: shift from product to 360° experience thinking to engage clients in new ways and dramatically improve customer stickiness and loyalty.**

2



## Leverage Lean & Industry 4.0 to gain agility

For many decades, scale has been the primary source of competitive advantage in CPG. With lightweight production, omnichannel distribution options that scale formerly limited shelf space and digital marketing, **the operations game is changing**.

As already demonstrated in organic food, natural home care products and energy drinks, small agile players can now successfully compete on targeted segments. **This disrupts ecosystems and value chains** at every step.

To succeed, incumbents need to completely **rethink their operating models** with initiatives in Industry 4.0, Lean programs, consolidation, D2C and new last mile delivery modes.

They must also emulate the speed of upstart rivals: relying on agile principles for rapid prototyping, testing and learning in continual cycles.

> **The benefit of such initiatives is essential: reduce costs by up to 30% and increase agility.**

3



## Expand business models to accelerate growth

The digital world changes the very nature of the CPG industry. By enabling players to deploy customer-centric approach, it enables them to move from mass market to mass personalization, **from pure products to value-added services and membership models**, and from top-down offerings to collaborative solutions enriched by open innovation.

This is **fundamentally disrupting value chains**, with retailers considering developing their own private label products at the same time as CPG companies consider disintermediating them with D2C and connected product services.

To succeed, **CPG players need to reassess where they want to play**. Do they want to integrate vertically? Do they want to fight the battle for direct customer ownership or become commodity provider? Do they want to build or buy their own platforms for D2C and last mile delivery or do they want to partner?

> **These are strategic choices for success. In a fast-changing world where today's partners may well become competitors tomorrow - and vice versa - thinking globally will be vital.**

4



## Make trust & compliance a strategic priority

Since CPG's fundamental game is to secure customer stickiness and repeated purchases, **trust has always been a strategic condition for success**. In today's globalized, complex and fragile value chains, this is even more vital as global and local regulations multiply in consumer protection, traceability, the environment, sustainability, trade policies...

With the **rise of fraudsters, hacktivists and digital mafias**, digitization just adds to these concerns. Internal process and logistics are at risk. Customer data may be at stake. Major hacks in recent history have shown the devastating effect of compromised security on sales and customer loyalty. New privacy regulations such as GDPR can result in fines of up to 4% of revenue.

**The rise of connected things increases these risks**. So too does the development of new payment modes, from mobile and peer-to-peer (P2P) payments up to cryptocurrencies.

> **With the cost of cybercrime set to exceed \$1 trillion, security is much more than a challenge for CPG: it's a life or death necessity. For brands, it's also a way to earn customer confidence.**

## Building next-generation platforms to succeed in next-generation CPG ecosystems



“In tomorrow’s hyperconnected world, the battle will be for customer ownership. To avoid being disintermediated, CPG players will need to build or partner on intelligent engagement platforms. The challenge: deliver seamless, immersive experience along the entire customer journey.”

**Nicolas Kozakiewicz**  
Chief Innovation Officer, Worldline,  
Atos Fellow and member of the Atos Scientific Community

In recent years, most CPG companies have developed strong digital agendas. Beyond operational optimization with ERP, SCM and logistics, they have deep dived into digital marketing, social media and even sometimes e-commerce, delivery and services platforms.

### Bringing siloed systems into the digital era

Successfully meeting the CPG transformation challenges requires a leap further. Often adapted to traditional models based on scale and classical channels, most existing CPG information systems work well for mass-produced products.

Siloed, these systems are rarely adapted to manage real-time 360° services along the entire customer journey and to adapt to fast-changing markets.

### Preparing for new consumer demands

To embrace the challenges of a digital world and take a winning position, three core principles will be essential for CPG players:

- Become wholly **customer experience-centric**, enabling successful micro-segmentation or personalization and ensuring 360° engagement across digital and physical touchpoints, from online discovery or digital signage up to connected store, delivery and after-sales services.
- Provide **intelligent data-driven orchestration**, being able to adapt to market changes and evolving customer demands in a real-time, prescriptive way.
- Adopt **open platform foundations**, and real-time process automation to deliver the best products and services at the lowest cost, while being ready to adapt in hours or just seconds.

### The journey ahead

To thrive, CPG companies will also need to create the right partnership and convene the largest ecosystem to enrich their offering, services and channels. CPG players should begin building new supporting architectures today. Modernizing legacy and fully embracing the latest Cloud, automation, Big Data and mobile technologies along the entire value chain from production up to distribution and services is only the start.

### Next-generation architecture for future CPG

#### CUSTOMER CENTRICITY



**UBIQUITOUS CUSTOMER EXPERIENCE**  
360° engagement: partner channels, D2C,...



**COGNITIVE DECISION PLATFORMS**  
DMP, ecosystem orchestrator, open APIs and marketplaces



**BUSINESS ACCELERATORS**  
Real-time utility services: procurement, delivery, services,...



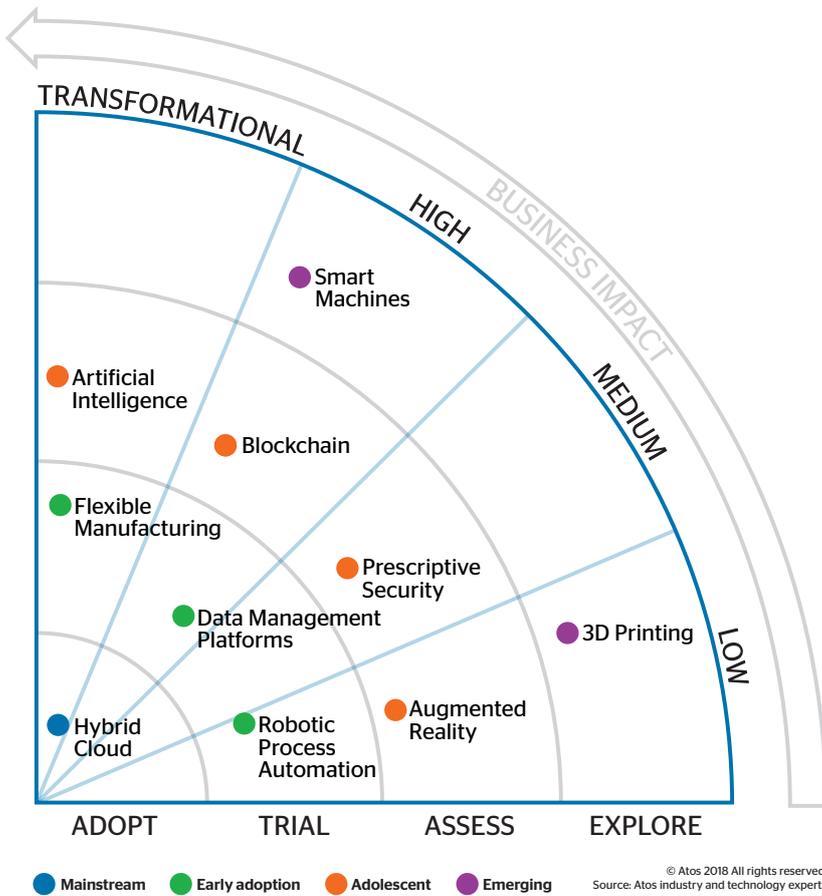
**HYBRID CLOUD**  
Software-defined infrastructures, microservices and DevOps

INTELLIGENT DATA-DRIVEN ORCHESTRATION

#### OPEN PLATFORM FOUNDATIONS

This is just the start of the journey. Deep behind, CPG needs to prepare for more disruptive technologies that are just emerging today and will turn out to be transformational in the years to come.

# 10 disruptive technologies that will shape the future of CPG



CPG Look Out 2020+ radar: 10 key technologies set to impact CPG companies over the next 5 years.



Want to know more? Examine the Look Out 2020+ Global Technology Radar to get deeper insights into these 10 strategic technologies and many more: [atos.net/lookout](https://atos.net/lookout)

**Hybrid Cloud** is reviving Cloud initiatives by enabling seamless integration of private and public Cloud platforms. With this model, organizations can exploit the benefits of public Cloud: pay-per-use, “infinite” bursting resources, agility and innovation. CPG players must adapt their IT processes and prepare for related security implications.

**Flexible Manufacturing** leverages the latest digital and Internet of Things (IoT) innovations to build fully-integrated, collaborative manufacturing systems that can respond in real time to changing market conditions and demand. CPG players should apply it in SCM, PLM and MES, and also in associated digital services.

**Data Management Platforms** enable CPG players to analyze customer behavior and manage interaction across all channels and touchpoints. Well beyond marketing applications, they should consider making it a cornerstone for their next-generation digital service platforms, ultimately enabling ‘segment of one’ or ‘B2Me’ go-to-market.

**Robotic Process Automation** brings virtual workforces for managing repetitive tasks, reducing the cost of administrative and regulatory processes by at least 50% while improving quality and speed. CPG players should standardize processes to facilitate automation.

**Artificial Intelligence** promises to second human cognitive capabilities with virtual assistants, chatbots, knowledge engineering, smart machines and autonomous vehicles. It will impact customer experience, business models and operations along the entire value chain. CPG players must prepare for the business, human and legal impacts.

**Blockchain** is a potential game-changer for conducting business with parties without prior trust relationships. In CPG, it could revolutionize supply chain management, product traceability, automated contracting and the microservice economy.

**Prescriptive Security** uses real-time dark web monitoring, AI and automation to detect potential threats and stop them before they strike. Applications range from cyber-protection to fraud management and compliance. CPG players should explore integrating it into their IT/OT Security Operation Centers.

**Augmented and Virtual Reality** are blurring real and virtual worlds, allowing customers, partners and employees to engage with digital services within the context of their current environment. CPG players should explore potential use cases on manufacturing shop floor, in sales or service gamification and in virtual or physical stores.

**Smart Machines** have the potential to accelerate and simplify logistics in the supply and delivery chain, with freight transportation and platooning, warehouse and shipment management and also last mile delivery. Autonomous roving vending machines and delivery drones are already being trialed in the field and may be considered by CPG players for Direct-to-Consumer Initiatives.

**Additive Manufacturing** or ‘3D Printing’ does not just facilitate rapid prototyping but also enables low volume and fully personalized production in multiple domains. It is even being experimented with food, allowing unprecedented control of flavor, color, texture and nutritional content. CPG players should evaluate potential applications in their industry.

## A glimpse into the future of CPG: Expert views on best practice for digital transformation



**Terry Lobel**  
Senior Vice President, CPG & Retail, Atos



**Brice Jacquin**  
Global Client Executive for L'Oréal, Atos  
Deputy to Terry Lobel

### What could CPG look like in five years?

The next decade will probably **see more changes in CPG than since the Industrial Revolution.**

Today's consumers have an exponentially growing choice of products, brands and services. Their expectations are rising dramatically. They want speed; in China's large cities, for example, many expect vendors to propose express delivery in 15 minutes! They are increasingly asking for **personalization to their individual tastes and preferences.** They require complete end-to-end transparency on the product origin and transformation process.

In the years to come, **the rise of Generation Z will accelerate this move in all segments,** including in the ones that thought they were protected, such as fresh produce. Amazon's purchase of Whole Foods is a strong signpost of that.

With D2C commerce or marketplaces such as Amazon or Alibaba, new independent brands will have easy access to billions of consumers and may revolution segments such as natural, health, beauty, ... **Subscriptions models may generalize.** So, digital will not just change production - it will transform business models!

**This will increasingly blur the lines between CPG and retails players,** as we observe already today. We'll be in a fully consumer-centric world. This will radically change the rules of the game.

### Which driving forces will help them succeed?

Some CPG companies will continue to just produce at scale, but they risk commoditization. To target the value, the focus must be on customer loyalty and stickiness. For that, CPG players must think beyond the product itself: they must consider the whole customer experience.

To adapt, brands often begin working on customer journeys through digital marketing. This is their DNA: most are advertising-minded companies. While important, this is just the tip of the iceberg.

Once you have defined your strategy, we think it's essential that you globally rethink the whole value chain, from supply and production up to sales, delivery and services. Then, what's needed on the front office side can be delivered efficiently by the back office.

Working in an open way is another factor for success. CPG players are often large companies; yet, digital favors agility. A good approach is to work in partner ecosystems with a 'network' mindset: with anyone connecting with anyone. It's a way to inject speed while keeping all the advantages of scale.

“ Given the speed of market change, there is no time to lose. Those who are slower to start their digital transformation may not survive. Those who accelerate will thrive. ”

### What should CPG players do today?

In today's customer-centric, globalized ecosystems, **there is one thing that links everything together: data.**

Most companies know it. They are gathering vast volumes of data. Paradoxically, they often do not know how to transform it into business insights and take the right prescriptive action at the right moment while adapting to the DNA of each market and company: speed and traceability in the food market, customer services in luxury,...

This is what we help our customers do with our data-driven Digital Transformation Factory, notably in four key domains:

- **Keep or regain control of the customers** with customer journey management, Data Management Partforms (DMP), ubiquitous commerce, personalized value-added services... With Worldline, we help many CPG world leaders pioneer this domain.
- **Leverage digital to streamline production efficiency** with Industry 4.0 and robotization, real time resource planning, next-generation supply & logistics... Thanks to our industrial heritage, we have unique experience in this.
- **Develop new digital services** with product-based community services, multi-sided business platforms, Open Innovation... Our strategic partnership with Google helps intensely here.
- All that by **streamlining trust & compliance.** This is core to our DNA.

To prepare for the future, **thinking beyond the traditional walls of CPG** is also essential: work with suppliers to rethink traceability with blockchain, try out the latest payments innovations with banks, exploit advances in health from Life Science companies, ...

This is something we are working on with our customers through multiple cross-vertical innovations initiatives. We are convinced it's there that the innovation battles for the future will be won.

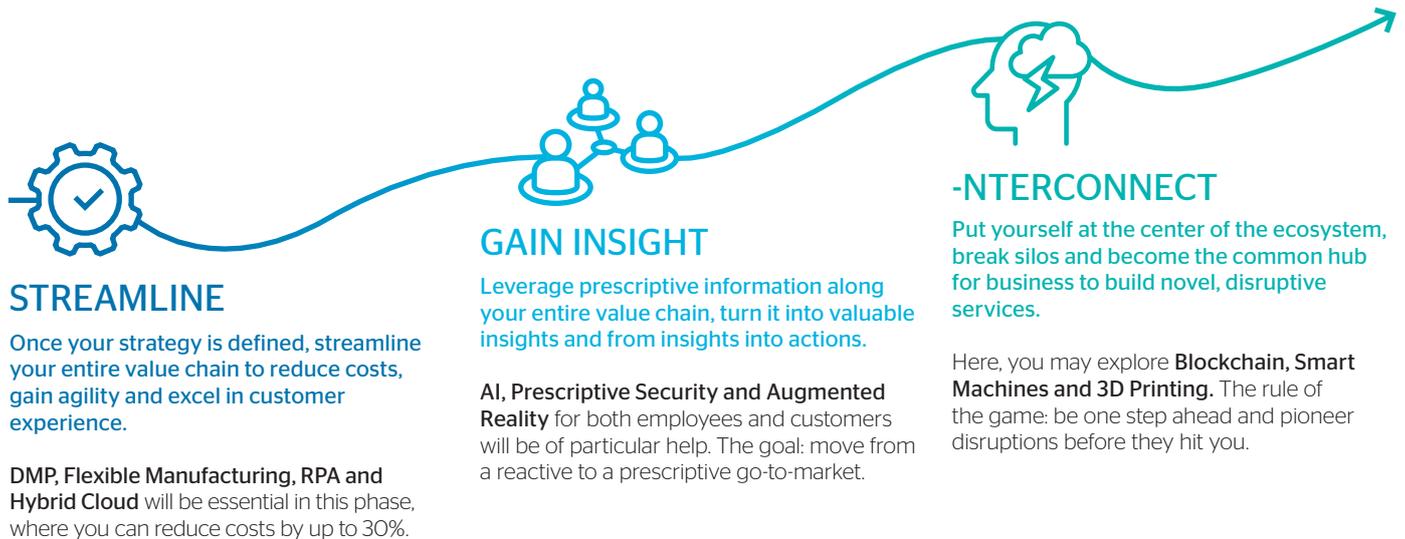
# Creating your own CPG transformation journey

With all these changes converging at once, you must drive your CPG company forward. Faced with rapidly advancing technology and an evolving business ecosystem, the questions you will be asking is not 'Why change?' but 'Which direction?' and 'How?'

The first step is **figuring out your priorities and the role you want to play within next-generation CPG ecosystems**. There are several possible positions, each with its pro and cons. Do you want to position in D2C directly or partner with existing digital platforms? Do you

envision subscription as an option to strengthen customer loyalty and secure recurring purchases? Are you considering personalizing offerings to an extent or providing additional digital services?

Having made that strategic choice, you must next **embark on a journey of progressive and continuous transformation**, combining people, organization and technology streams. Your journey requires a roadmap. We have drawn up a three-step approach, with steps that can be undertaken simultaneously.



Throughout these phases, an open approach to innovation, such as the **Digital Business Continuum** approach developed by Atos, will be paramount to success. In an ecosystem world where start-ups appear and spread at internet speed, openness is the best way to capture collective intelligence. As CPG companies strive to transform, **open innovation labs**, such as the joint Atos and Google Labs, will provide an ideal environment for bringing new ideas and new concepts to life - and delivering on the demands of tomorrow's consumers.

## Where should you begin?

As the Trusted Partner for your Digital Journey, Atos can help. Meet our experts and stay one step ahead by getting hands-on experience of new disruptive technologies.



**ENGAGE** in a co-innovation workshop at one of our **Business Technology & Innovation Centers**.

Get off to a quick start with a personalized workshop. Ask for a meeting:  
> [atos.net/btic](https://atos.net/btic)



**EXPLORE** how the latest technologies can boost your own practice.

Leverage our experts and labs to build POCs tailored to your own business:  
> [atos.net/consumer-packaged-goods](https://atos.net/consumer-packaged-goods)



**STAY TUNED** with the latest trends and best practices in digital transformation.

Keep yourself informed. Follow the latest insights from the field on:  
> [atos.net/blog](https://atos.net/blog)

This is an extract from the full Atos Look Out 2020+ report, which provides an in-depth analysis of the emerging megatrends, business transformation opportunities and technologies that will drive innovation in the years ahead. Explore the full report on [atos.net/lookout](https://atos.net/lookout).



---

# About Atos

Atos is a global leader in digital transformation with approximately 100,000 employees in 73 countries and annual revenue of around € 12 billion. European number one in Big Data, Cybersecurity, High Performance Computing and Digital Workplace, the Group provides Cloud services, Infrastructure & Data Management, Business & Platform solutions, as well as transactional services through Worldline, the European leader in the payment industry. With its cutting-edge technologies, digital expertise and industry knowledge, Atos supports the digital transformation of its clients across various business sectors: Defense, Financial Services, Health, Manufacturing, Media, Energy & Utilities, Public sector, Retail, Telecommunications and Transportation. The Group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos Consulting, Atos Worldgrid, Bull, Canopy, Unify and Worldline. Atos SE (Societas Europaea) is listed on the CAC40 Paris stock index.

Find out more about us  
[atos.net/lookout](https://atos.net/lookout)  
[atos.net/consumer-packaged-goods](https://atos.net/consumer-packaged-goods)

Let's start a discussion together

