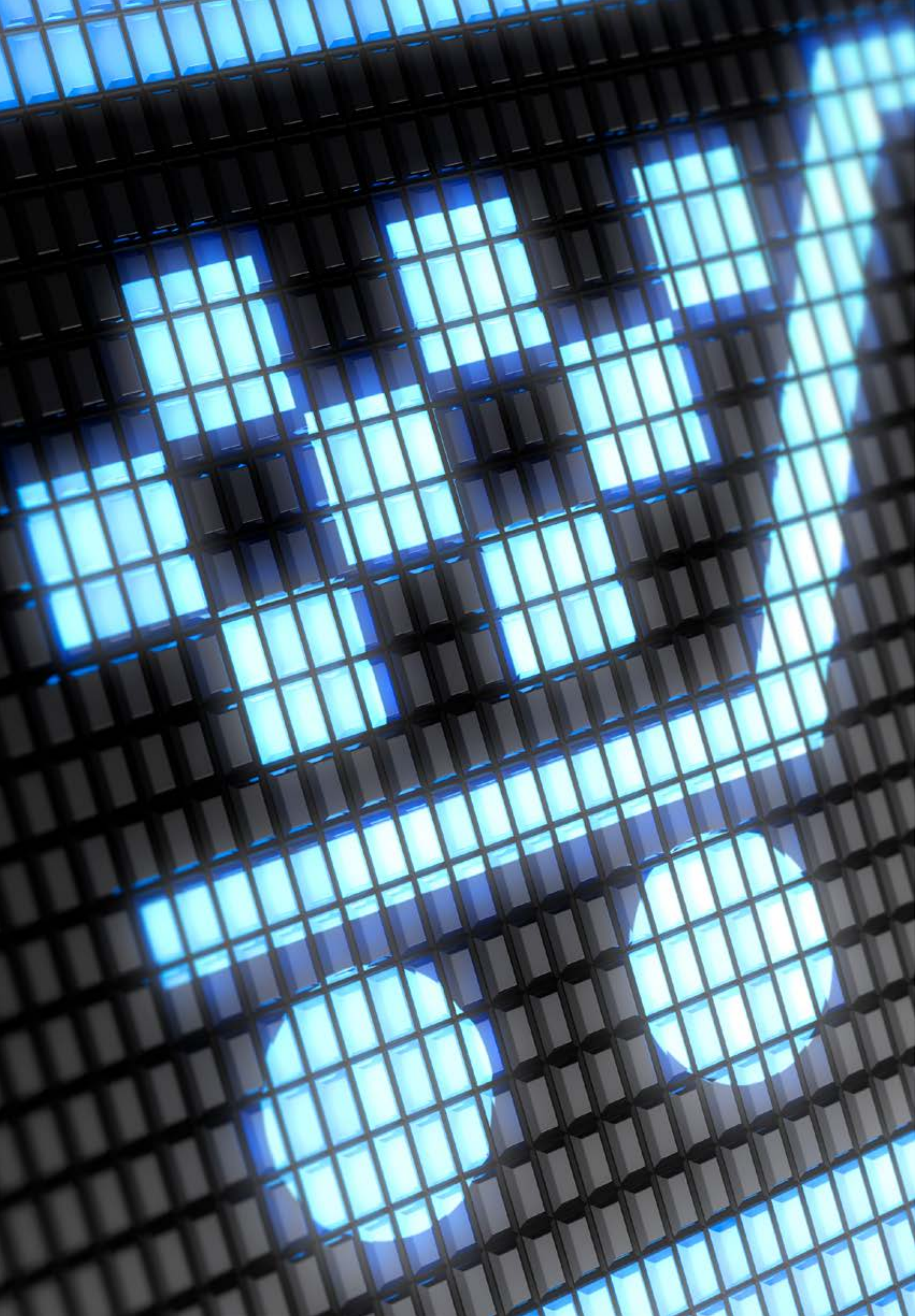


RESEARCH REPORT

Accelerating the pace and impact of digital transformation

How the consumer goods and retail organizations view the digital agenda

A Harvard Business Review Analytic Services study in association with Genpact Research Institute

Harvard Business Review

GENPACT RESEARCH INSTITUTE

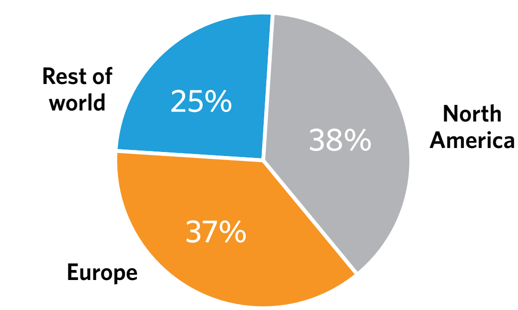
About the research

Methodology and sample

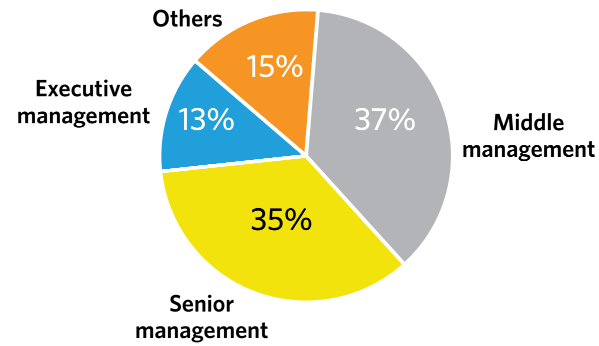
The survey was conducted by Harvard Business Review Analytic Services in association with Genpact.

- 682 respondents (51 from consumer goods industry) from HBR Advisory Council, HBR e-newsletter lists and Genpact's clients
- Respondents were surveyed based on the size of the organization (1,000 or more employees) and knowledge of their organization's use of digital technologies
- 51% of organizations with 2014 revenues of $5bn or more
- 68% of respondents work in companies of 10,000 or more employees

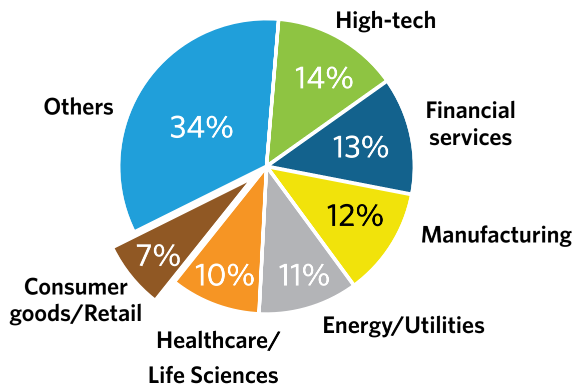
Geography



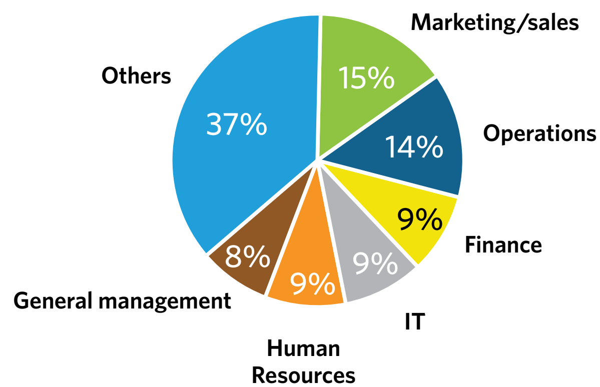
Seniority



Industry



Function



At a glance

Introduction

Consumer goods and retail can harness digital better but leadership and change management is key

As consumer goods and retail companies works towards improving customer loyalty and delivering growth, digital offers answers, but they need to improve the ability to experiment rapidly, and manage change.

1. **Only 20% of consumer goods and retail companies (vs 21% of all respondents) reap the transformative value of digital**
2. Companies unable to optimize **end-to-end user experiences** beyond the front end, as only **14% from consumer goods and retail companies** align middle- and back-office to support the front
3. While digital leaders outcompete and grow revenues, consumer goods and retail lags using digital to **enable a single view of the customer** (39%) and **optimize the cost of service** (61%)
4. Consumer goods and retail companies face key barriers-**inability to perform rapid experiments** (49%), poor **change management** (47%), and **inability to work across silos** (41%)
5. To deliver digital success, consumer goods and retail companies must build capabilities to **leadership abilities** (73% rate it among the top-three most important digital skills), and ability to **adapt to change** (63%)
6. A **Lean Digital** approach combines customer-focused design-thinking methods with Lean principles, digital technologies, and domain expertise to deliver **digital that works**

Impact

20% of consumer goods and retail companies achieve significant impact today[1]; 65% expect to in 2 years

Few have achieved digital success, yet many expect it

Significantly more digital impact experienced by companies with **good back/middle office alignment to customer needs** (53%), **high-tech firms** (46%), and those with a **strong competitive position** (42%); but **consumer goods and retail** (20%) near average.

Overall, the **IT function** (27%) and those with **fewer legacy challenges** (28%) **slightly ahead** in achieving impact.

Much higher future impact expected by all respondents (64%) two years from now, especially those with **good back/middle office** (84%), and in **strong competitive position** (74%). **Consumer goods and retail** (65%) near average.

Overall, senior management slightly more **bullish** on future impact (73% vs 64% for all levels).

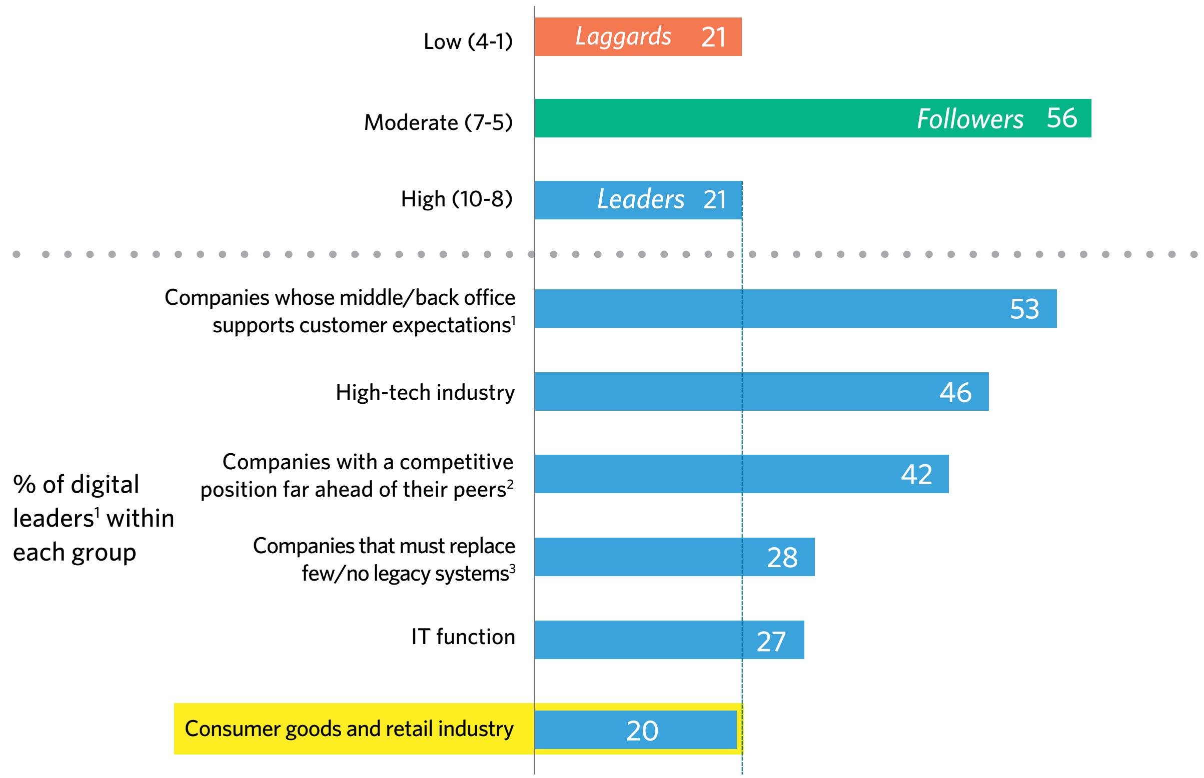
[1] Respondents rating the extent to which their organization is currently achieving positive business outcomes as a result of its use of digital technologies as 8-10 (on a 1-10 scale, 1 – not at all, 10 – to a great extent)

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Among companies whose middle/back office supports customer expectations, more than one in two harness digital effectively

Who is succeeding with digital? Meet the leaders

Percentage of respondents rating the extent to which their organization is currently achieving positive business outcomes as a result of its use of digital technologies (on a 1-10 scale, 1 – not at all, 10 – to a great extent)



[1] Respondents who state that their organization's middle/back office support customer experience expectations (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent)

[2] Far ahead defined as respondents who rate their organization's market position as 5 (on 1-5 scale, 1-considerably behind, 5-considerably ahead); 'behind peers' rated 1 and 2

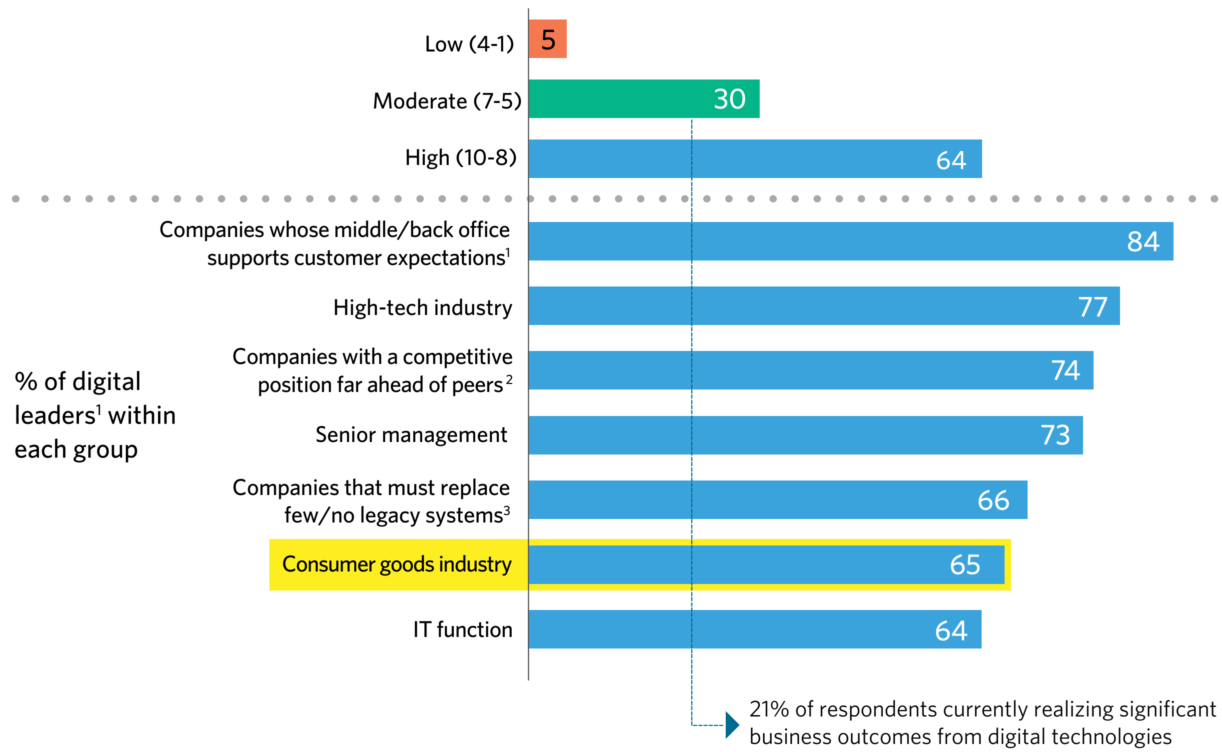
[3] Respondents who state few/no legacy systems need to be completely replaced as a result of digital technologies in their organization

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Consumer goods and retail industry expectations similar to overall results

Much higher digital impact expected in the future

Percentage of respondents rating the future impact (in 2 years from now) of digital technologies on achieving positive business outcomes (1 – not at all, 10 – to a great extent)



[1] Respondents who state that their organization's middle/back office support customer experience expectations (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent)

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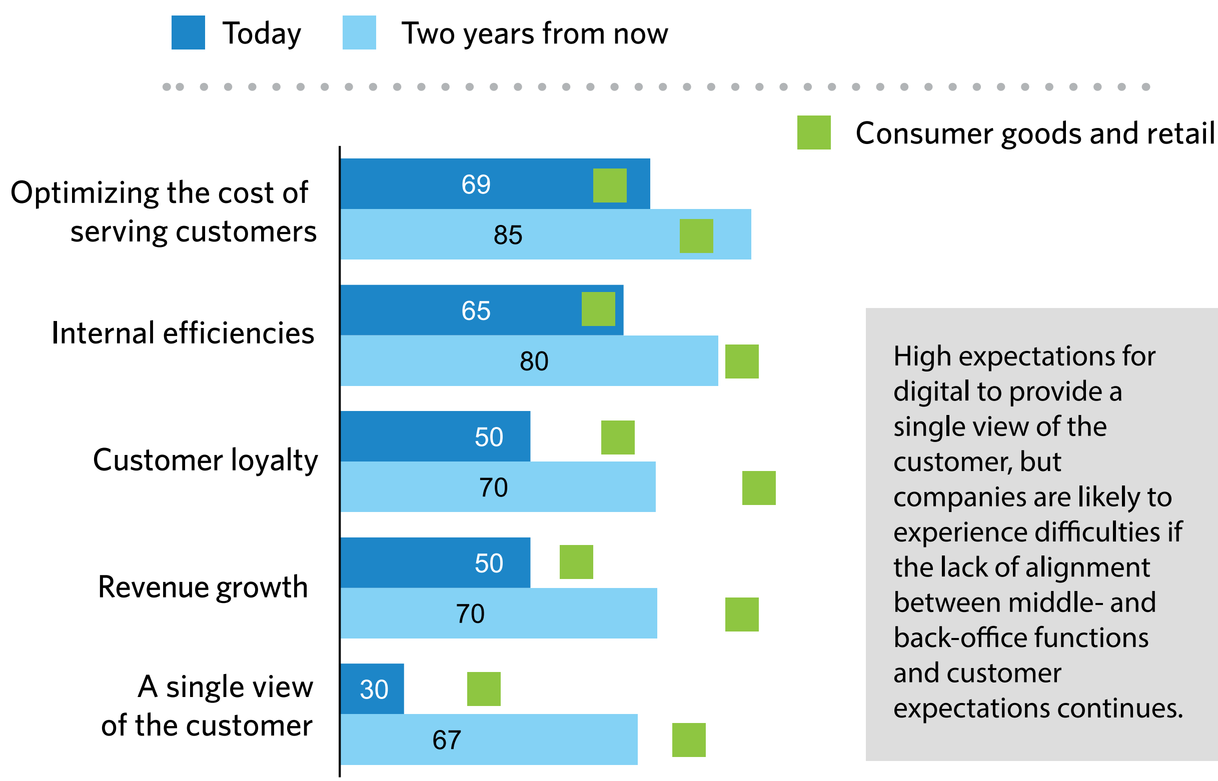
[3] Respondents who state few/no legacy systems need to be completely replaced as a result of digital technologies in their organization

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Consumer goods hopes to solve the customer-centricity challenge in the future

Today's impact is primarily on building customer loyalty while optimizing the cost to serve

Percentage of respondents who agree ('Strongly agree', 'Somewhat agree') that digital has a positive impact on the following business outcomes today and expect to achieve an impact two years from now



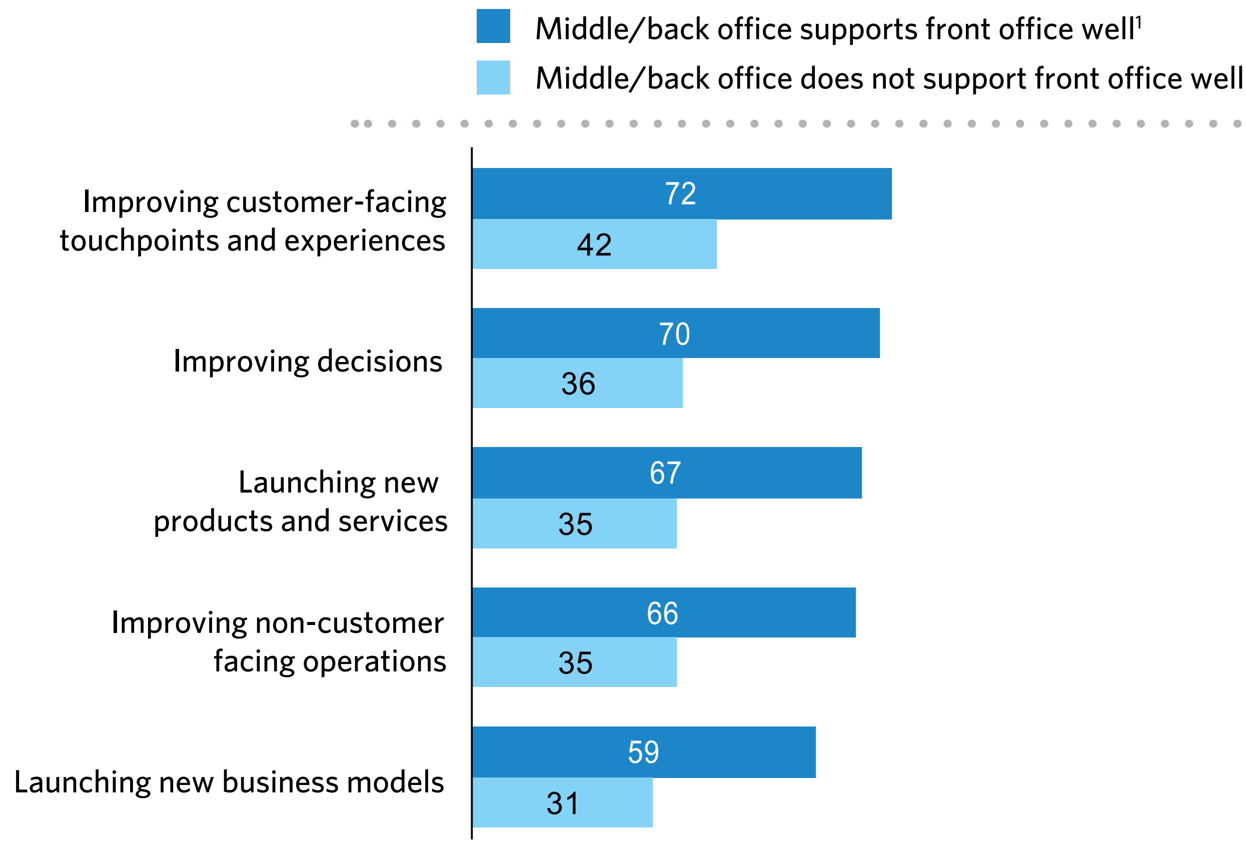
High expectations for digital to provide a single view of the customer, but companies are likely to experience difficulties if the lack of alignment between middle- and back-office functions and customer expectations continues.

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Companies unable to optimize end-to-end user experiences beyond the front end, unless they align middle- and back-office to support the front

Across industries, alignment between front and middle/back office critical to realizing impact

Percentage of respondents stating that their organization significantly supports each of the following with digital technologies (8-10 on a scale of 1-10, 1 - not at all, 10 - to a great extent)



[1] Respondents who state that their organization's middle/back office support customer experience expectations (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent)

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Barriers

Leaders much ahead on vision and ability to experiment quickly

Key barriers: Inability to experiment rapidly, and manage change better

Biggest hurdles for **consumer goods and retail** are the **inability to experiment quickly** (49%), **change management** (47%), **organizational silos** (41%), and **inadequate collaboration between IT and business** (39%).

IT skills (24%), cyber-security (27%) and budgets (28%) perceived as **least challenging**.

Digital leaders[1] are less affected by barriers than **laggards**[1]**.** Biggest differences are the **lack of vision** (12% vs. 48%) and **inability to experiment quickly** (29% vs. 60%).

Only 17% companies feel that their **middle and back office supports** the front office well in meeting customer expectations; even less (14%) in **consumer goods and retail**.

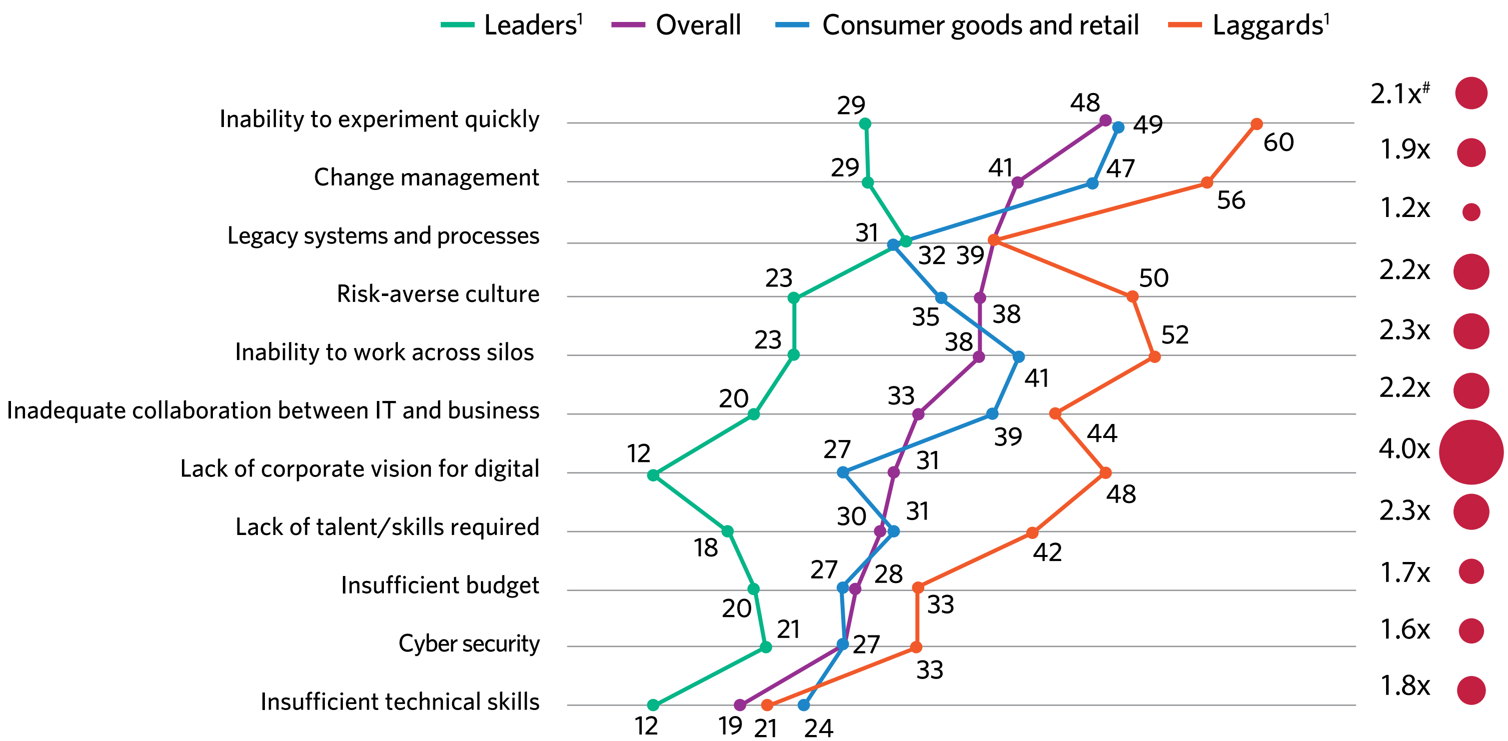
[1] Digital leaders defined as respondents who state that their organization is achieving significant positive business outcomes as a result of its use of digital technologies (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent); digital laggards rated 1-4

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Consumer goods and retail also worse off on change management, silo-ed operations

Consumer goods and retail trail behind in enabling a corporate vision for digital

Percentage of respondents rating the extent to which each of the following is a barrier to their organization's use of digital technologies as "high" (rated 8-10 on a 1-10 scale, 1 - not at all, 10 - to a great extent)



[1] Digital leaders defined as respondents who state their organization is achieving high positive business outcomes with the use of digital technologies (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent); digital laggards rated 1-4

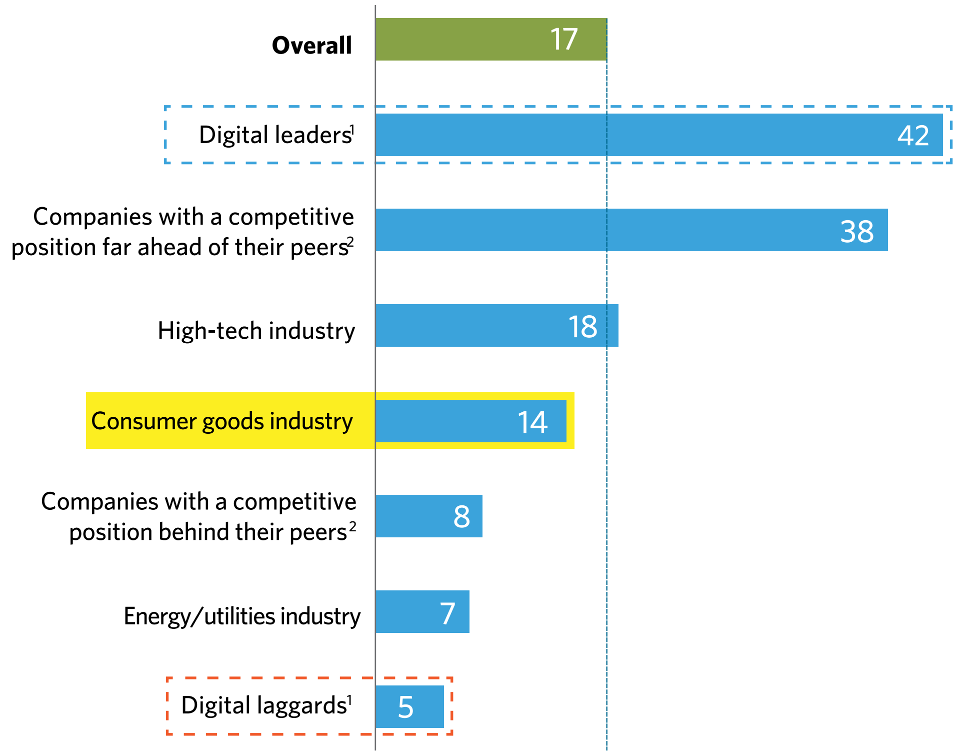
The multiple by which the % respondents rating a barrier as "high" varies for digital laggards[1] compared to the digital leaders[1]

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Only 1 in 7 companies from consumer goods and retail align middle-, back- and front-office to meet customer expectations

Middle- and back-office fail to support the front

Percentage of respondents stating that their organization's middle/back office functions and systems support customer experience expectation well (rated 8-10 on a 1-10 scale, 1 - not at all, 10 - to a great extent)



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[2] Far ahead defined as respondents who rate their organization's market position as 5 (on 1-5 scale, 1-considerably behind, 5-considerably ahead); 'behind peers' rated 1 and 2

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Capabilities

Transformation methods and analytical skills also key for much needed effective design and implementation approaches

Key capabilities: Ability to lead, and manage change better

Only half the respondents believe their company has an **enterprise-wide digital strategy**.

Only 47% of consumer goods companies have a clear, **enterprise-wide digital strategy**, fewer than companies with **well-aligned back, middle and front office** (78%), and **digital leaders** (77%).

Only one-third of overall respondents think that their design and implementation approach is **effective** at overcoming the challenges of legacy systems and processes.

Ability to lead, and manage change considered; but transformation methods and analyticals ignored.

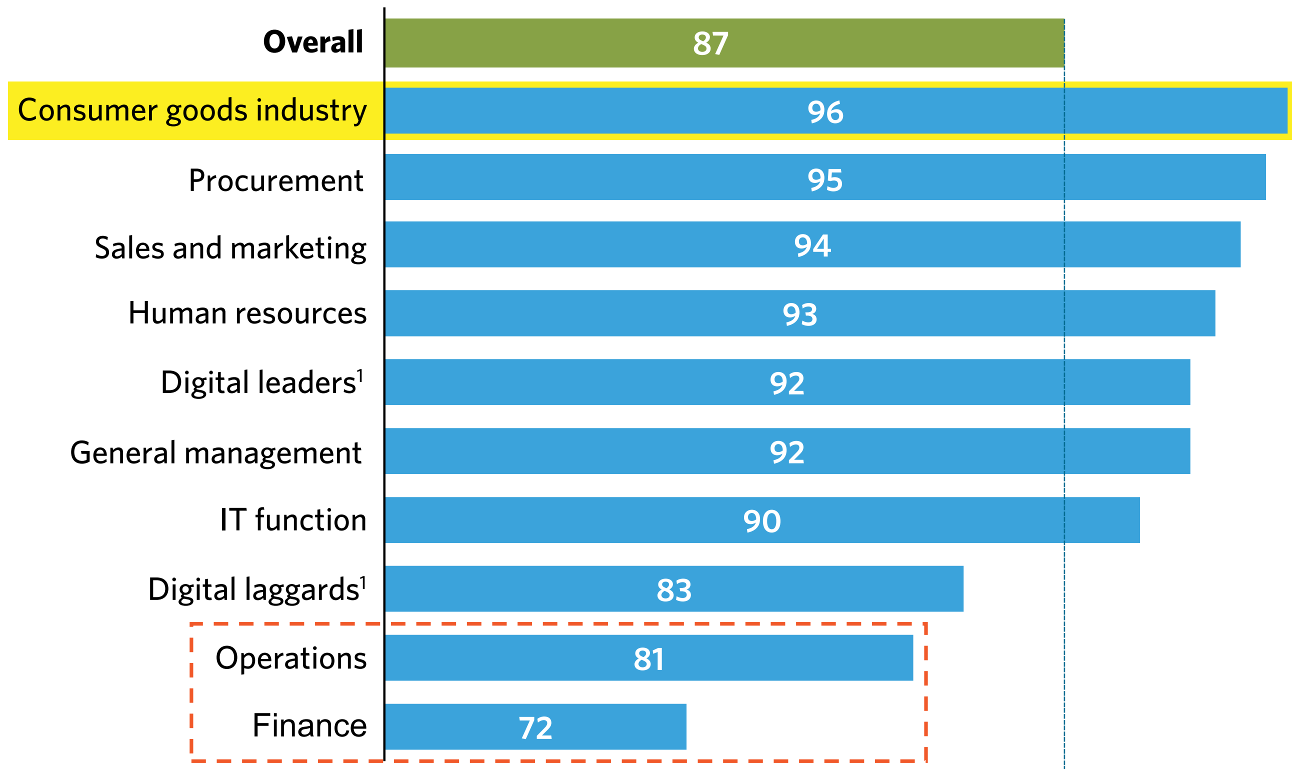
Leadership for digital transformation **fragmented** as roles dealing with technology, leading less often - CIO (52%), CDO (16%).

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Consumer goods and retail especially positive about investments in future

Investment in digital will increase

Percentage of respondents who expect an increase (increase slightly, increase significantly) in digital investments in their organization over the next two years



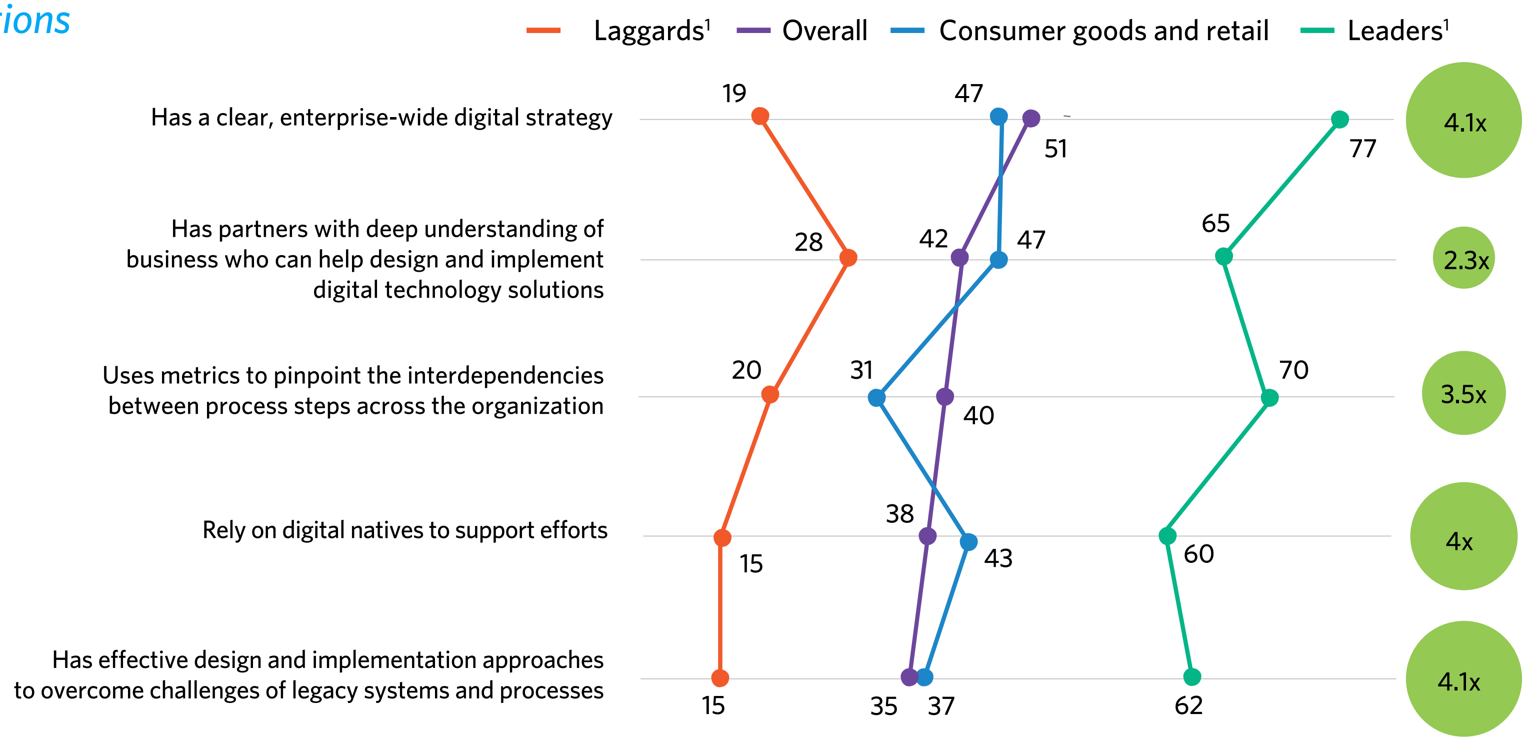
[1] Digital leaders defined as respondents who state that their organization is achieving significant positive business outcomes as a result of its use of digital technologies (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent); digital laggards rated 1-4

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Leaders have the deepest level of collaboration with partners who possess a deep understanding of their companies' business, and help design and implement digital technology solutions

Companies need more effective design and implementation approaches

Percentage of respondents who agree (Strongly agree, Somewhat agree) with the following statements about how their company manages and uses digital technologies to transform the enterprise



[1] Digital leaders defined as respondents who state that their organization is achieving significant positive business outcomes as a result of its use of digital technologies (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent); digital laggards rated 1-4

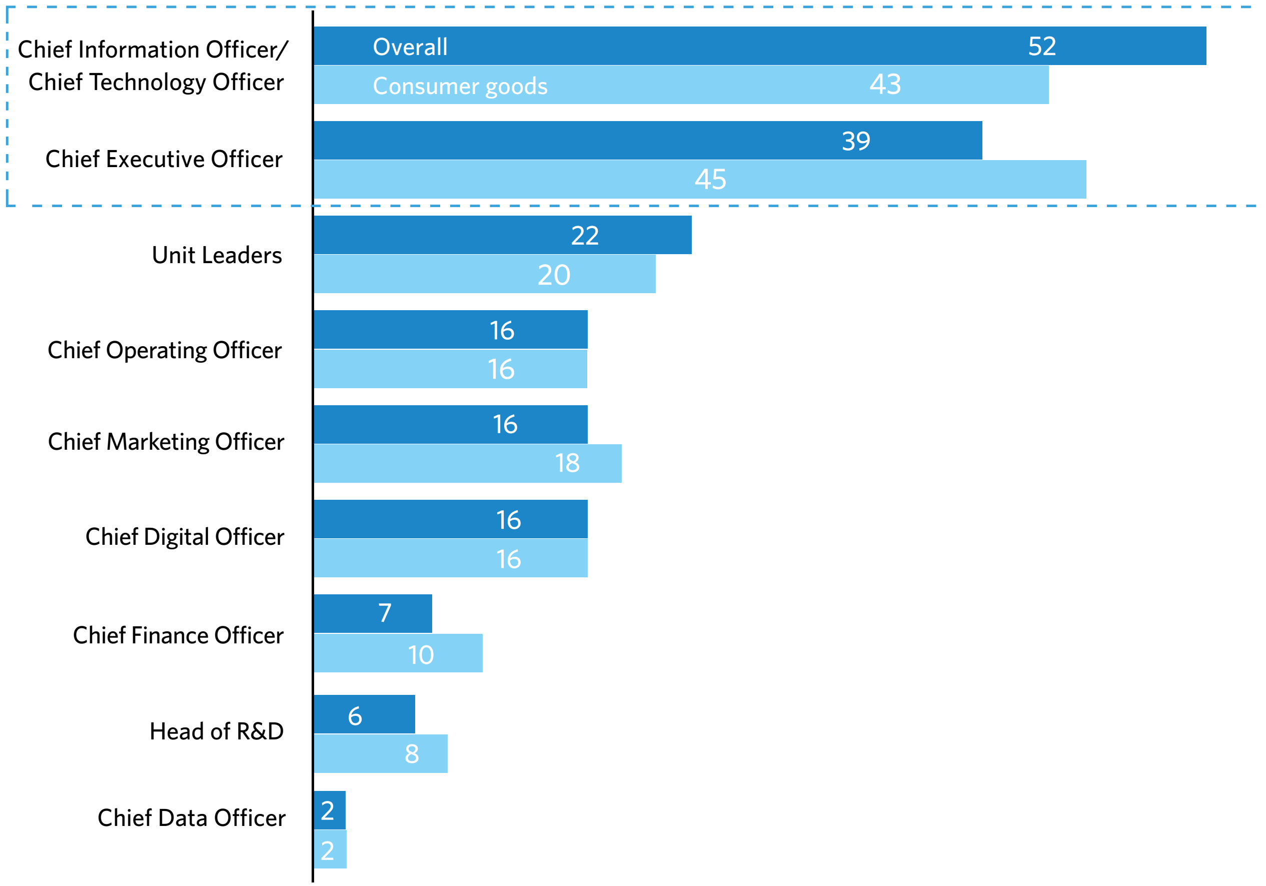
[#] The multiple by which the % respondents agreeing to above statements varies for digital leaders[1] compared to the digital laggards[1]

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

CEO the most important driver of the digital vision, CIO and CTO also important

Leadership for digital fragmented

Percentage of respondents stating which roles are responsible for creating the vision for digital technologies in their organization



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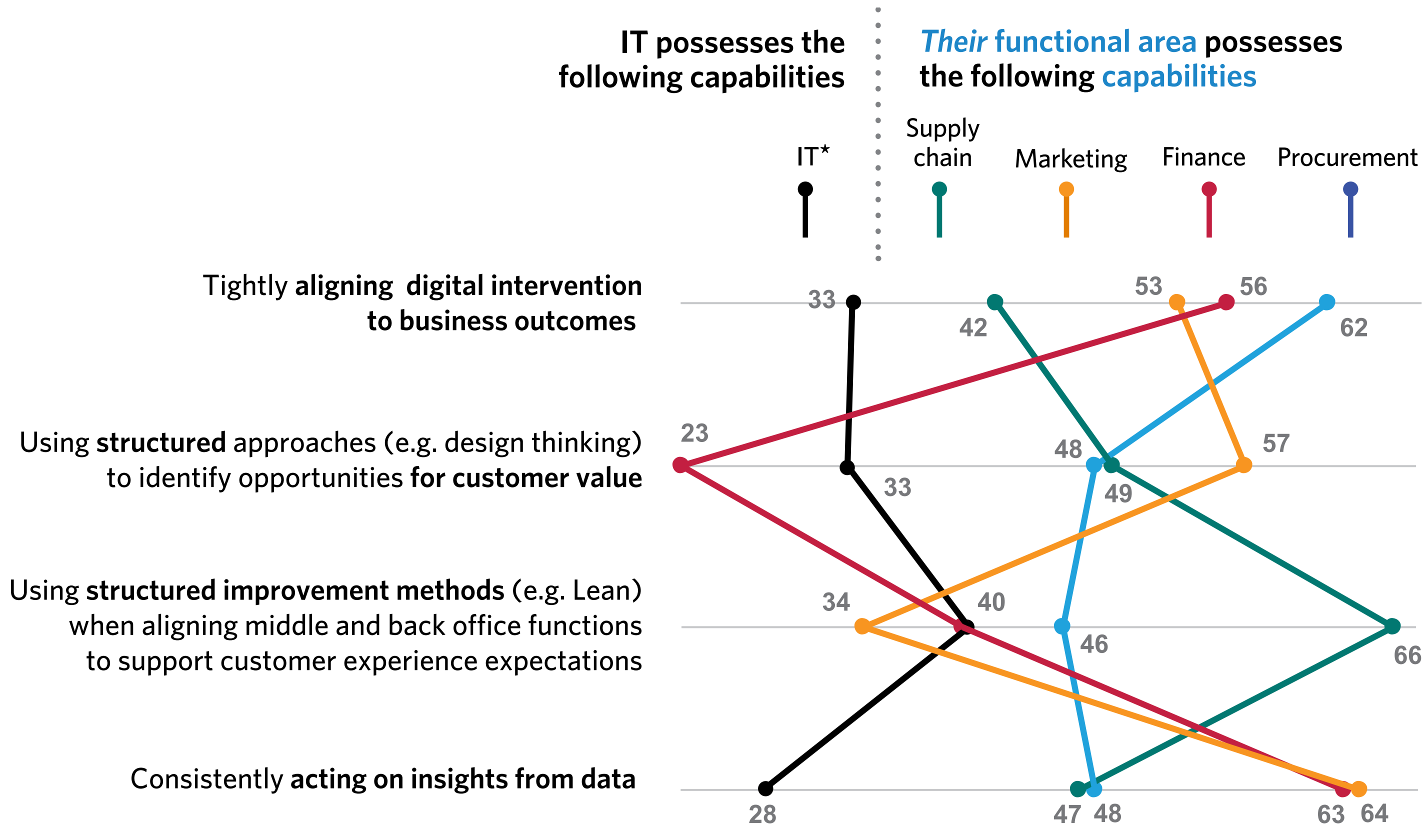
Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Combining cross-functional strengths likely to generate greater impact

Digital abilities also fragmented across groups

Percentage of respondents in functions other than IT stating...



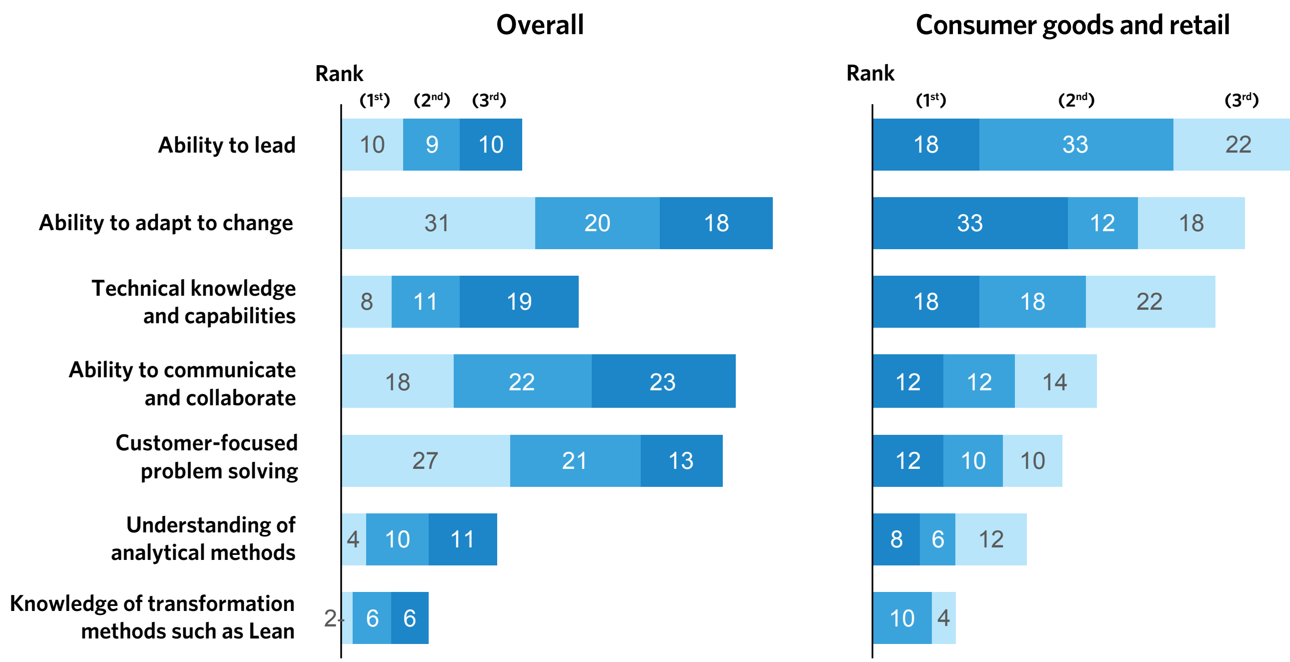
* % across all respondents in functions other than IT that state that the IT function in their organization possesses the identified capabilities

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Transformation methods and analytical skills under rated capabilities

Consumer goods and retail companies must improve their leadership abilities, and adapt to change better

Percentage of respondents who rated the top-three most important skills for employees in their organization to have to harness digital effectively



Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

Conclusion

Digital transformation beyond technology

Although consumer goods and retail companies have been embracing digital for several years, only a handful, 20%, are generating significant impact from digital. Indeed consumer goods and retail lags behind peers today in optimizing the cost of service using digital, and capturing internal efficiencies.

Big digital ambitions but barriers to overcome

Despite the current state, this study shows that consumer goods and retail companies have high expectations from digital to strengthen competitive capabilities, but face barriers, including the inability to perform rapid experiments, poor change management and inability to work across silos.

Following the digital leader

As more consumer goods and retail companies teams adopt digital technologies to improve customer loyalty and generate growth, they should look to the embrace traits of digital leaders and improve their design and implementation approaches, and the use of metrics to drive new capabilities, overcome barriers, and accelerate the pace and impact of digital transformation.

Source: Survey of 682 senior executives (51 from consumer goods and retail industry) conducted by Harvard Business Review Analytic Services in association with Genpact

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The Genpact Research Institute is a specialized think tank harnessing the collective intelligence of Genpact – as the leading business process service provider worldwide - its ecosystem of clients and partners, and thousands of process operations experts. Its mission is to advance the "art of the possible" in our clients' journey of business transformation and adoption of advanced operating models.

www.genpact.com/research-institute

About Genpact

Genpact (NYSE: G) stands for "**generating business impact**." We are a global leader in digitally-powered business process management and services. We architect the **Lean Digital**^{SM} enterprise through our patented Smart Enterprise Processes (SEP^{SM}) framework that reimagines our clients' operating models end-to-end, including the middle and back offices. This creates Intelligent Operations^{SM} that we help design, transform, and run. The impact on our clients is a high return on transformation investments through growth, efficiency, and business agility. For two decades, first as a General Electric division and later as an independent company, we have been passionately serving our clients. Today, we generate impact for a few hundred strategic clients, including approximately one-fifth of the Fortune Global 500, and have grown to over 75,000 people in 25 countries, with key offices in New York City. The resulting business process and industry domain expertise and experience running complex operations are a unique heritage and focus that help us drive the best choices across technology, analytics, and organizational design.

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