Invest & connect to play

The commercial impacts associated with delayed investments in systems are growing more substantially in terms of business impacts and leaving missed opportunities for growth and efficiencies.

In a business climate characterised by disruption, a CPG company's capacity for future growth lies to a large extent with ensuring a seamless and connected experience across all aspects of the front, middle and back office functions. The continuing reliance on legacy systems sees many CPG companies finding it harder to do business, with mounting inefficiencies and a poor experience for their employees, customers and other stakeholders. Now is the time to make the right investment and follow through with systems modernisation, streamlined processes and upskilling staff to leverage the potential value.

The historical lack of appetite in the CPG sector to invest in core systems modernisation to date is understandable but no longer optional. The category has tight margins and investments can be sizeable but without a connected CPG business there is no single view of the customer and efficient demand planning is impacted. Finance functions are also limited in how they can offer profitability led insights vs transactional and compliance adherence.

It is important to remember that technology solutions are not a silver bullet, and nor do they operate in isolation. An organisation's people, processes and governance remain its most valuable assets and must remain front of mind during any systems implementation.

Get connected to gain a competitive edge

There is no doubt that the bottom line gets a dramatic boost with the right system, processes and enabling technology. Seamlessly connecting the front office across marketing, sales and service with the supply chain, procurement and manufacturing functions of the middle office, through to the back office, drives enormous efficiency and value capture for the business.

A sales and operating process that connects with the finance system can get an accurate picture of real-time demand levels and can forecast accurately, preventing the costly error of an oversupply of inventory. The right HR system will drive up an organisation's employee value proposition (EVP), which is critical during a period of record unemployment and a skills shortage.

In KPMG's experience, an end-to-end connected enterprise is twice as likely to leverage data-driven insights to inform decisions and create innovative products and services, and be more responsive, efficient and streamlined. It is also twice as likely to have an empowered and efficient workforce, along with a more resilient supply chain.

Sometimes, a lack of investment in technology solutions isn't the problem. It's a lack of integration. Many CPG companies that have grown by acquisition are experiencing a lack of integration across systems resulting in redundancy and inefficiencies across the business. It is all too common for an Australian CPG company to have more than one ERP system across the organisation. This 'spaghetti factory' leads to challenges in data accuracy, real-time reporting and appropriate demand forecasting. All costly impacts. Nor is it possible to obtain a single view of the customer. Without a consolidated view of what, when and how much your customers buy with the right CRM, it is impossible to fulfil changing consumer expectations. The end result is disjointed processes and an impeded ability to deliver returns and value across the organisation.

Know your gaps and goals

The gap between the systems front-runners and those lagging behind with legacy systems is widening. Having the right technology footprint enables a company to make better decisions and streamline processes. KPMG has found that they are more likely to engage and manage third parties to increase speed-to-market, reduce costs, mitigate risk, and close capability gaps. They are far better placed to develop a compelling customer value proposition and drive profitable growth.

By developing a connected architecture, the ability to respond to fluctuating drivers of demand is substantially improved. However, an investment ought to be broader than the technology itself. CPG companies should strive to get clarity on individual roles and functions across the organisation and modernise processes wherever possible. Refresh the operating model first, then embed the technology to optimise and deliver it.

Some common threads exist among the CPG companies who get this right. The most significant is that they are business led, not technology led. They understand that value isn't delivered from the technology itself – it comes as a result of having the right processes, capabilities and people in place. They begin by understanding how connected the business is between its front, middle and back office. After establishing their current level of maturity, they set out a path towards further progress. Companies that focus exclusively on the technology are leaving value on the table.

Today's bold moves

- **Become a Connected CPG business and see the benefits of 2 x impact with customers through more responsive operations and supply chain, innovative products and services and seamless interaction and commerce.**
- **Technology is not a silver bullet. Investment is needed in people and processes so that the technology can deliver on driving up efficiencies.**
- **A maturity assessment will help to identify existing gaps in process, technology and capabilities – all the critical first steps necessary for developing an effective digital transformation roadmap.**

KPMG is specialised in helping CPG companies. From defining and operationalising customer driven strategies, to driving improvements and growth across end-to-end operations, we work with our clients to ensure they're able to not only respond, but thrive, in today's dynamic market.

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