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Tech Trends 2017: The kinetic enterprise Consumer products

For Consumer Products companies, the definition of the kinetic Enterprise is very much aligned with the speed of Consumer Demand. When opportunities are so dynamic often with a lifespan as fleeting as a social media trend—CP companies cannot afford to take months to respond. As a result, we are witnessing an active transition from foundational (2–5 years lead time) to flexible capabilities (up to 1 year lead time) and flexible to hype-change capabilities (up to 10 weeks lead time).

To respond to this pace, we view the Kinetic CP Enterprise as virtual ecosystem of services that extend beyond the walls of the organization. This paradigm shift reimagines the organization not as functional silos and

a collection of distinct technology solutions, but rather refocuses on developing the net new capabilities required to be able to orchestrate a collection of services to deliver these functions.

The Kinetic Enterprise perspective allows an organization to access skillsets and technologies and harness brainpower that the organization may not have internally or choose not to maintain as a core competency. The capabilities required to succeed in this environment are flexible, dynamic and evolving.

To help make sense of it all and to help you build a roadmap to the Kinetic Enterprise, we present Deloitte's Tech Trends for

Consumer Products, an annual in-depth exploration of six trends that are likely to challenge consumer products companies in the next 18–24 months. From Dark Analytics to a framework for building innovation capabilities to tackle the Exponential Watchlist, these articles embody the spirit of the kinetic enterprise represent key capabilities required for the consumer products industry to embrace and adapt in an environment of disruption.

The only constant is change and never has that adage rung more true for consumer products than it does now. *When the rules of the game are changing, you can't afford to sit idly on the bench.*

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Dark analytics

Unstructured data sources, such as documents, video, tickets, texts, and tweets, that remain in the “dark” represent tremendous opportunity. Advances in natural language processing and machine learning can tap these sources to target needs and better use precious resources. To reap the benefits, organizations will need skilled talent, resources to acquire tools, and priorities to focus this lens where it can help the most.

Getting started

- **Ask relevant, focused questions, then extrapolate.** Focus on specific problem statements, then identify and process the required data.
- **Leverage external data.** Augmenting internal data with external and third party data can improve the depth of insights.
- **Augment data talent.** Data scientists are an increasingly valuable resource, especially those who can artfully combine deep modelling and statistical techniques with industry or function-specific insights and creative problem framing.
- **Use advanced visualization tools.** Effective visualization through infographics, dashboards, and other visualization methods help make complex analytical insights intuitive and actionable.
- **Make it a business-driven effort.** It is time to recognize analytics as an overall business strategy rather than an information technology (IT) function.
- **Think Broadly.** Think about how you can extend new capabilities across customer, vendors, and business partners.

Trends in action

- A leading consumer products (CP) company analyzed social data to inform a campaign to persuade how consumers purchased and consumed an indigestion reliever. By harnessing the power of this unstructured (social) data, the organization was able to shape the marketing campaign for maximum impact: market share increased 11% in a 12-month period.
- A manufacturer and marketer of personal care and janitorial products built an application to collect and analyze Internet of Things (IoT) data from toilet paper dispensers in large facilities. Data from this application has been used to model demand and product use and has delivered annual paper savings of approximately 20%.



Machine intelligence

Beyond bots and robotics process automation (RPA)

Machine learning, cognitive analytics, RPA, and bots are among the newest wave of advanced analytics capabilities, collectively now as “artificial intelligence (AI). These capabilities are being widely leveraged in the CP sector to gather consumer insights, optimize inventories, and shape offerings to retail customers and end consumers.

Getting started

- **Identify opportunities where improved data accuracy can drive value.** Plagued by out of stocks and lack of demand forecasting trust from the retail salesforce? An investment in machine learning to refine demand forecasting may drive value by reducing inventory carrying costs, reducing missed sales, and capitalizing on in-store selling opportunities.
- **Identify areas where existing and easily accessible data are being underused.** Business processes that leverage large data sets and multiple data sources are likely to be effective use cases for machine learning.
- **Build talent and tools with analytics in mind.** The talent required to execute machine analytics models, draw insights from the capability, and continuously tune and improve the capability is scarce; purposeful investment in people and tools is critical to develop an advanced machine learning capability.
- **Consider customer and consumer privacy when selecting data sources.** Privacy concerns weigh heavily on the application of AI. Organizations should collect data through thoughtful opt-in programs to secure consumer permission and apply insights in way that are sensitive to consumer privacy concerns.

Trends in action

- A regional department store chain recently piloted a machine learning-driven assortment optimization tool. The algorithm identified store locations with potential high demand for certain products and uncovered latent customer demand that traditional clustering and segmentation techniques did not recognize. Through the six-month pilot, participating stores generated 7% more revenue than similar stores in the region.



Mixed reality

Virtual is virtual and real is real—except in mixed reality, where the two worlds collide to create new environments where digital and physical objects—and their data—coexist and interact. Think Pokémon Go. Using augmented and virtual reality (VR) and the IoT, mixed reality adds intelligence and digital content to the space around us. This natural experience can help users make decisions quickly, process critical information, visualize scenarios before acting, or communicate with others.

Getting started

- **Explore and innovate mixed reality business cases.** CP companies have already brought pilots to the market that amplify brands and generate revenue, but the most impactful ways to monetize mixed reality have not been codified. Focus on use cases with tangible business improvements and keep an eye toward future opportunities to disrupt existing business models.
- **Explore partnerships.** With mixed reality companies racing to establish dominance, the competitive landscape is crowded and fragmented. This can yield opportunities to cultivate valuable partnerships with mixed reality vendors seeking to establish a foothold and develop mutually beneficial partnerships.
- **Be a student of the game.** You do not want to be left behind when mixed reality goes mainstream. Mixed reality should be included in long-term strategic planning and establish a dedicated committee of experts to stay current on emerging trends.

Trends in action

- One premium dessert brand has used mixed reality to create immersive brand engagement experiences that highlight the brand's core values and conservation efforts. In one campaign, a honeybee guides a VR tour educating consumers about the importance of honeybees for our environment and—yes—for the creation of the brand's signature products.
- One cosmetic company and one cosmetics retailer have used Mixed Reality to bring cosmetics products directly to the consumer's (virtual) face. These mobile apps use advanced technology to allow a consumer to 'try on' various celebrity looks and try and learn about products directly within the app. These apps shepherd the consumer along the shopping journey and bring purchase to fruition through store locators and in-app purchases.



Everything as a service

A new business imperative is helping shape strategic and operational decision making: The shared economy is taking hold at the enterprise level. Just as ride-sharing companies leveraged technological advancements; shifts in consumer behavior; and a flexible, on-demand workforce to create new opportunities in transportation as a service, many corporations are reimagining the very nature of their offerings—to customers, suppliers, internal constituents, and competitors—as services. Everything as a service (XaaS) is poised to drive the evolution of business models across industries, including CP, rapidly.

Getting started

- **Start on the edges, protect your core, and shore up your foundation.** Every organization operates in a unique ecosystem of technologies capabilities and resources that can be segmented as strategic, core, or foundational. Viewing XaaS through this framework helps identify where to play—and when. Strategic, noncore, and commoditized functions, which offer high levels of efficiencies, should be first in line for XaaS transformation.
- **Execution: the devil is in the details—and the communications.** Effectively executing and XaaS offering will likely require laser focus on two necessities: a robust communications plan and an Agile-driven road map. Define the “what” before the

“how,” so your organization can focus and align on an effective future state. Embracing the rapid pace and iterative process will help to more smoothly drive toward the “what” your culture has aligned behind.

- **Culture Matters.** Embracing XaaS may require significant cultural change for your organization—and cultural acceptance is absolutely critical. Start with conversations among peers to establish a shared vision, followed by formal communications and knowledge-sharing programs. As a critical mass of advocacy builds, offer more education and training to drive understanding of the positive impact XaaS could have for your business—both financially and culturally.

Trends in action

- A leading online retailer has begun commercializing internal capabilities as services. This has driven efficiency through scale for those operations as well as generating new revenue streams.



Blockchain: Trust economy

Blockchain, the shared ledger technology for securely managing digital assets, is becoming the gatekeeper of reputation and identity and trust. Rather than rely on traditional, internally integrated and externally isolated IT systems and communications channels, CP companies should consider the adoption of blockchain as a means to streamline execution and administration activities across the value chain. Blockchain-enabled, near real-time, accurate and secure data and payment processing can offer transformational benefits to participants in both business-to-business (B2B) and direct-to-consumer (D2C) relationships.

Getting started

- **Measure twice, cut once.** There is a lot of hype surrounding blockchain. Make sure your problem is well suited to blockchain before starting. Though CP companies have generally been slow to embrace blockchain to date, higher levels of adoption will help increase mutual benefit. Identify opportunities where blockchain can offer tangible benefit and pilot them now so that you are ready to move with the market.
- **Look past the status quo.** As retail and direct to consumer channels expand, look past traditional payment and data-sharing methods and find opportunities to leapfrog antiquated technologies. When building new channels, payments or data-sharing systems, take advantage of new processes and technologies.
- **Keep up.** Even if you are not using blockchain, the parties you monitor and work with may soon be. Pay attention as the technology evolves.

Trends in action

- Blockchain can be utilized to create an infrastructure through which to democratize data, making information available across functional areas or organizational silos. For sales and demand forecasting, blockchain can be used to create a single source of truth—bridging the all too common gap between sales and demand forecasts to align on a single view of future demand.
- Trade payments represent the second largest controllable expense for most CP companies. Streamlined payment processing through blockchain could increase the speed of payment and reduce time effort and labor costs associated with management of disputes and post-audit actions.
- As consumer concerns and regulation for food safety increase, Blockchain could be used to track when and where a grocery item was sourced at the time of delivery providing a high level of transparency and traceability.



Exponentials watch list

The CP market is changing rapidly. Disruptive new entrants have made a splash in core product categories and rapidly evolve new go-to-market approaches and channels. However, while the markets and consumer demands are changing, not as much change has occurred among large CP companies. Companies systematically embracing innovation as a core capability are outperforming their peers through smart investment in innovation to fuel growth and savvy incentives to affect cultural change and encourage creativity.

Getting started

- **Dedicate funding to fuel growth.** Innovation demands dedicated funding separate from core operational budgets. Without it, innovation initiatives run the risk of having funds reabsorbed by the core business when times get tough.
- **Incentivize desired behaviors.** The right incentives are required to effectively motivate the desired behaviors for embracing exponential technologies. Experimentation and willingness to fail are examples of such desired behaviors. To encourage greater risk taking, many companies

go so far as rewarding failure. Bold innovation requires bold thought.

- **Align innovation metrics to drive better outcomes.** As the adage goes “what gets measured gets managed,” but for exponential innovation, traditional project and program metrics simply do not fit. Metrics to monitor performance of innovation investments require a broader evaluation of return, often taking into consideration social, organizational, and environmental returns in addition to traditional financial benefits.

Trends in action

- One direct-to-consumer eyeglass company hosts monthly show and tell days where departments can share innovation ideas and prototypes with other employees, gather feedback, and collaboratively ideate and problem solve.
- While strong metrics to evaluate innovation initiatives have been largely lacking, one alcoholic beverage company is putting a stake in the ground...and its annual report. The company tracks and reports the percentage of sales driven through new innovations each year and measures this against preestablished targets.

