THE DIGITAL tipping point FOR Consumer Product companies

Deloitte Digital
MIT Sloan Management Review

While many CPs are placing significant investments behind digital, the ambition has yet to meet expectations

CPs continue to lag other consumer-facing sectors in digital maturity

Sector (respondents)	Average Maturity Score
IT & Technology (157)	6.4
Entertainment (14)	5.8
Retail (28)	4.9
Electronics (15)	4.8
Consumer Goods (48)	4.7
Automotive (48)	4.6

Average Maturity Score (axis: 3 – 4 – 5 – 6 – 7)
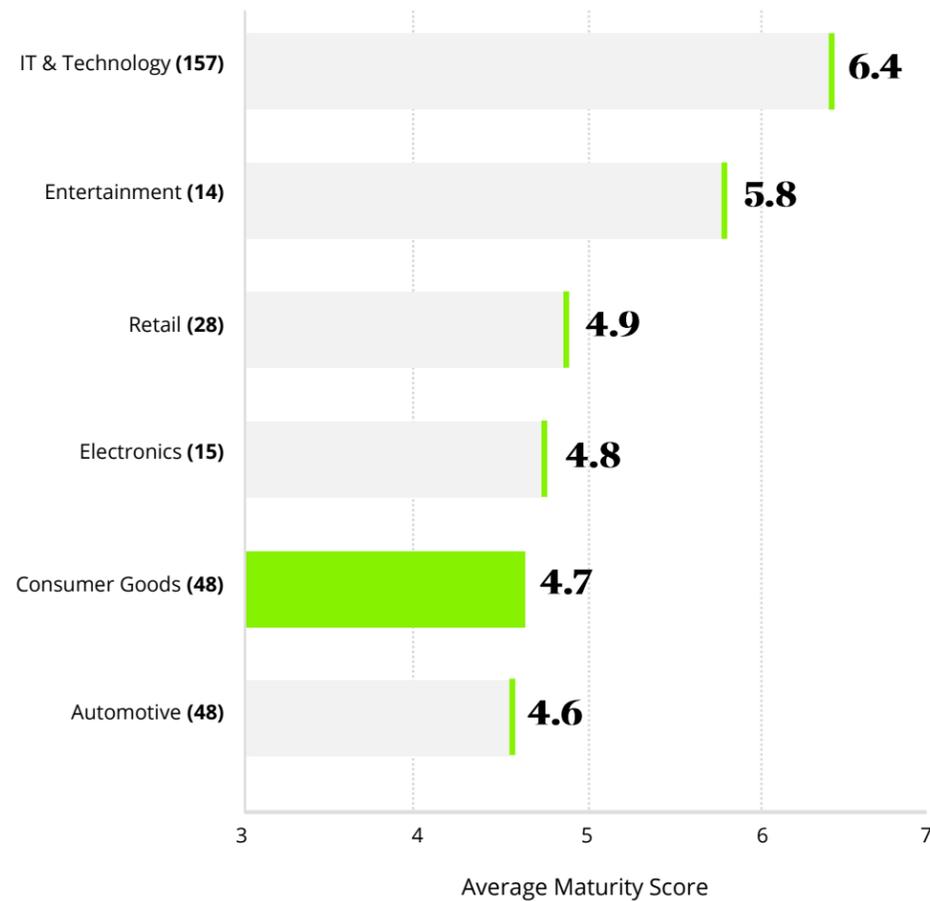
[n] number of survey respondents in Consumer Products from companies >$1B in revenue

Based on the 2017 Annual Digital Business Global Executive Study by *MIT Sloan Management Review* in collaboration with Deloitte Digital. Data findings leverages subset of responses selecting 'Consumer Goods' as primary industry. Report also leverages selected data from 2017 Digital DNA study jointly conducted by Facebook and Deloitte for responses matching 'Consumer Products' industry.

Five organizational tensions inhibiting true digital potential

Short-term margin pressure
Executives tend to focus on near-term challenges that are easily understood rather than disruptive challenges and opportunities that take several years to materialize

My organization projects beyond two years when developing enterprise digital strategy

Auto	Tech	CP
77%	72%	56%

% of respondents who agree with the above statement

Limited digital IQ
Limited digital IQ and digital DNA across the organization stifle transformational leadership and cross-functional/BU collaboration, with a tendency to isolate the role of digital to Sales & Marketing (e-commerce, digital marketing, social)

Digital plays a core role in my organization

Tech	Retail	CP
69%	50%	35%

% of respondents who agree with the above statement

Unspoken talent war
The pressure to *act now* has led consumer product companies to effectively outsource digital skills to agencies, and the gap for internal digital skills is increasing at an alarming rate year-over-year as agencies are being paid to build their digital capabilities

My organization has _insufficient_ digital talent

CP	Peer Average	IT & Tech
65%	59%	37%

% of respondents who agree with the above statement
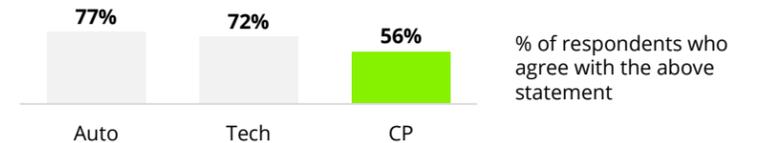
Uneven velocity
The speed of new digital processes outpaces the speed of legacy business, and consumer product companies have been slow to embrace working iteratively (i.e., failing and subsequently integrating learnings) due to current ways of measuring success

Our organization can manage unplanned change without it slowing us down or reducing our impact

Auto	Retail	CP
74%	61%	44%

% of respondents reporting 'digital maturity' with the above statement
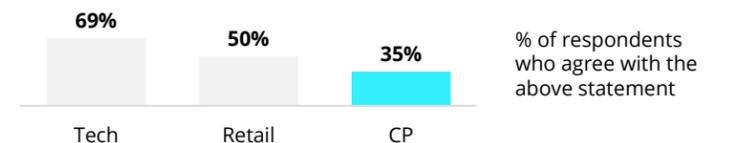
Cognitive inertia
An unproven ROI in industry has caused consumer product companies to be slow to build democratized data systems that support real-time decision-making, predictive analytics, and individualized targeting, leaving substantive opportunities unturned
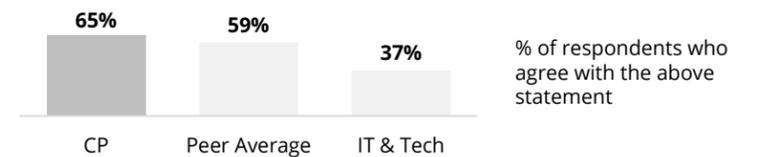
Our organization applies digital in fundamentally different ways

Tech	Peer Avg.	CP
70%	58%	50%

% of respondents who agree with the above statement

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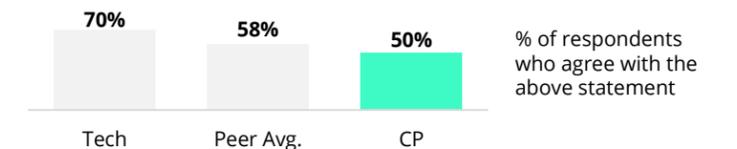
key marketplace insights
DRIVING these organizational tensions
in Consumer Product companies

ORGANIZATIONAL TENSIONS

MARKETPLACE INSIGHTS

Short-term margin pressures

Activist investors are driving reactive, risk adverse cultures by pressuring CP companies to focus on **short-term margin goals**

Digital is positioned as a **short-term efficiency play** as opposed to a long-term growth engine

Myriad of 'business-as-usual' pressures (i.e., competition, M&A) **orient strategic planning for today** and not 'tomorrow'

Limited digital IQ

Diverse portfolio of brands is a **barrier to coordinate digital efforts** across the enterprise

Low digital IQs at the executive level drive a lack of accountability and prioritization of digital initiatives

Chief Digital Officers often **report into functional heads**, limiting digital focus to segments of the value chain

Unspoken talent war

Heavy reliance on partner and **agency relationships** for digital stifles internal capability development

CP companies are focused on acquiring talent that is **'category-savvy'** as opposed to 'digital-savvy'

Talent is **incentivized** on achievement of growth objectives in absence of digital objectives

Uneven velocity

CP functions entrenched in legacy behaviors **struggle to embrace change** that is not brand-centric

Many CPs are revisiting and questioning large decisions instead of learning and advancing through **failure and response**

Digital has become a hard topic to agree on at the executive level because it is not easily understood and **results are unproven**

Cognitive inertia

CP companies are hesitant to make investments in predictive technology because they are **unable to prove the ROI**

Inability to **access or own quality consumer data** needed to form a single view of consumer

Analytics growth is stunted in part due to **lack of control over media and buying decisions**

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THE FULL INTEGRATION OF
agility, digital talent and analytics
ACROSS the enterprise

will separate **leaders** from laggards

ORGANIZATIONAL TENSIONS

IMPLICATIONS

Short-term margin pressures

Create Fuel for Growth –
Simultaneously deliver quick wins on legacy platforms while defining a digital foundation for the future

Grow in New Ways –
Plan for an increased share of e-commerce revenue to come from disruptive white spaces

Start at the Edge –
Find an "edge" of the current business, scale rapidly, and move your way to the core

Limited digital IQ

Create Strong Stewardship –
Appoint a Chief Digital Officer that reports directly to the CEO and/or be a member of the Executive team

Digitize the Core –
Innovate from the inside out by expanding digital success from 'front office' to 'back office'

Cultivate Digital Leaders –
Implement a digital bootcamp to equip executives with resources and tools to drive action within teams

Unspoken talent war

Take Back Digital Capabilities –
Selectively insource "Marketing 2.0" capabilities from agency partners to drive consumer intimacy

Upskill the Talent –
Launch company-wide digital upskilling program that is both timely and fluid to market needs

Create New Incentives –
Place strong digital talent into roles across the organization, then incentivize teams based on 'next gen' goals

Uneven velocity

Pick Up the Speed –
Take a concept from idea to launch in 90 days, leveraging ecosystem partners (e.g., crowdsourcing, co-packers, tech companies)

Learn How to Learn –
Apply double-loop learning, while continuously challenging the status quo

Overcome Barriers –
Identify your 3 biggest barriers to digital and create an agile capability incubator to shore up your weaknesses

Cognitive inertia

Own the Consumer Data –
Get really, really good at gathering and interrogating consumer data across categories . . . all the time

Manage as a Portfolio –
Move from random acts of digital to a well-coordinated portfolio of both small and big enterprise-wide digital transformation initiatives

Embrace Constraints –
Enable creativity by weeding out nonessentials and improvising an effective solution using limited resources