



The **kinetic Enterprise** describes companies that are developing the dexterity and vision required not only to overcome operational inertia, but to thrive in a business environment that is, and will remain, in flux<sup>7</sup>. These organizations are not only embracing the multitude of technological and operational changes, but rewriting their very DNA to become more agile, flexible and adaptive.

### The Kinetic Consumer Products Organization

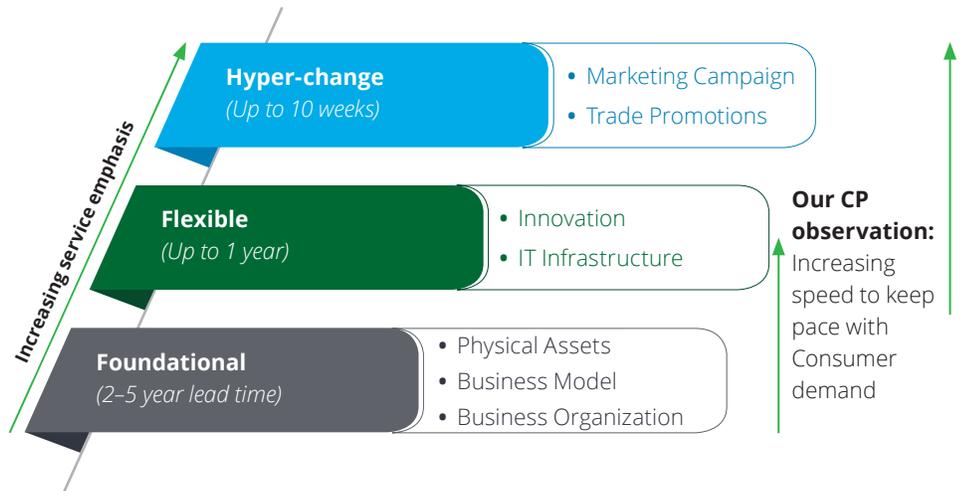
For Consumer Products companies, the definition of the kinetic Enterprise is very much aligned with the speed of Consumer Demand. When opportunities are so dynamic—often with a lifespan as fleeting as a social media trend—CP companies cannot afford to take months to respond. As a result, we are witnessing 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 a 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.

#### Enabling the Kinetic Enterprise

To enable the kinetic enterprise, consumer products companies will need to build new muscles (while continuing to feed their core), and re-wire the 'nerves' that orchestrate movement in those muscles.



#### • Build Core Emerging Capabilities

– Consumer products companies should develop the ability to orchestrate an ecosystem of players; not just existing external partners and advisors, but new technologies and providers, on-demand talent pools and resources and flexible, shared supply chain networks. These organizations should embrace data agility and analytics that will evolve, adjust and learn. And the kinetic consumer products enterprise should persistently pursue innovation and evolution in the pervasive atmosphere of zero based budgeting.

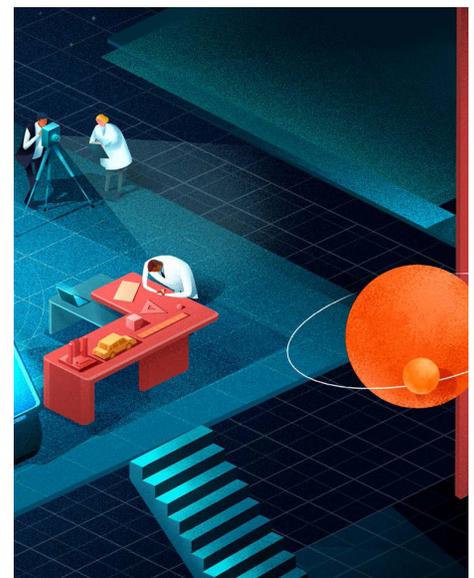
ecosystem orchestration must ensure compatibility of players and stability of core technology infrastructure

– Metrics and incentives will need to be realigned to reflect the ecosystem approach. In the last fifty years corporations were defined by roles, processes and tenure. But now, in the kinetic enterprise, it's not physical assets and owned resources that matter, but rather the ecosystem as a whole. Tenure no longer reigns supreme, but rather merit and (near-term) impact. It is the realization of meritocracy.

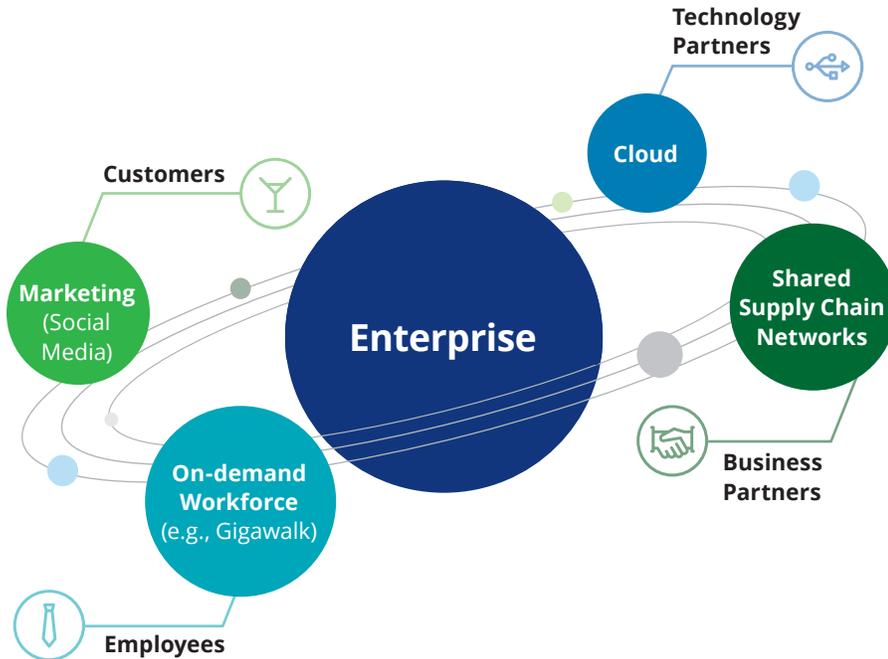
#### • Establish an Ecosystem-driven Infrastructure

– In order to nurture and sustain the new ecosystem, the organization should build infrastructure aligned to the new service paradigm. As technology rapidly evolves, the organization should establish clear processes and criteria to support build vs. buy decisions. Delayed adoption and inability to move at the speed of the market at the hand of outdated, burdensome evaluation requirements may cost the organization dearly.

– Operationalizing the ecosystem should balance speed and sustainability. Speed to market alone will not ferry the organization into the future; successful



## The Kinetic Consumer Products Enterprise



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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# Tech Trends 2017: A consumer products perspective

## Deloitte Consulting LLP Thought Leaders

	Introduction —The Kinetic Enterprise	Dark Analytics	Machine Intelligence	Mixed Reality	Everything- as-a-service	Blockchain	Exponentials watch list
<b>Darwin Deano</b> Principal Technology	X				X		
<b>Tom Schoenwaelder</b> Principal Monitor Deloitte							X
<b>Bonny Smith</b> Senior Manager Deloitte Digital	X					X	
<b>Remzi Ural</b> Senior Manager Data Science		X	X				
<b>Sujit Acharya</b> Manager Data Science		X	X				
<b>Jason Aardsma</b> Manager Strategy & Operations						X	
<b>John Ugaste</b> Manager Deloitte Digital				X			
<b>Jenny Yi</b> Senior Consultant Strategy & Operations							X
<b>Kyle Hebenstreit</b> Senior Consultant Strategy & Operations					X		
<b>Caroline Ling</b> Business Technology Analyst Deloitte Digital				X			



## Mixed Reality: Bringing experiences to life for consumer products organizations

As innovation drives new technology options, organizations embrace Mixed Reality to connect with consumers in novel ways

### Mixed reality for consumer products

When Deloitte University Press published *Tech Trends 2016*<sup>8</sup>, we declared that augmented reality (AR) and virtual reality (VR) had already arrived in the consumer products industry. The past year has validated that assessment: We're seeing even more consumer products companies making forays into the world of mixed reality, exploring innovative concepts and incorporating ongoing technology advancements. For more on the path to purchase, reinvented storytelling, and engaging consumers through AR/VR, we encourage you to read our response

to last year's tech trends, *Deloitte Tech Trends 2016: Innovating in the digital era, A consumer product (CP) perspective*<sup>9</sup>. This year, we focus on new advancements and innovation in mixed reality and consider the implications for our clients in the consumer products industry.

### Advertising in a virtual world

Advertisers continue to explore opportunities to generate revenue from emerging channels: Snapchat, Facebook, YouTube, and cord-cutter apps like Hulu have all created new avenues for advertisers to capture consumer audiences. Mixed reality presents an especially unique opportunity<sup>10</sup>.

Consumers within a VR experience are a completely captive audience

Consumers within a VR experience are often a completely captive audience and well-designed ad campaigns can deliver immersive customer experiences that amplify brands in entirely new and novel ways. Virtual advertising is edging toward current day reality as VR films become more pervasive. Sundance Film festival already has a category dedicated exclusively to VR films<sup>11</sup> and Google was recently nominated for an Academy Award for a short VR film called PEARL<sup>12</sup>.

It's fair to ask what this advertising opportunity would look like. Trivver provides an intriguing view into the future of virtual ads3 (Cite Trivver). Specializing in AR/VR advertising, Trivver provides a platform for generating 3D interactive smart objects and incorporating them directly into a 3D experience. For a beverage company to utilize the Trivver platform they would first secure ad placements, then the platform would insert branded 3D beverage objects in the landscape of the AR/VR experience. A variety of consumer products segments would lend themselves to this type of product placement in a cutting edge (virtual) environment.

### New frontiers for marketing

Immersive brand storytelling presents a powerful tool for differentiation and consumer engagement. Haagen Dazs has taken advantage of this storytelling venue to express a passion for the protection of honey bees. They are now sharing that passion with the world through a honeybee-guided VR tour. Yes, you read that correctly: Using virtual reality, Haagen Dazs shrinks viewers to honeybee size for a flying tour that educates consumers on the perils facing the honeybee and why their safety should matter to all of us<sup>13</sup>.

From an IoT perspective, new networks of connected devices continue to generate massive quantities of data with the potential to capture highly personalized 1:1 consumer marketing insights<sup>14</sup>. Consider the possibilities represented by iMotions, a human behavior research company that owns proprietary software capable of performing real-time analysis on human sentiment and behavior. The team at iMotions uses concepts like eye tracking and facial-expression analysis to enable neuro-marketing, the cognitive and emotional responses of consumers to their environment. Imagine the possibilities of a world in which mixed reality devices can

collect nonverbal customer sentiments in real time and then personalize the interactive experience at the individual consumer level. While this will clearly require important discussions about consumer privacy rights, the potential to personalize the customer journey is truly incredible.

### Elevating the retail experience

In a world where brick-and-mortar stores are challenged by online e-commerce giants, companies are looking at mixed reality to bring some magic to consumer shopping experiences. For example, some apparel brands are using augmented reality to extend the capabilities of customization service. The technology projects apparel designs onto a customized virtual 3D model, so consumers can see how the final product will look before making the purchase.

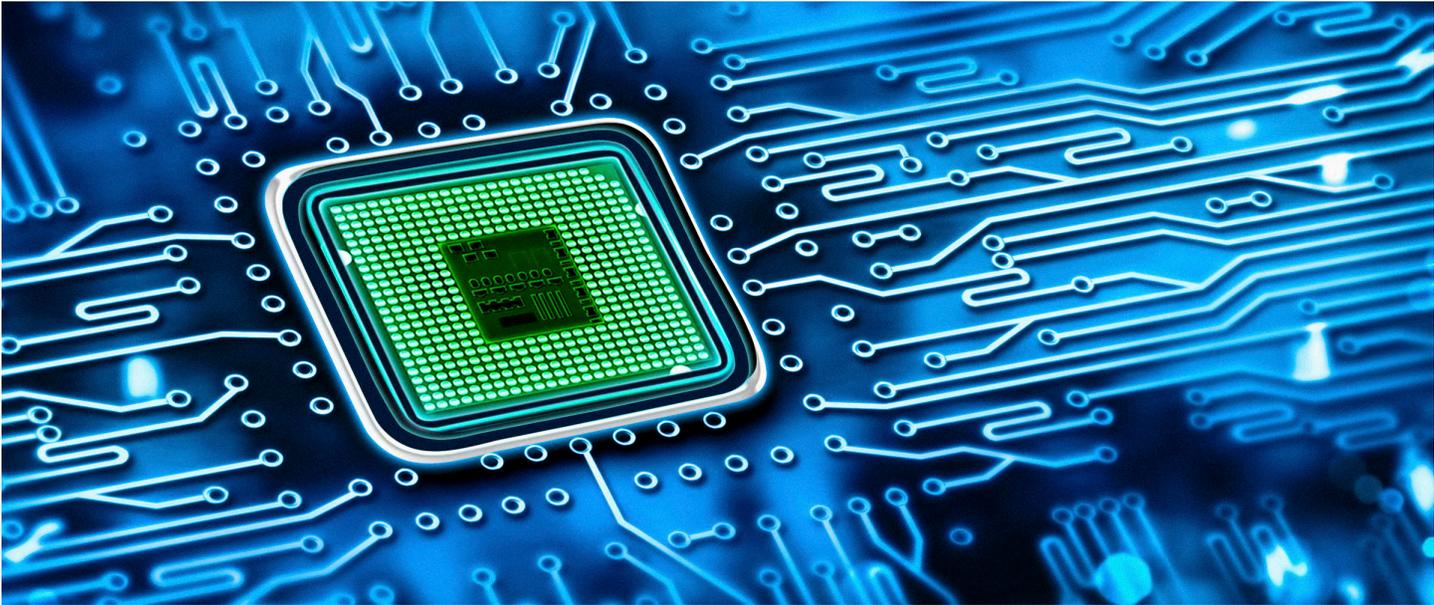
In the world of cosmetics, Glamscout helps consumers emulate the looks of their favorite celebrities<sup>15</sup>. Consumers simply select their favorite celebrity look and Glamscout allows them to virtually try on the same cosmetic look. Like what you see? After sharing your favorite cosmetic makeover on social media, Glamscout aims to convert buyers by suggesting make-up shades from the celebrity picture and encouraging product sales via mobile purchasing. Even though Glamscout is still a nascent app in the marketplace, it exemplifies the trend of using AR to convert buyers on the path to purchase, and highlights the potential for mixed reality apps to evolve into legitimate sources of revenue generation.

On a more macro level, Amazon is exploring the possibility of opening an augmented reality furniture store<sup>16</sup>. The stores would allow users to leverage mixed reality to see how furniture would look in their own home. The concept is nascent but presents interesting possibilities for converging the world of mobile commerce with brick-and-mortar retail.

Could this represent the evolution of mobile-commerce and e-commerce converging to form a new channel for retail revenue generation?

Finally, consider the potential disruptive power of virtual shopping malls. Could this represent the evolution of mobile-commerce and e-commerce converging to form a new channel for retail revenue generation? Recently, Alibaba debuted Buy +, a virtual reality shopping experience that allows consumers to explore popular shopping destinations like Target or Macy's and make purchases within a virtual world<sup>17</sup>. Users simply look at a desired product and acknowledge the buy with a head nod. While the technology is still in early stages, Buy + has already hosted more than eight million Alibaba consumers; consumers clearly have an appetite for exploring virtual shopping channels. As head-mounted displays such as Google Cardboard become more affordable and more common household items, we are likely to see an increase in virtual shopping opportunities.





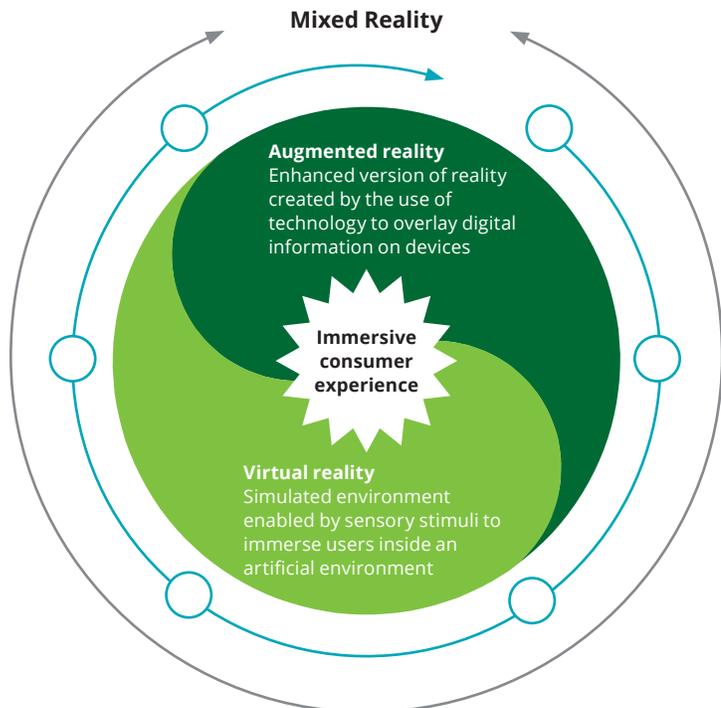
### Bringing Mixed Reality to Life for Your Organization

It is too soon to predict when mixed reality will establish itself as a ubiquitous technology but momentum is clearly building as investors continue pouring significant funding into product development, and consumer products companies deliver innovative projects to the market. To stay relevant when mixed reality hits full stride, consumer products companies should be making preparations now in anticipation of what is to come.

- 1. Explore and innovate mixed reality business cases:** Consumer products companies have already brought pilots to market that amplify brands or directly generate revenue but the most impactful ways to monetize mixed reality investments has not been codified. Stay focused on piloting use cases with tangible business improvements and keep an eye toward future opportunities to disrupt business models.
- 2. 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 leading mixed reality companies seeking to establish a foothold and carve out market dominance. Look for opportunities to engage in mutually beneficial partnerships.

- 3. Be a student of the game:** Goldman Sachs<sup>18</sup> predicts that mixed reality will be an \$80 billion market by 2025. You do not want to be left behind when mixed reality reaches critical mass. Be sure that mixed reality is included in your long-term strategic planning discussions. Establish a dedicated

committee of experts to stay current on emerging mixed reality trends and remain diligent about experimenting with innovative pilots now. This should include a close partnership with your cyber security team to mitigate any potential risks to company intellectual property (IP) and customer data.



The disruptive potential of mixed reality is incredible—and exciting. Consumer products companies have the opportunity to approach advertising, marketing, and the retail experience with completely new and intriguing ways to attract consumer attention. As the technology evolves and adoption accelerates, consumers are likely to embrace the immersive, visually rich, and personalized experiences readily, triggering yet another shift in not only how brands engage consumers, but in how we define success for consumer products companies.

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