

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 flux⁷. 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

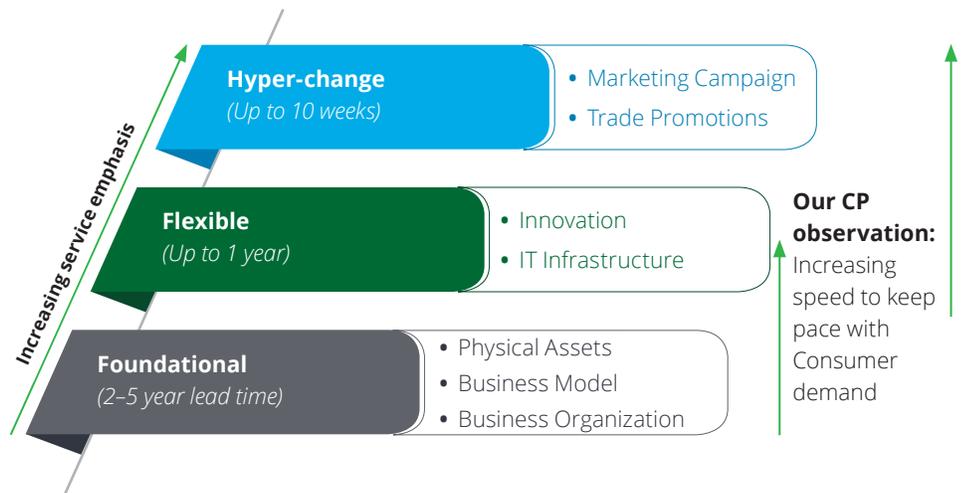
For Consumer Products companies, the definition of the kinetic Enterprise is very much aligned with the speed of Consumer Demand. When opportunities are so dynamic—often with a lifespan as fleeting as a social media trend—CP companies cannot afford to take months to respond. As a result, we are witnessing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

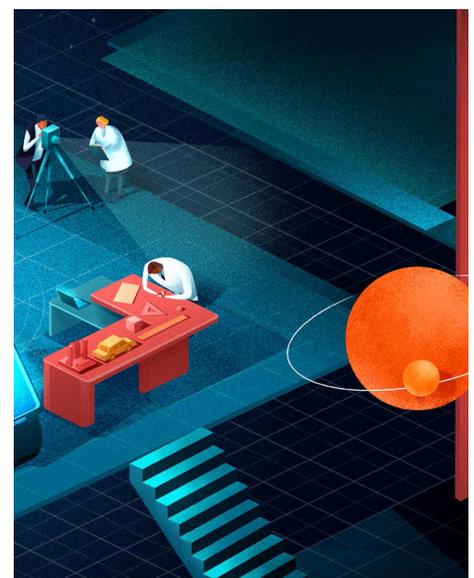
ecosystem orchestration must ensure compatibility of players and stability of core technology infrastructure

– 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.

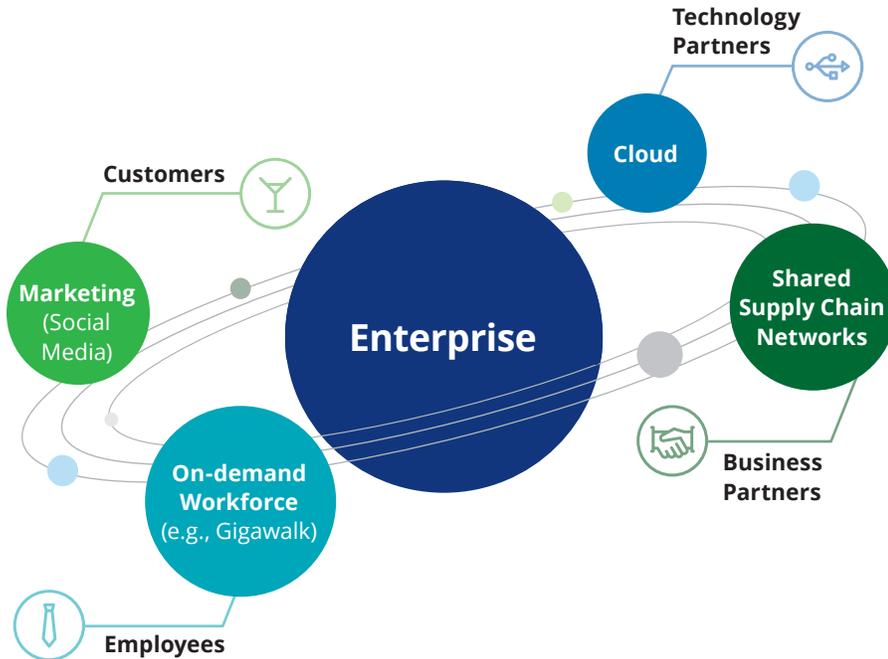
• Establish an Ecosystem-driven Infrastructure

– 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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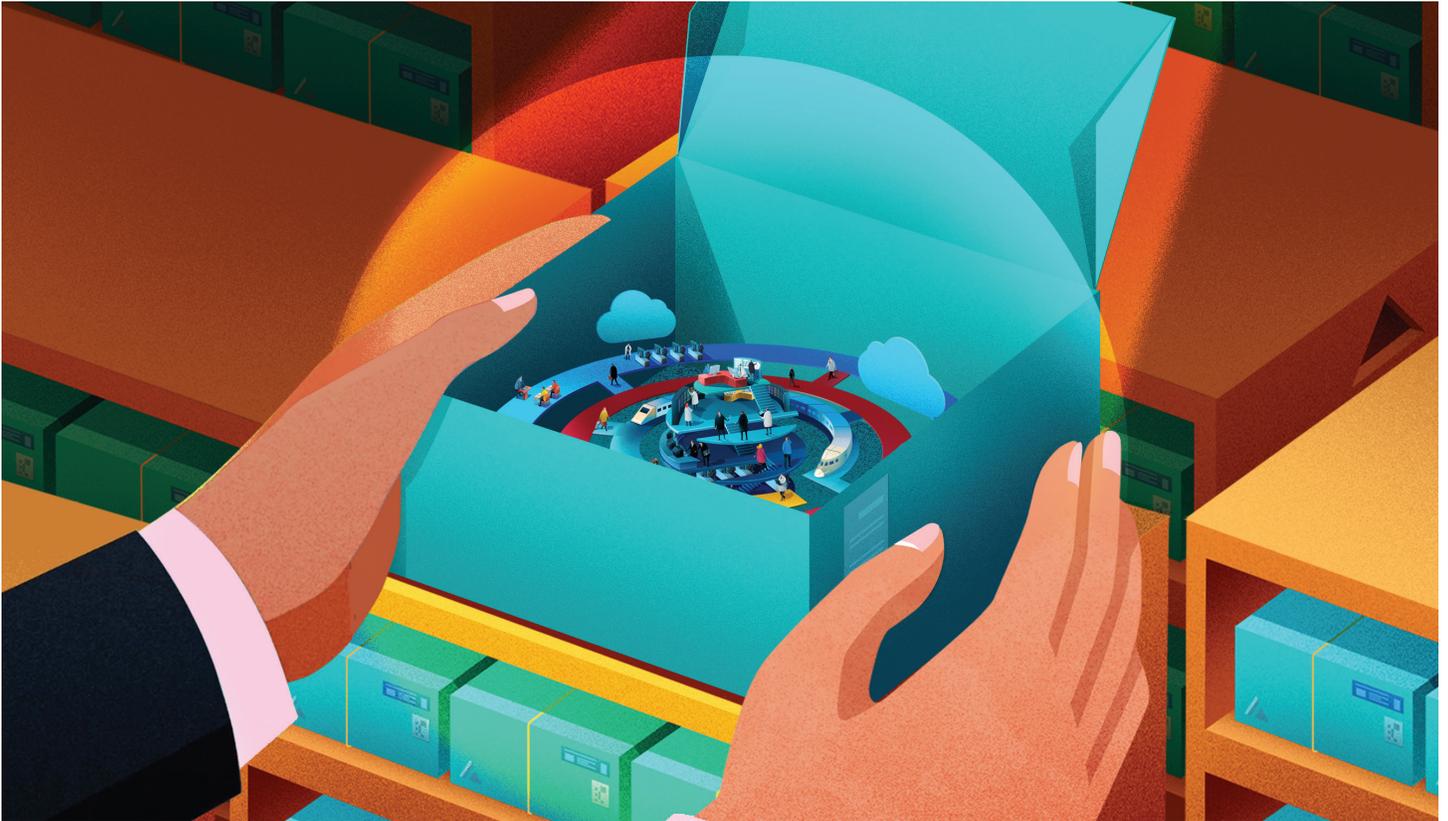
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Tech Trends 2017: A consumer products perspective

Deloitte Consulting LLP Thought Leaders

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



Everything as a Service: A Paradigm shift for Consumer Products

Reimagining the Consumer Products Organization as an ecosystem of services

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.

Less than two years ago, Robert Tercek coined the phrase “dematerialization” to describe shifting consumer preference for

physical products—consumer electronics and fixed media (cassette tapes), for example—to software-enabled services like streaming audio⁸. Today, dematerialization is happening in multiple industries simultaneously—finance and payment systems, automobile ownership and transportation, labor and manufacturing, health care and medicine—and moving up the value chain to transform the corporate environment⁹. Now commonly referred to as **everything-as-a-service (XaaS)**, this concept is poised to drive the evolution of business models across industries, including consumer products—rapidly.

Amazon is a highly visible example of this paradigm shift. Amazon has begun commercializing internal capabilities as

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services. Amazon Web Services (AWS) provides secure server space to companies like Netflix, AirBnB, and BMW. Amazon has similarly packaged internal operations such as customer service, financial services, fulfillment, and warehouse systems for external customers. The company is reportedly even laying the groundwork for its own shipping business.

XaaS for consumer products

A common misconception of XaaS is that it applies only to technology companies and services. In reality, XaaS is a mindset. While a robust technical architecture is required for enabling this transformation, XaaS relies on a vision of business capabilities, products, and processes not as discreet vertical offerings but as a collection of horizontal services that can be accessed and leveraged across organizational boundaries.

While there are many successful examples of XaaS across business processes, the XaaS benefits cases are showing highest growth and adoption when derived from maturing concepts like the contingent workforce, factory-as-a-service (FaaS), and analytics-as-a-service (AaaS). By helping organizations productize personnel, infrastructure, and analytics capabilities, XaaS expands the breadth of operating model designs that can lead to strategic and financial upside.

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pressure from legacy challenges and competitors. The XaaS framework can help organizations evaluate these opportunities and quickly strengthen the company's overall position, regardless of the area of transformation.

XaaS can provide topline opportunities for most companies, which also improves metrics such as revenue-per-employee if the firm chooses to execute a contingent workforce model, for example. While the revenue opportunities may readily present themselves, many organizations are likely to struggle with cost management in transitioning to XaaS. Allocation of capital expenditures versus operating expenses can confound managers; without careful oversight, XaaS might be immediately—and mistakenly—classified as all operating expense. Cross-functional

collaboration mitigates this challenge: IT should work with audit and finance to determine which portion can be allocated as capital expenditure.

The rise of Zero-Based Budgeting (ZBB) in consumer products companies can also help with financial and reporting challenges, since ZBB allocates funding based on program efficiency and necessity rather than on budget history. XaaS efforts are largely new business opportunities so an approach like ZBB can help control the bottom line while organizations extend existing operations to these new and diverse opportunities.¹⁰

The consumer products XaaS framework

The XaaS journey can be fraught with challenges; to that end, we propose a framework for identifying and commercializing XaaS opportunities for consumer products organizations. 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 can help leaders decide where to play and where *not* to play.



The XaaS playbook

Execution: The devil is in the details—and the communications

As popularly quoted, Jamie Dimon, CEO of JPMorgan Chase, has stated, “I’d rather have a first-rate execution and second-rate strategy any time than a brilliant idea and mediocre management.” Without a first-rate execution, an XaaS strategy is likely to do more harm than good¹¹. Effectively executing an XaaS offering will require laser focus on two necessities: an effective communications plan and an agile-driven roadmap.

In upfront and ongoing communications, define the “what” before the “how,” so your organization can focus and align on the optimal future state first. With alignment on what constitutes a robust and successful future, work back through an implementation plan built on an agile-driven approach. The market is moving fast and revitalization of key functions in your organization is a significant undertaking. One pathway to success without fundamental negative impact to the core is to move fast and iterate. Embracing this pace and process will help you drive more smoothly 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. Evaluate your existing culture for aptitude and appetite for change: You should measure and fully understand the adaptability of your workforce. Start with conversations among peers to establish a shared vision, followed by formal communications, knowledge-sharing programs, and XaaS learning opportunities. As a critical mass of advocates builds, offer more education and training to drive awareness and understanding of the positive impact XaaS could have for your business, financially and culturally.

XaaS is already showing clear emerging signs of the potential to provide tremendous upside to consumer products companies. Whether achieving cost savings through operational efficiencies or topline growth through building net-new revenue opportunities, leaders must identify the potential positive and negative impact on their businesses. How these impacts will be realized depends on the approach to evaluating and executing opportunity areas. The consumer products XaaS framework and the XaaS playbook provide guidance on how to think about this broad and evolving trend so leaders can properly approach XaaS and leverage it to their organization’s advantage.

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