

Sector Analysis:

Consumer Products, Retail, Distribution & Transportation

The Consumer Products, Retail, Distribution & Transportation (CPRDT) industry sectors are going through paradigm shifts - digitalisation of everything, from customer interaction through to shopping, to products, to channels. This shift has meant unparalleled opportunities, as well as existential threats to current business models, which has led organisations in the CPRDT sectors to, co-innovate and collaborate with partners and customers to enhance their products and services. Although spend on technology as a percentage of overall revenue is amongst the lowest in these sectors, early adoption of digital technologies offer organisations the opportunity to be at the forefront of innovation to drive consumer engagement.

The **key trends** across the CPRDT sector can be categorised as Digital Customer Experience, Digital Supply Chain and Sharing economy & Crowd-sourced models:

1. **Digital Customer Experience:** focuses on offering compelling customer experience and engagement across physical and digital channels (enabled by mobile and online to offline integration). This also supports personalised, relevant and real-time offers based on deep customer insights.
2. **Digital Supply Chain:** encompasses end-to-end supply chain performance using capabilities such as real-time and granular visibility of demand and supply across the



Insightful use of digital and IT advances offer organisations in the Consumer Products, Retail, Distribution & Transportation industry sectors multiple possibilities to deliver compelling value propositions in customer journeys, and the ability to attain breakthrough levels of enterprise performance.



ecosystem, next generation of pick-pack-ship, and so on. These capabilities in-turn are an enabler of seamless Digital Customer Experience.

3. **Sharing economy & Crowd-sourced models:** The Transportation sector is being disrupted by continuous growth in the Sharing economy, with consumers and enterprises moving away from owning vehicles to subscribing to alternate transportation methods, which will be followed by fleets with autonomous vehicles. Models such as crowd-sourcing are disrupting last mile delivery, compelling third-party logistics and fleet management firms to adopt or acquire such capabilities.

Digital Customer Experience and **Digital Supply Chain** are supported by the following capabilities

- **AI/ML and advanced analytics:** is applied across a range of business use cases to gain insights for decision

making, be it customer insights for a retailer to make personalised offers, accurately predict demand, and so on.

- **VR and AR technologies:** are being harnessed to augment customer experience and how they interact with products across channels in a personalised manner, for efficient warehouse operations, and so on.
- **IoT:** IoT and telematics are combined with analytics for insights into driver and vehicle behavior, which in-turn is used for, predictive fleet maintenance, real-time tracking of goods, and enabling logistics companies to run operations efficiently. Sensors are used in stores in combination with mobile apps to provide guided shopping. Smart digital shelves help to gain insights into shopper behavior and detect stock levels to trigger corresponding actions.

- **Cloud:** adoption of a combination of a public and private cloud for newer apps capabilities (to support demand/supply chain visibility and so on) enable quick ramp-up and ramp-down based on usage levels.
- **Insightful application enhancements:** that are low-touch high-impact in nature unleash enterprise value by ensuring that the new digital solutions work in concert with the rest of the enterprise systems.

The trends captured above signal how the digital foundations of an enterprise in the CPRDT sector need to be transformed, best captured in the following industry examples:

1. Rebecca Minkoff, a high-end clothing and accessories retailer, implemented Magento Commerce on the cloud, to create digitally connected walls in stores, checkout via mobile apps, to provide a differentiated experience to shoppers (data was also collected on consumers shopping patterns and preferences). The company saw ~6x increase in sales within 6 months.
2. Claire's® Stores, a specialty retailer of fashionable jewelry and accessories, digitally transformed its business by creating an engaging and immersive digital experience online using Salesforce Commerce Cloud, leading to a 20% increase in checkout completion on mobile devices since launch.
3. Supercheap Auto, a leading automotive parts and accessories retailer, introduced a click-and-collect service enabled by near real-time inventory visibility across its entire network and in-store fulfillment capabilities, which led to a 75% increase in digital sales.
4. A leading global beverage company improved its product level demand forecast (26 weeks out) accuracy from 60% to 85% across categories using a predictive model developed using Azure ML studio. The predictive model was trained using more than 300+ factors that included internal and syndicated data. This was done as an enhancement in the context of an ADM engagement.
5. Otto, a leading German eCommerce company, cut surplus stock by 20% and reduced product returns by 2+ million items a year by using an AI algorithm to predict what would sell in next 30 days and automatically orders 200,000 items a month from vendors without human intervention.
6. Tesco shared real-time Point of Sale data with Kellogg's to understand purchase patterns, helping Kellogg's to fine-tune its shipping schedule. This helped Tesco recapture USD 4+ million in lost sales and improve customer satisfaction.
7. Proctor & Gamble's Olay brand has a Skin advisor platform (online, mobile) that uses AI and deep learning to provide smart skin analysis and personalised product recommendations to beauty care shoppers.
8. As a part of its ADM engagement, a leading furniture retailer implemented a customer journey dashboard on its omnichannel commerce platform, to proactively monitor end-to-end customer journeys and fix potential issues that could lead to abandoned carts. This led to a 5% reduction in abandoned carts and 2% increase in sales.
9. Unilever uses social media platforms to connect its marketers, brand managers and partners in 190 countries, to share knowledge, best practices and creative assets, which in turn helps them in having a centralised marketing strategy. This enables them to sense and respond to inputs on a real-time basis and constantly review and change marketing strategies.
10. Large Logistics companies such as DHL are partnering with last mile delivery startups such as Sendle, which work on an Uber-style crowd-sourced model, and have prebuilt integrations with leading eCommerce platforms, CMS and CRM systems.
11. Multiple retailers such as Meijer, Costco have partnered with Shipt (an on-demand grocery delivery service) to offer same day delivery of products to their customers to counter the loss of market share to large players such as Amazon and Walmart. Shipt's network of vetted shoppers, in each market, shop on behalf of consumers placing their orders using Shipt's mobile app, which has the latest assortment and inventory information by store, based on real-time integration with retailers.
12. Trenitalia, the Italian rail transportation company increases efficiency and extends equipment utilisation using IoT and SAP Predictive Maintenance on HANA cloud.

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