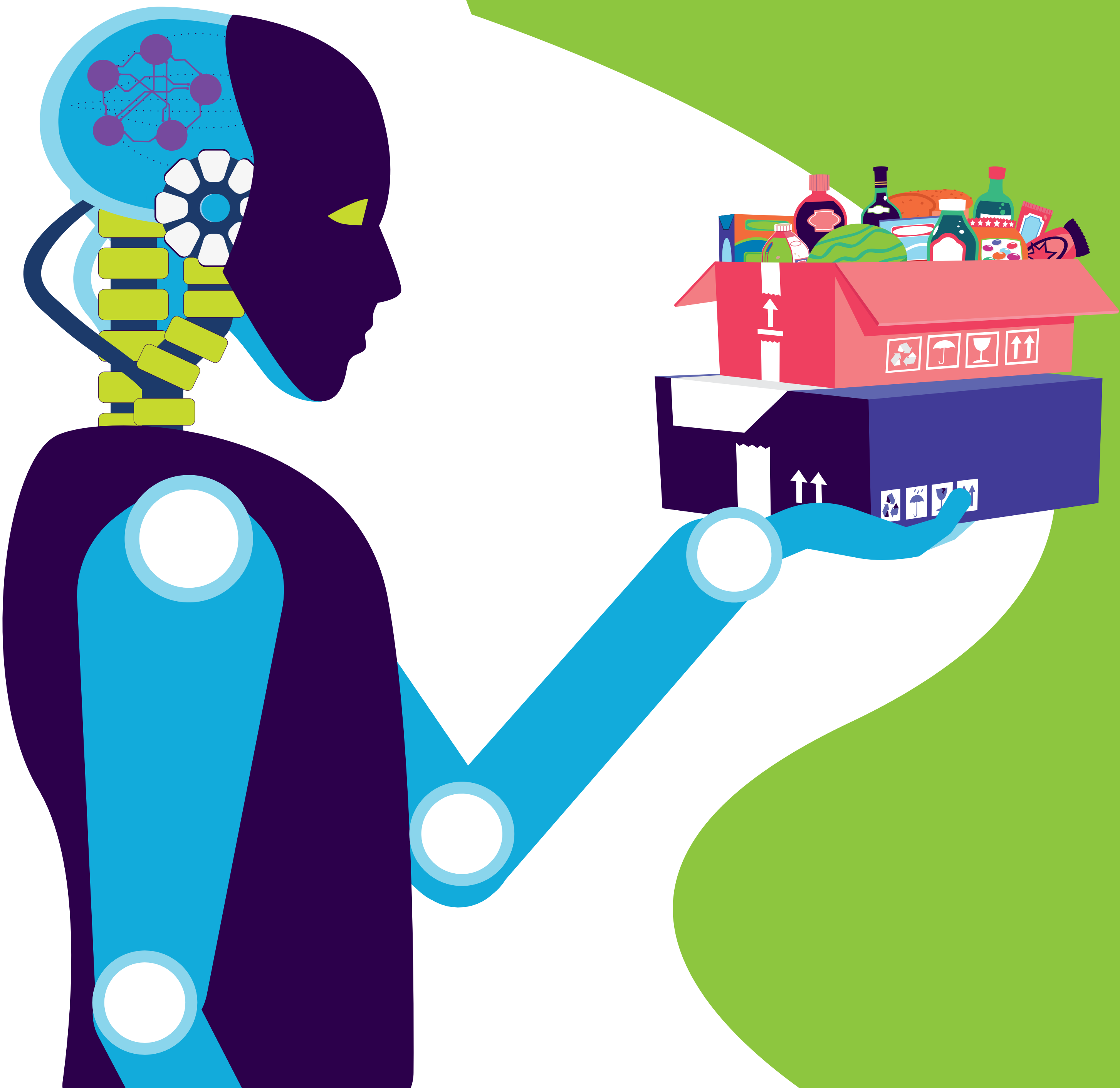
Reimagining finance for the digital age

Consumer Products sector



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Introduction—drivers of automation

Organizations in every sector face the challenge of becoming responsive and insight-driven businesses. Consumer products firms are no exception, but they must pull this off while customer demand and distribution channels become increasingly fragmented and margins are squeezed ever tighter.

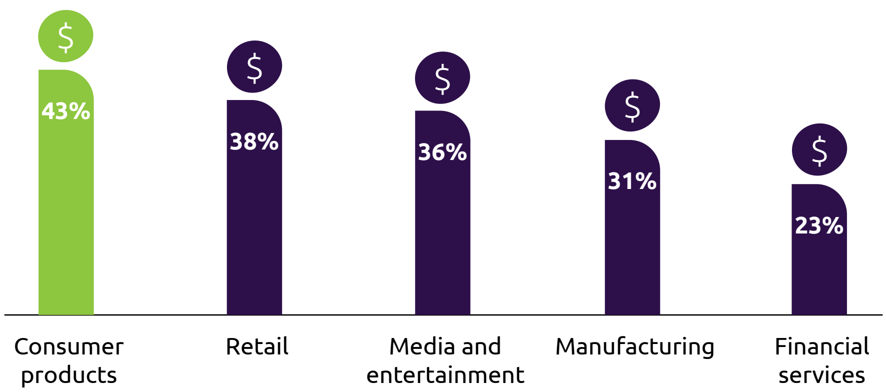
To support that transformation, the finance function must also raise its game, providing the business with deeper insights while continuing to find efficiencies. The automation of finance operations using intelligent technologies such as robotic process automation (RPA), artificial intelligence (AI), and machine learning is integral to this effort.

For many consumer products firms, finance automation is part of a broader effort to automate front- and back-office processes. In a Capgemini survey, 44% of senior finance executives from the sector say that their firm has an enterprise-wide automation strategy.[1] The same proportion—43%—say that an agreed automation strategy is being pursued in the finance function. In terms of having a strategic focus for automation, finance teams in consumer product firms appear to be ahead of those in other sectors (see Figure 1).

What do consumer products firms seek to achieve through automation? Some hints can be found in the respondents' rankings of their companies' strategic priorities. The reduction of operating costs is their top-ranked imperative, followed by reducing the cost of compliance and helping the company to enter new markets. Three other high-ranking objectives are improving the customer experience, innovating new products and services, and improving cybersecurity.

As we will see below, consumer products firms are seeing finance automation gains today that broadly mirror this list of business priorities—or they hope to see them in a few years. This suggests a degree of alignment in enterprise-wide and function-specific automation strategy.

Figure 1: Share of respondents with an agreed automation strategy for the finance function



[1] *The survey of 500 senior finance executives, conducted in January and February 2018 by Capgemini and Longitude, included 100 executives working in the consumer products sector (54 in Europe and 46 in North America). The conclusions from that wider research effort are presented in Reimagining finance for the digital age.*

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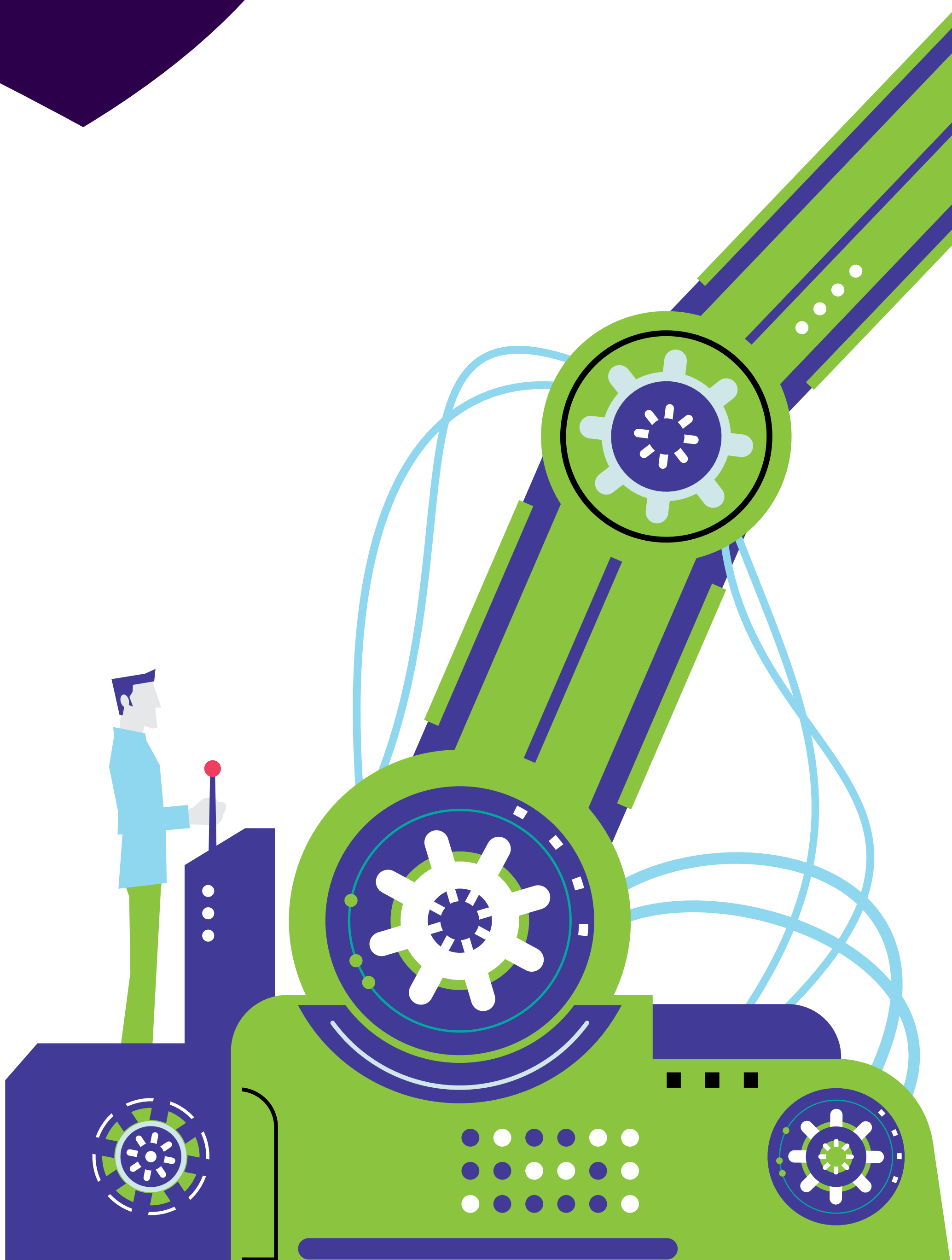
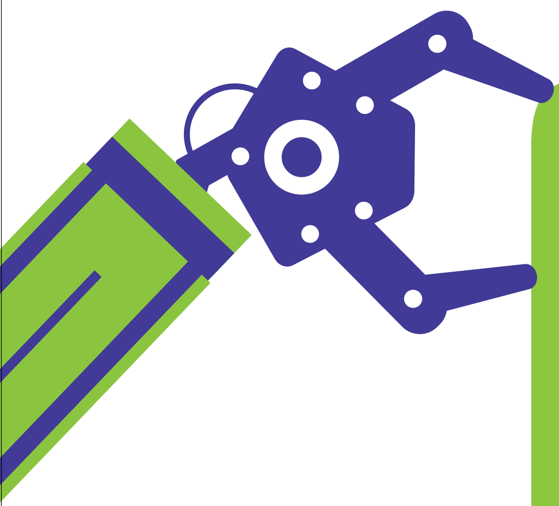




Defining automation

For the purposes of this study, automation is defined as the application of technologies such as RPA, AI, ML, and chatbots. Within the finance function, automation lends itself to numerous processes, such as invoicing, order management, payments, journal entry, and many more. In this context, the term "robot" typically denotes a software program that drives the automated execution of a process.

About the research

The analysis in this report draws on *an online survey of 500 senior finance executives* conducted in January and February 2018 by Capgemini and Longitude.

Seven in 10 survey respondents are finance directors (39%) or finance operations directors (31%), with the balance consisting mainly of finance transformation directors or managers, chief financial officers (CFOs), and controllers. Quotas were set on the sample to deliver an even split between five industries: consumer products, retail, financial services, manufacturing, and media and entertainment.

We also set quotas on geography, with half of the respondents based in North America and the other half in Europe (mainly in the UK, Germany, and France). All work in large organizations that have an annual revenue of €2 billion or more.

We also obtained in-depth insights from interviews conducted with the following individuals:

- Daniel Borges, Senior Vice President, Chief Account Officer, Iron Mountain
- Violet Desilets, Vice President, Financial Services and Systems, Staples
- Katja Hinojosa, Finance Transformation Director, Tetra Pak
- Bob Kurpershoek, Director of Financial Operations, NBCUniversal
- James Merrick-Potter, Head, Robotic Automation Unit, UK Cabinet Office
- Thomas Newman, Director, Solutions Development, General Mills
- Thomas Peyton, Vice President, Service Excellence, Wolters Kluwer
- Nick Prangnell, Global Head, Finance Shared Services, Iron Mountain
- Wayne Walker, Director, Financial Operations, Global Business Services, General Mills
- Brian Warnert, Director of Operations, Global Business Solutions, General Mills

Finance automation maturity

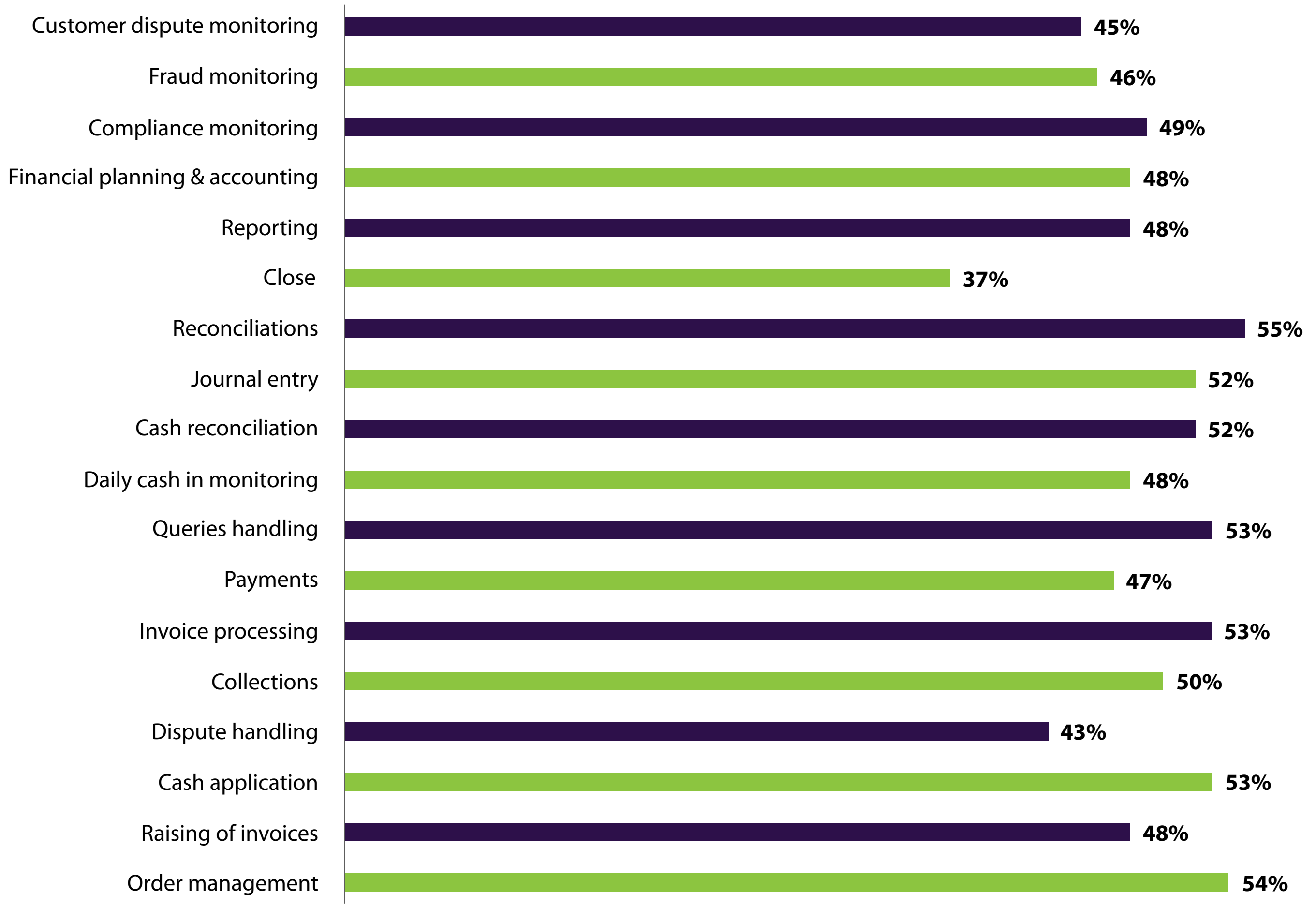
Consumer products firms in the survey have made considerable progress on finance automation—particularly compared with those from other sectors. For example, they make up the largest contingent (27%) of the automation "Masters"—a small group of finance teams in the wider survey that are outpacing the rest in the automation of finance processes. See *Reimagining finance for the digital age* for a detailed discussion of this group.

Of the 100 executives of consumer products firms in the survey, over half report that several of their order-to-cash processes have been fully or nearly fully automated. For example, 54% have reached this level of automation in order management, and 53% in cash application. Both of these figures are the highest of the five sectors in the survey.

In the record-to-cash category of processes, 55% of sector respondents say that reconciliations have been fully or nearly fully automated, and 52% say the same of journal entry—again, these are the highest figures among the sectors. On the other hand, no more than 37% of consumer products finance teams have reached the same level of automation of close processes. Dispute handling (43% of firms) and customer-dispute monitoring (45%) are other processes that are automated at less than half of consumer products companies (see Figure 2).

There are leaders in automation that are automating consistently. The finance team at General Mills, a US-based manufacturer of consumer food products, for example, is automating its seven core transactional process areas. This includes accounts payable, cash application, fixed asset accounting, and general ledger activities. "We leverage best-in-breed workflow tools and software-enhancing applications that allow us to process consistently and in a standardized manner," says Brian Warnert, the firm's director of operations for Global Business Solutions.

Figure 2: Share of consumer products organizations that have fully or nearly fully automated the following finance processes



Early returns lay the groundwork

General Mills' approach to finance transformation is broadly representative of that taken by consumer products firms in the survey. It starts with a focus on delivering cost efficiencies from automation while setting its longer-term sights on more ambitious—and arguably more challenging—objectives, such as providing data-driven insights to other parts of the business.

"The early gains that we've been after involve driving down the cost of finance, says Thomas Newman, the firm's director of solutions development. "After that comes building a global data model with which we can continue to drive efficiency but also improve our ability to generate real insights for the business."

When it comes to benefits they have already seen from finance automation, consumer products sector respondents cite the reduction of operating costs more frequently than any other (37%). Close behind are improved financial planning (with rapid access to financial data and enhanced analytics), improved regulatory and legal compliance, and greater process efficiency. In all but the last benefit, more consumer products firms appear to be gaining full returns today than those in other sectors in the survey (see Figure 3).

When it comes to cost reduction, automation is usually one element of a multi-pronged effort by finance teams. At General Mills, the firm has achieved cost savings of between 30% and 50% on its core transactional processes in the past few years, according to Brian Warnert. It also expects to generate savings as it automates reporting, planning, data management, and insight generation—although Warnert says the ultimate magnitude of the savings is yet unclear.

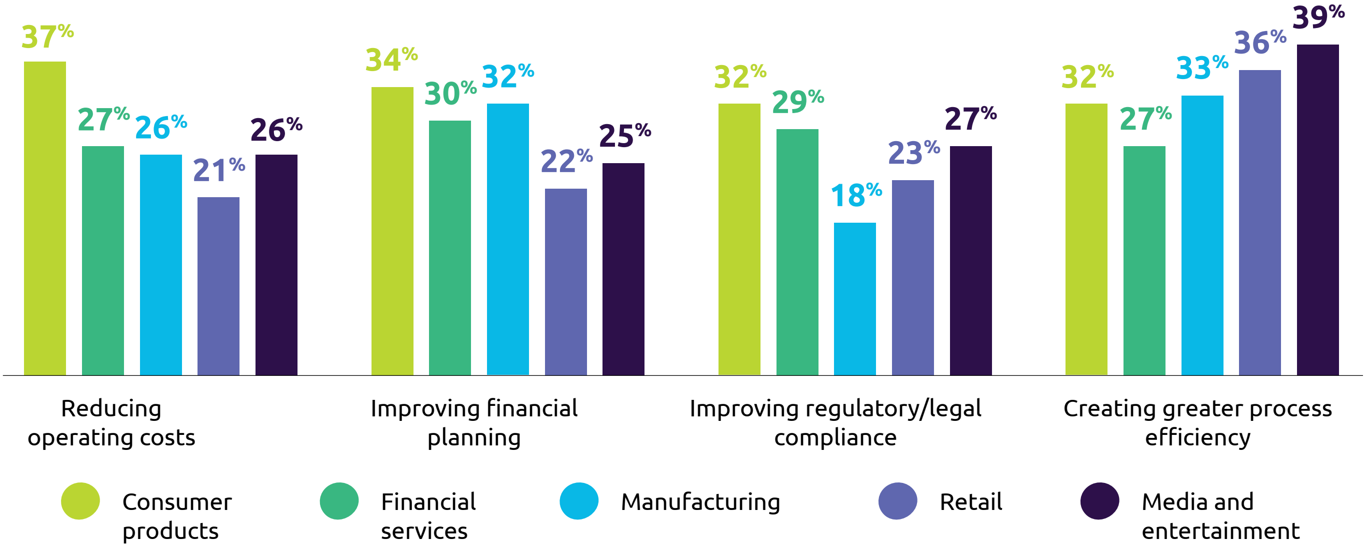
Cost efficiencies are valuable, but consumer products firms expect even bigger benefits from finance automation in the next three years. For the survey respondents, these include new business insights (using analytics to identify trends in data) and a better customer experience—partly by making finance processes faster and more accessible for end users.

For many finance executives, achieving these gains will allow their function to be seen as a strategic partner to the business. More than three-quarters (76%) of sector respondents agree—38% "strongly"—that automation done well can transform the finance function from scorekeeper to strategic business partner.

Mastering advanced data analytics is a prerequisite to realizing this vision. With the help of analytics, says Warnert, "We can move up the value curve to help drive the business for growth rather than just process efficiency."

These benefits may also depend on finance teams' ability to master AI and machine learning. Firms can achieve the cost savings they are generating today with RPA tools, which will also free up staff from repetitive manual processes and allow them to be redeployed to higher-value activities. When firms use AI and machine learning to drive automation, however, their insight generation, forecasting, planning, and risk management become much more ambitious.

Figure 3: Share of respondents who say that the benefits of automation have already been fully realized



Strategy and leadership drive adoption

The success of any transformation project depends on a clear strategy and dedicated leadership. Both appear to be in place for many consumer products firms in the survey. Not only are they ahead of other sectors on following a finance automation strategy, but substantially more consumer products respondents have also identified key areas for automation (45% compared with no more than 32% in each other sector). They are also more likely than all other sectors except one to have an ongoing process to identify new initiatuves (see Figure 4).

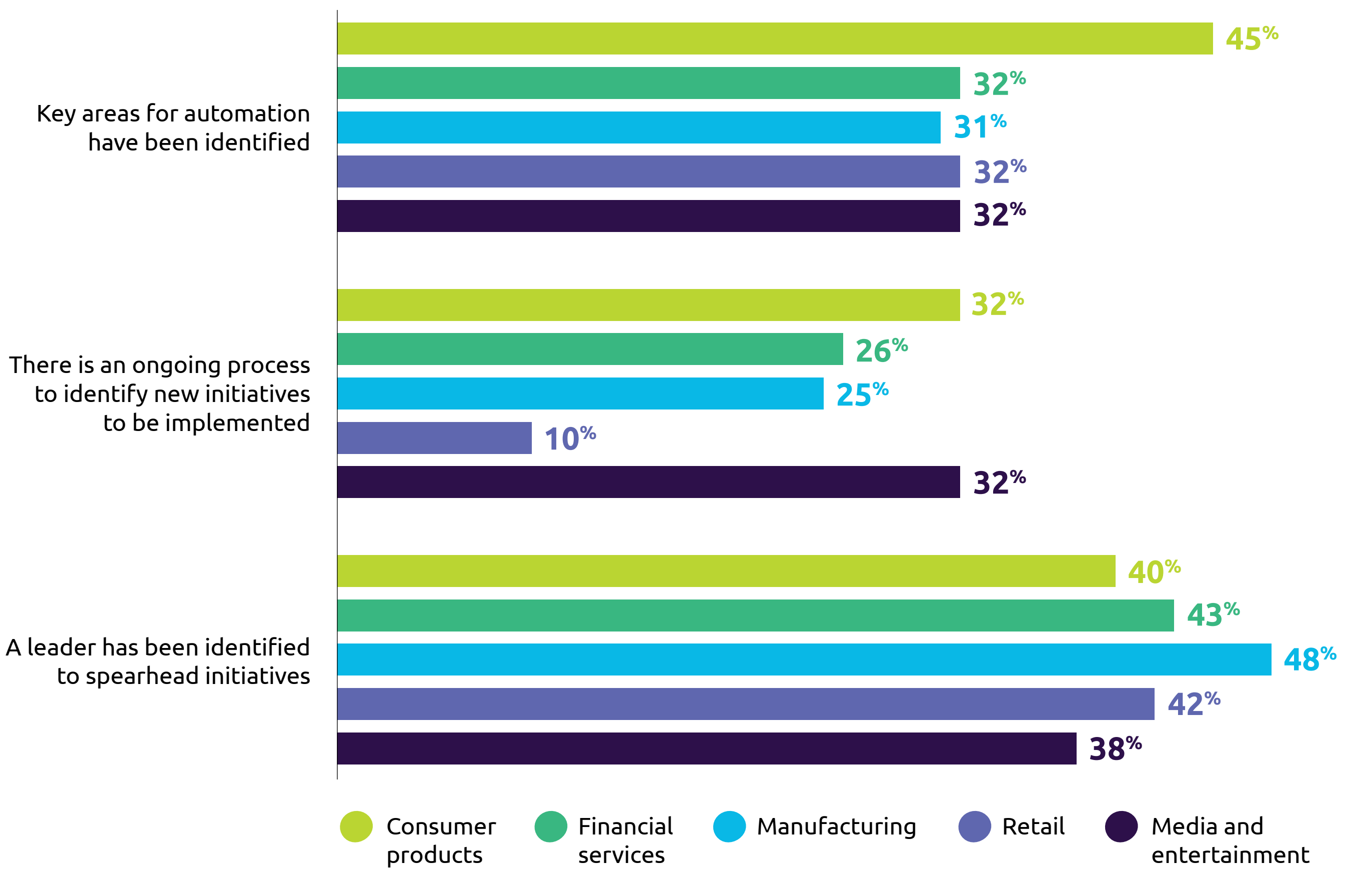
Just over half of respondents from the consumer products sector say each department in the company typically has a dedicated team or leader to drive that department's automation. And 40% say they have identified a leader to spearhead finance automation.

That individual is very likely to come from the finance function. Over half (52%) of consumer products respondents say that finance itself will lead the automation strategy within the function, and another 42% say this is likely. The IT department's role, meanwhile, is more likely to be of a consultative nature.

The respondents are undecided, however, about whether finance should take a leading role in automation beyond its function. Only 36% of consumer products executives strongly believe that finance is ahead of other enterprise functions in automation, and no more than 40% strongly believe that it should take on a wider leadership role.

Finance automation in consumer products is benefiting from strategy and leadership, but the sector does have areas of weakness. Only 30% of consumer products executives say there is a clear governance framework in place to guide automation. An even smaller proportion, 20%, report that budget has been assigned to the strategy. So it is still early days for finance automation.

Figure 4: Share of those respondents with a clear strategy for finance automation or are developing one, who have the following elements in place



Multiple constraints to address

Costs feature in firms' early benefits from finance automation, but they are also a barrier to progress. Asked to list the toughest challenges they currently face in adopting automation technologies, consumer products sector respondents point first to budget constraints.

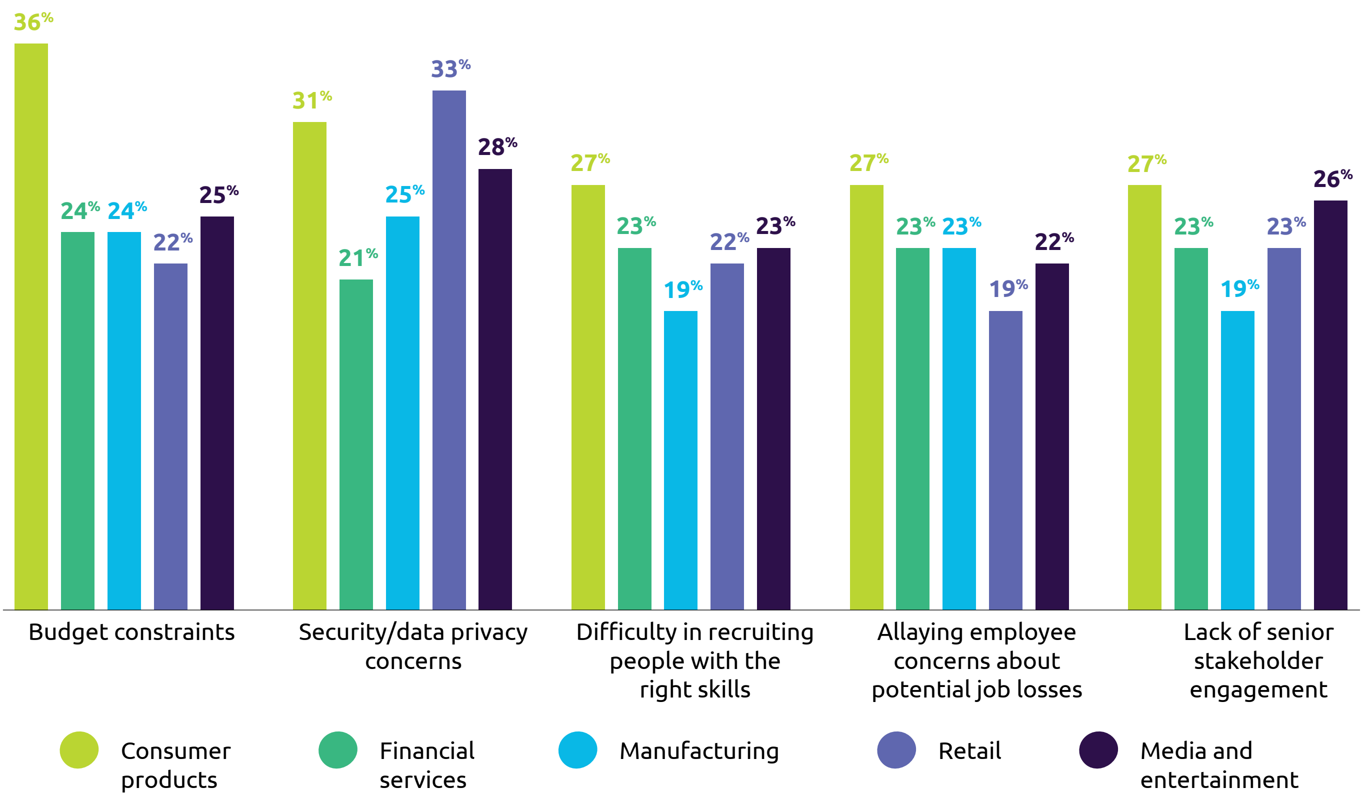
Consumer products finance teams are not concerned about the burden of legacy technologies—although this could change as their automation matures (as exhibited by the "Masters" in the wider survey sample[2]). For the consumer products sector, other issues currently pose bigger challenges. Aside from budget and security and data privacy concerns, these challenges revolve around awareness and knowledge.

Indeed, the sector has more to do when it comes to building knowledge among senior management and finance staff about the implications of automation. For example, over a quarter (27%) of respondents say that lack of senior stakeholder engagement is a challenge of automation.

Eight in 10 (81%) say that senior management's awareness of automation's benefits needs to improve. Education about automation could also help to allay employees' concerns about possible job losses, which figure prominently in respondents' lists of challenges and potential risks.

"Process operations is on the cusp of a shift from human labor to machine-type labor, and there's a lot of learning to be done around that," says General Mills' Warnert. This applies to building knowledge and awareness as well as to governance. With a few years of automation experience behind them, finance teams should have a much better feel of what automation can and cannot—and perhaps should not—do for them.

Figure 5: Key challenges for the finance function in adopting automation technologies (share of respondents ranking challenge 1, 2, or 3)



[2] *Masters list legacy technology as their top automation challenge—see our report, Reimagining finance for a digital age.*

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Brian Warnert

Director of Operations, Global Business Solutions, General Mills

Conclusion— moving along the maturity curve

What does the research tell consumer products firms about how to succeed at finance automation?

- **A joined-up strategy provides a firm footing for automation success—**their agreed finance automation strategies are one reason why consumer products firms are so prominent among the automation Masters. Another is the fact that virtually the same number of firms have an enterprise-wide automation strategy. This similarity between the numbers suggests that there is some coordination between the two, which can only help the finance team.

- **The vision for automation should extend beyond cost efficiency—** companies are generating tangible automation returns today—in the form of cost savings—but for the finance function there are bigger prizes to be won. If it can provide valuable insights to other functions and improve the customer experience through more streamlined finance processes, its profile as a strategic partner to the business will rise.

- **It may be early days for automation, but governance should be addressed now—**only a handful of consumer products firms say they have a governance framework in place for finance automation. There are lessons to learn about the types of controls that are needed, but foundations should be put in place as soon as possible.

- **And there is no time to lose in building knowledge and awareness—** organizations can remove budget constraints on the adoption of automation technologies quite quickly, but building knowledge and awareness will take time. As finance leaders educate senior management and their own employees about automation's benefits and challenges, they will get buy-in and alleviate many organizational concerns about the risks.

About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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