Building a Business Model for Success:
Using Advanced Computing Platforms to Deliver Sustainable Growth in the Consumer Products Industry

A Frost & Sullivan White Paper
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Consumer products companies operate in an environment that moves quickly, where customer loyalty is not assured and many forces can challenge a brand. Companies that can cultivate lifelong relationships with their customers will build a competitive advantage. The consumer products market has entered the 21st century and product manufacturers need to collaborate with an ecosystem of partners, while carefully managing their products from raw materials to finished goods. All of these factors are forcing companies to change their business models to fit today's dynamics. Leading companies are creating business models based on insight—into customers, partners and their own business processes—and consumer products companies need advanced computing platforms that are fast, agile and resilient to sustain these powerful new business models.

USING INSIGHT TO POWER PROFITABLE, SUSTAINABLE GROWTH

The intensely competitive, rapidly moving consumer products business can be an unforgiving place for static, inflexible business models. Consumer product companies and brands face technology-savvy, demanding customers, sophisticated competitors and complex ecosystems of partners. In the 21st century world of pervasive information, battle lines for mind share and market share change quickly, making agility a survival advantage. Powerful forces impact the industry. Food and product safety issues and plummeting consumer loyalty threaten brands that were formerly strong. Volatile commodity prices challenge profitability and a turbulent global economy can weaken the long-term stability of business plans.

Consumer product companies often respond to these threats by focusing on the short term, seeking to generate quick returns. Executives count on today's success to somehow power tomorrow's growth, but such short-term thinking stifles innovation. There is a flood of information—from channels, from operations, from suppliers and, above all, from consumers themselves—that can help these companies look beyond the immediate and plan sustainable and profitable future growth. However, most consumer product business models are not able to handle such volumes of information.

The powerful forces impacting the industry are forcing consumer products companies to develop new models with new capabilities to help them maximize profitable, sustainable growth. Rather than see these forces as threats, smart companies see them as opportunities. With this perspective, these companies are following four business imperatives to guide them as they develop new, 21st century business models:

1. Build lifeline relationships with customers to strengthen the brand and turn customers into advocates;

2. Collaborate with channel partners to drive efficiency, which builds the foundation for increased profitability;

3. Manage products from raw materials to finished goods to ensure that the right products are produced for the right customers at the right time, generating strong margins; and

4. Manage business performance through increased visibility, essentially embedding a culture of insight into the fabric of the organization.

Consumer products companies following these imperatives rely on deeper customer and business insight that is delivered from careful information management and the skillful application of advanced analytics. These forward-looking companies welcome new commercial models that put advanced information technology (IT) at the core of their business infrastructure. This enables real-time delivery of insight that is based on a wide variety of organized and accessible data to drive decision-making. Moreover, supported by insight into their supply chains and demand chains, consumer product executives can make more informed decisions in real time and with
longer horizons and across functional departments. Additional insight delivered to line-of-business managers and senior leadership is used to address strategic challenges. All of this is possible using a technology-enabled, insight-driven business model, which will be fast, agile and resilient, but consumer product companies need computing platforms that support this level of performance.

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WHY ADVANCED COMPUTING PLATFORMS MATTER

Advanced computing platforms that are fast, agile and resilient matter because they enable consumer products companies to use massive amounts of data to gain critical insight into the forces shaping their business. With this level of perception, they can anticipate the impacts of disruptive forces on their supply and demand chains. Knowing their customers better, for instance, gives them the ability to deliver innovative products and personalize services to meet customer needs. At the same time, these companies can have a greater awareness of their partners and be oriented to proactively manage their ecosystem to make it more effective. This will not only raise the level of collaboration in the entire chain, but it can also differentiate them from the competition, drawing the best suppliers to them. Speed, agility and resilience can also help the company visualize the entire process, from raw materials through production to delivery. This improves quality control as well as controls inefficiencies. Finally, an advanced computing platform also matters because it can give a consumer products company deeper comprehension into its own operations to help identify areas for increased optimization, managing performance through insight rather than habit or guesswork. Consumer products companies that are able to organize themselves around an advanced computing platform that is fast, agile and resilient are equipping themselves for higher business and competitive performance. Advanced platforms, such as the IBM X6, can give them these advantages.

Building Lifelong Relationships with Consumers

When consumer products companies accept that consumers are savvy and empowered, and that satisfied customers are advocates for their brand, a long-term, customer-focused strategy becomes clear. The strategy is based on understanding individual customer needs, preferences and buying behaviors. Consumers are using a multitude of channels to communicate with retailers, brands and each other, and these social media and Internet channels give consumer products companies a wealth of data on consumers. A lifelong relationship with consumers starts with an understanding of how each customer defines value, as well as ascertaining how that value translates into preferences for new, innovative products. By knowing these things, a consumer products company can anticipate demand trends and be proactive. They can not only see over the horizons when developing products, but also in delivering them and maintaining their relationship with each customer. Extending this relationship downstream, the company will be able to better engage with its retail partners, enabling faster and seamless store-level execution of marketing and sales strategies. Finally, the smart consumer products company
Building lifelong relationships that rely on insight requires vast amounts of data that comes in a variety of formats and is increasingly captured in real time. A manufacturer uses this data to collaborate with its supply partners to develop innovative products quickly and then push them into the market through a variety of outlets. A computing platform that is fast can run analytics in real time on static or streaming customer data and then deliver the results to any number of personnel in the organization. Equally important are the feedback and outreach channels that keep the company engaged with its consumers, so that the relationships are strong, honest and lasting. To build relationships at this level, the company must have an agile business infrastructure that can scale up or down to handle changing demand from multiple sets of users in a collaborative environment. Customer-facing teams, for instance, as well as supplier and production teams, operate in a dynamic environment and need to be supported by shared computing resources that are highly resilient to ensure they can run seamlessly and without interruption.

The business impact of a high-performance computing platform can mean increased consumer loyalty and revenue, harvested from highly satisfied customers. Marketing and retail execution of strategies can be more effective when the infrastructure to support collaboration enables speed and sharing. As well, the depth and accuracy of understanding possible with these lifelong relationships means that waste is cut dramatically, enabling consumer products companies to reduce inventory and trade promotion costs. Ultimately, a fast, resilient, agile platform is able to support insight-driven business models to support meaningful, lasting relationships between brands and consumers.

Collaborate with Channel Partners to Drive Efficiency

In the 21st century business environment, no one company can do it all and channel partners are necessary for success. In much the same ways that a consumer products company needs to understand its customers, so, too, does it need to understand channels partners and work with them effectively. Insight is at the heart of effective collaboration and it hinges on business intelligence analytics—practices that are applied to supplier, wholesaler, retailer and other channel partner data to understand and optimize relationships. Collaboration means taking those insights, recognizing how to allocate and optimize value among partners, share information necessary to perform business functions, and make decisions based on shared knowledge.

Effective collaboration across the value chain requires a business infrastructure based on computing platforms that can support advanced database and information-processing workloads for business intelligence functions. The infrastructure also needs to support a B2B e-commerce system that makes the supply chain transparent to partners. Information-sharing workloads need a fast platform to enable a consumer products company to manage large volumes of data from all over the supply chain in real time, as well as analyze and predict the impacts of changes to the ecosystem. The platforms underpinning ecosystem collaboration—both in the supply chain and in the demand chain—also need to be agile to allocate processing resources to handle multiple workloads simultaneously, including billing, materials management, shipping, etc. Resiliency enables a company to dynamically accommodate multiple partners with different needs and make critical information available at all times.
If a consumer products company bases its collaboration capabilities on fast, agile, and resilient computing platforms, then it can achieve and share advanced prescriptive analytics capabilities across the ecosystem. Better collaboration also improves marketing and retail execution performance, and ensures swift and effective business decisions.

**Manage Products from Raw Materials to Finished Goods**

The end-to-end management characteristic of a 21st century business model is built on an integrated value chain, based on insight. It can start with a deep understanding of customer needs that guides product development. This can link directly to procuring raw materials based on accurate projected demand for products. In the demand chain, end-to-end management means running marketing programs based on product attributes that reflect solutions to customer needs. Finally, it culminates in executing the sales and delivery of finished goods through retail channels, as well as providing after-sales support and customer outreach to close the circle with the supply chain.

Consumer products companies can build such end-to-end management systems with agile, fast and resilient computing platforms. Agility is an asset when a company needs to manage different parts of an extended chain simultaneously. Speed becomes important when network analytics are used to provide visibility and status data in any part of the chain to managers. Finally, resilience is a must-have to monitor and coordinate the participants in the chain to maintain quality, performance and, ultimately, consumer satisfaction. Advanced computing platforms with these capabilities can help consumer products companies reduce raw materials costs, increase their visibility of inventory and predict anomalies, and help mitigate risk as the value chains expand globally.

**Manage Business Performance through Increased Visibility**

A forward-looking company can also use insight-driven business models to optimize its business performance through increasing its visibility across the organization. Leveraging data is the key to insight-based management, and a company must start this by enabling the free flow of data throughout the organization. Analytics are layered onto the data foundation and can create innovative views on products, markets, business and IT models. As data management and analytics become entrenched, the company begins to transform its organizational processes to transform the way it collects, understands, and uses information across business functions. The value of an insight-based business model will manifest itself in improved business performance as the expanded visibility it affords managers enables them to refine and optimize processes and enhance collaboration and decision-making.

The concrete benefits such a model brings a company include increased access to information across lines of business and improved decision-making across the enterprise. From a foundation of increased visibility, a company can realize additional benefits when insight can help executives achieve new business intelligence that can drive profitable and sustainable growth.

**CAPITALIZING ON THE OPPORTUNITY OF INSIGHT**

There can be little debate that the consumer products industry is challenging. Demand chain issues, including empowered customers who react quickly to things such as food and product safety issues, mean that consumer loyalty and brand equity are no longer assured. Volatile commodity prices and a turbulent global economy can be equally disruptive to a company’s supply chain. In such an environment, the long-term stability of business models created in different times is threatened. However, if consumer products companies create business
models based on insight, they can capitalize on the opportunity to build stronger ties with consumers and their partners, and manage their value chains and business processes to higher levels of efficiency.

The demands on consumer products companies are substantial, and smart competitors use advanced computing platforms as the foundation supporting their modern business models. Fast, agile and resilient platforms such as the IBM X6 are designed for the workloads that underlie these models. Designed to integrate with legacy infrastructure, or form the foundation of a new one, advanced computing platforms can give consumer products companies advantages to compete in a challenging environment that rewards speed, agility, and resilience.

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