Chapter 60
Analysis of Cloud Services on Business Processes in the Digitalization of the Consumer Product Industry

Ute Riemann
SAP Deutschland AG & Co. KG, Germany

ABSTRACT

Nowadays, cloud computing is becoming popular within the business environment. Cloud services is not new, but the evolution of mobility, connectivity, and computing hardware has made it interesting for the business. Cloud services provides a way to increase the capacity or add capabilities dynamically without investing in new IT infrastructure, training new personnel, or licensing new software. Focusing on the consumer product goods (CPG) market with its mainly small and medium-sized companies, we see dramatic changes from the market demands, logistic challenges and price competition. The purpose of this chapter is therefore to present the positioning of cloud services in the CPG industry and to outline an approach that enables a typical company in the CPG industry to link the current capabilities of cloud services this to a business-process-driven evaluation approach to provide a transparency for the decision towards cloud services. The result of the business process investigation underlies assumptions and inductive conclusions.

INTRODUCTION

Cloud Computing in Consumer Product Industries

For CPG industry companies, the ability to quickly and accurately meet consumer demand is an increasingly complex challenge. Rapidly evolving consumer tastes are pressuring companies to continually introduce new products. Therefore it is essential to ensure that relevant products are in the right place at the right time. Doing this requires the ability to understand and anticipate changing consumer needs. To achieve and sustain competitive advantage and high performance in the future, consumer industry companies around the globe will need to meet a daunting set of new imperatives. At the same time cloud services introduces a new era in consumer products indus-
tries and changes the game. Cloud services is not new, but the evolution of mobility, connectivity, and computing hardware made it interesting for the information technology (IT) infrastructure of both small and large consumer product industries. Specifically, companies must:

- Serve the new digital consumers who are interacting with the companies, brands, and offerings in radically new ways to gain product information and share their opinions, demanding for more customized marketing and offers. Serving this consumer calls for excellence in customer-facing processes.
- Win the challenge where the traditional customer segmentation does no longer exit but turn out into a 1:1 marketing and selling. Thus it is necessary to help retailers – as it is the case at Villeroy & Boch - to grow their store sales and margins through consistent delivery of the right products, prices, and promotions, in return for more valuable shelf space and ideal product placement – even thinking of virtual product placements. This requires strong performance from data-analytics processes, innovative store concepts and a strong approach in an omni-channel management.
- Drive growth in emerging markets to stay competitive in the face of stagnation in developed markets, whether it’s through acquiring new companies, setting up new operations overseas, or attracting consumers in emerging markets.
- Extract high performance from business processes, to scale up or down to meet the changing market needs that have come with globalization. This feat requires agile operating and supply chain models to serve consumers in developed and emerging markets alike. Meeting these requirements escalates the need for superior management of core and non-core business processes.
- Companies can profit from cloud as a new technology innovations and license models: they do not need to buy their own hardware infrastructure, but pay a monthly subscription for the use of resources on demand. They benefit from, for example, the achieving of better economies of scale, improving organizational flexibility, increasing speed to market, and spending improvements. They do not need to spend time on complex IT challenges and can concentrate on the issues of their core business. But there simultaneously are problems. Customers also could put their data at significant risk, due to the localization of this data in data centers and reduced levels of control. (Deloitte, 2013)

For CPG companies, the potential to deepen customer relationships at a lower cost with cloud services provides an interesting opportunity. Cloud services could play a prominent role in helping these companies to meet industry challenges like declining brand loyalty, enduring consumer frugality, growing prevalence of online and mobile commerce and the growing importance of dollar and discount retail channels. Furthermore, cloud services have the potential to help companies grow in a dynamic environment where new geographies are increasingly important, regulatory requirements are more demanding, and commodity costs are volatile. The potentially transformative benefits can outweigh the risks traditionally associated with cloud computing, and the risk of inaction. Cloud services constitute a transformative opportunity that could help consumer product companies lessen the constraints of existing business models in terms of customer relationships, growth and innovation.