

# Empowering retail and consumer goods businesses:

How to accelerate digital transformation with cloud



October 2024

## Introduction

Today, organisations in the consumer markets industry—including retailers, consumer goods manufacturers and other consumer-facing businesses—face challenges including evolving consumer preferences, channel proliferation, disruptive technologies and economic pressures. To adapt and grow in this fast-changing environment, companies across the sector are rapidly digitising their operations to build trust, nurture loyalty, boost innovation and implement new business models.

As companies pursue these goals, they're increasingly looking to use cloud solutions to achieve the reinvention required for them to stay agile and competitive.

In many cases, they're already leveraging cloud to improve their customer experience, digitise their supply chain, enhance Environmental, Social and Governance (ESG) management, reduce costs and improve productivity and decision-making. However, the consumer markets industry remains behind many other sectors in realising the benefits of cloud.

In this survey report, we explore the reasons why consumer markets companies are lagging in cloud adoption and explore how to close this cloud maturity gap by focusing on four key areas.

## Despite rising adoption, the consumer markets industry is lagging other industries in cloud adoption...

The cloud market in the global retail industry is growing rapidly. According to Fortune Business Insights, the market's overall value is projected to rise from US\$11.89 billion in 2018 to US\$39.63 billion by 2026—an increase that represents a compound annual growth rate (CAGR) of 16.3%. A key driver of this growth is the growing demand among retail companies for greater scalability and flexibility, which cloud technology can provide, to enable them to adapt quickly to changing market needs and conditions.

But how does retail—and the wider consumer markets industry—measure up against other sectors when it comes to cloud adoption? We decided to find out. To do this, we analysed the results of PwC's [EMEA Cloud Business Survey](#) and evaluated more than 400 responses from companies in the consumer markets industry, including retailers, consumer goods manufacturers and other consumer-facing businesses. We then conducted a deep analysis of the resulting insights to gain a thorough understanding of cloud adoption levels and utilisation trends within this sector.

Our top-line finding? Consumer markets companies are suffering from a clear cloud maturity gap compared to organisations in other industries. Only 10% say they're all-in on cloud, compared to 14% of all EMEA businesses in our cross-sector study. What's more, almost one in five—19%—of consumer markets respondents are still only at the exploration stage with cloud, compared to 16% of companies across all industries.





## ...but it's a gap that they're looking to close

Although consumer markets companies in general are currently lagging in cloud maturity, other findings show they're looking to close the gap significantly in the next two years.

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# 90%

While of consumer sector respondents are not currently all-in on cloud, 72% aim to have all their operations in the cloud within two years,

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suggesting the deficit will narrow rapidly. Within the consumer markets industry, retailers are the sector most committed to being all-in on cloud in two years, at 74%, while consumer goods companies anticipate making the least progress, at only 67%.

The overall picture? To date, consumer markets businesses have been relatively slow to harness the power of the cloud. But that's set to change dramatically, as they widen and accelerate their journey to cloud in the coming years. Going forward, as their cloud transformation gathers pace and scope, their pathway to cloud will be shaped and influenced by several industry-specific factors, giving rise to unique opportunities and challenges. We'll now drill down into these, starting with a look at consumer industries' distinctive pressures and dynamics.



## What characteristics set consumer industries apart when it comes to the cloud?

In [PwC's 27<sup>th</sup> Global CEO Survey](#), 36% of business leaders in the consumer markets industry said they do not believe their company will remain viable for more than a decade if it continues on its current path. While that figure is below the 45% saying the same across all sectors, it does confirm that the imperative for business model reinvention applies almost as much to consumer-facing businesses as it does in other industries. In every sector, cloud is a vital enabler for new business models.

So why have consumer industries lagged behind to date? The answer varies between segments.


Take **retail businesses**. Their combination of fast pace, tight margins and the need to manage peaks in trading, such as Christmas, can lead them to adopt an opportunistic, reactive and short-term perspective. This impacts the retail segment's approach to IT investments and architectures and means the legacy IT estate of retailers has not been transformed as quickly as in other sectors. Yet cloud-enabled innovation is increasingly imperative to enable retailers to make advances in areas ranging from the customer experience to frictionless/autonomous stores to the tracking of product provenance and ESG impacts along the supply chain.

This explains why retailers are so committed to modernising their legacy IT and going all-in on cloud in the next two years to stay competitive.

Or, by contrast, take **consumer goods businesses**, which have two distinct drivers for cloud adoption. First, back-office consolidation and simplification to address the fact that their back offices are usually a blend of diverse technologies. Second, transformation of the front office and data management—which they're usually seeking to achieve through the implementation of third-party Software-as-a-service (SaaS) cloud applications.

The impacts of these various drivers are reflected in our research findings. When asked to cite their primary reason for leveraging cloud technology, consumer markets companies are more likely than other businesses to point to a focus on migration of existing workloads and modernisation of applications—and less likely to stress the development of new cloud-native applications and business models.

Also, around half of consumer markets organisations are modernising one business area at a time, while two-fifths employ an enterprise-wide strategy. Looking across the eight dimensions of cloud controls assessed in our survey, the relatively low level of implementation—peaking at just 31% for policies and procedures tailored to cloud risk and controls—reveals major opportunities for companies to increase adoption.



## The focus of cloud investment is expanding from the front office to the back office

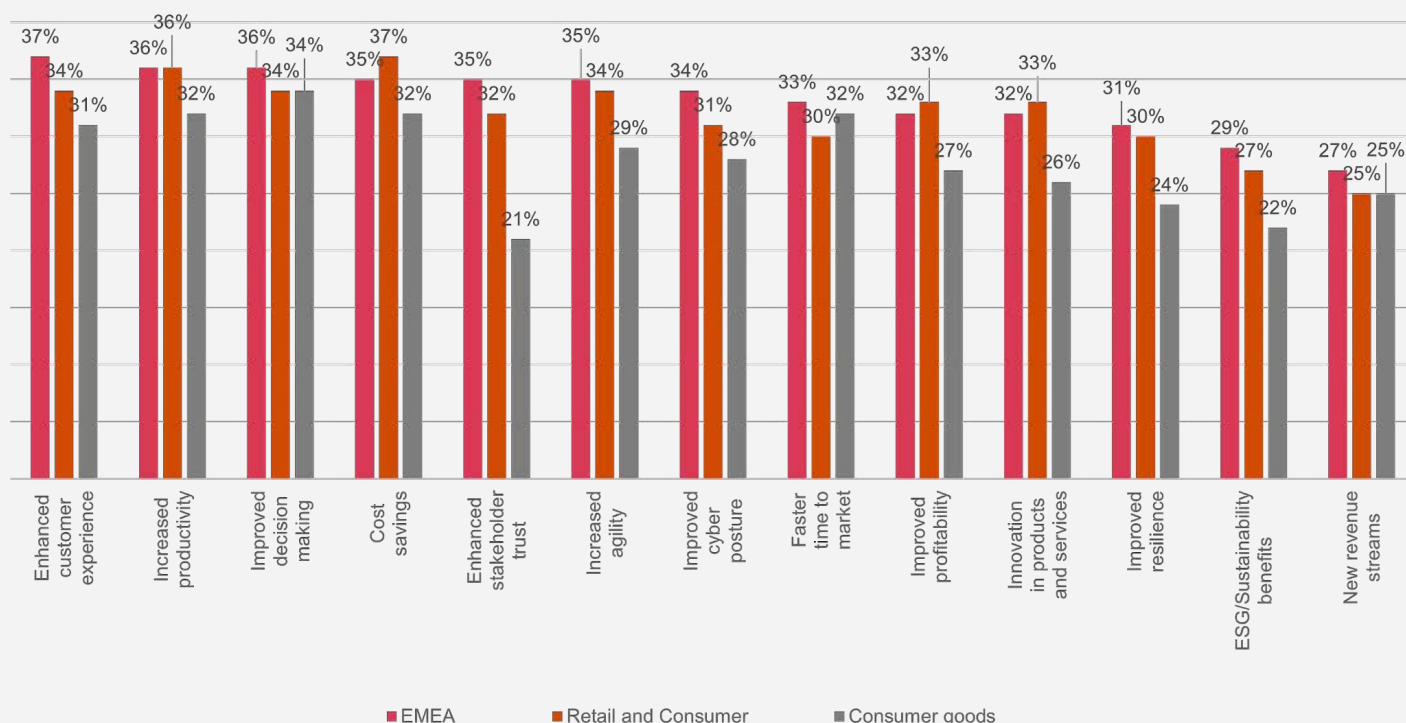
As our findings underline, both the rationale and focus for cloud adoption in the consumer markets industry are now shifting.

Across most consumer markets segments, the initial wave of cloud investment has been targeted at harnessing the power of cloud in the front office, in areas like e-commerce, Customer Relationship Management (CRM), digital customer journeys, and improving the in-store customer experience at the point of sale. But the full benefits of cloudifying the front end can only be realised if cloud transformation is also implemented in the back end, which in many consumer companies is still dominated by on-premises systems and even mainframes.

Migrating the back end to the cloud will enable end-to-end, data-centred vertical integration along value chains from supplier to customer and deliver the full value from cloud investments to date in the front office. That's why the first wave of cloud investment in the front office is now being supplemented by the second wave focused on the back office.

Once again, this progression is reflected in our research. Customer experience is the number one cloud investment priority over the next 12 months for 52% of consumer markets companies. But for consumer markets businesses, investment in digitising their supply chain or manufacturing now comes a close second at 49%, compared to just 45% across all sectors. Additionally, when consumer markets companies are asked to assess the areas where cloud technology is already delivering measurable value, it's interesting that they feel they've derived less value than other businesses to date in aspects, such as an enhanced customer experience and ESG/sustainability benefits.

### Which of the following best describes how cloud technology has already delivered measurable value to clients' organisations?

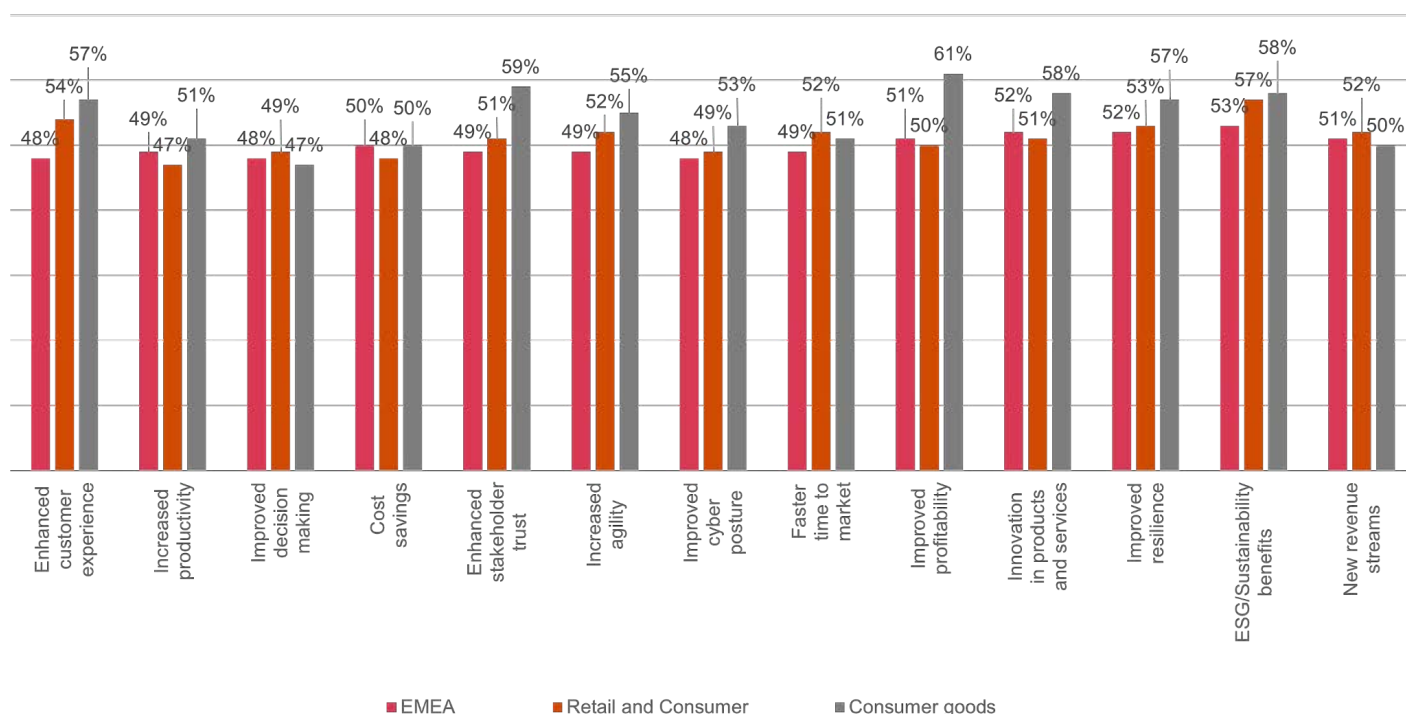


Source: PwC's EMEA Cloud Business survey 2023

The relatively low level of value derived from customer experience improvements to date might appear counterintuitive, given that the focus in consumer markets has been on cloudifying the front office. However, this is put into context by the far higher expectations for value delivery over the coming year.

Consumer markets companies' value expectations in both customer experience and ESG are well above those of other businesses for the next 12 months. This underlines how their second wave of investment in the back office will open the way to greater returns from cloud investments already made.

### Which of the following best describes how cloud technology is expected to deliver measurable value to clients' organisations in the coming 12 months?



Source: PwC's EMEA Cloud Business survey 2023



## What benefits are consumer companies targeting from cloud technology?

In our everyday conversations with clients across the consumer markets industry, the three benefits of cloud that they stress most consistently are:

1. higher scalability,
2. better security,
3. and more predictable cost, with a switch from OpEx to CapEx.

To date, they've been deriving targeted improvements mainly in the first two of these areas—scalability and security—while the substantial initial investment needed for cloud transformation means the cost benefits have yet to flow through.

### Use case: major global fashion and luxury manufacturer and retailer

PwC has helped this world-leading fashion and luxury client leverage cloud to enable a scalable and reliable omnichannel architecture, from stores to ecommerce and marketplace integration. As a result, the company now has one single source of truth for product, stock and customer information, supporting an advanced cross-channel customer journey. Cloud also enables the company to activate new use cases very quickly, enabling it to meet fast-changing business requirements.

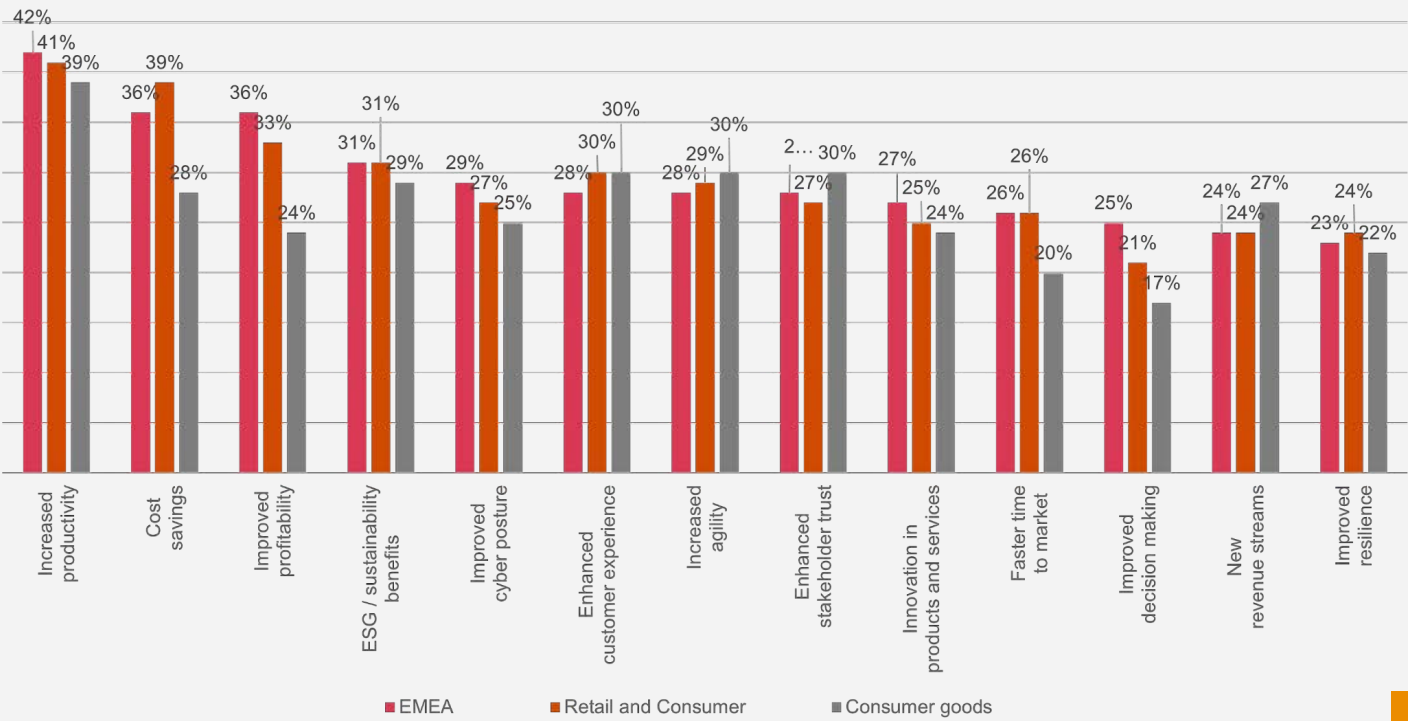
### Use case: major European grocery and convenience store retail chain

Cloud technology enables autonomous and hybrid stores with automated payments and regional logistics centers, managing and integrating the entire supply chain from supplier to customer. This approach also rationalises suppliers to simplify the supply chain structure. Additionally, cloud technology facilitates seamless end-to-end tracking of product provenance and ESG impacts for reporting and management purposes.

However, our findings show that consumer markets companies are now looking to start reaping the cost benefits as well. They identify realising the cost advantages of cloud as a major priority for the coming 12 months, with cost savings cited as a priority by 39% of consumer companies. They're also continuing to use the cloud to enhance the customer experience and organisational agility.



# Which of the following outcomes are clients' organisations prioritising from cloud technology over the next 12 months?



Source: PwC's EMEA Cloud Business survey 2023



Key to realising all the benefits of cloud will be the effective management and analysis of data flowing through and across cloud platforms. This is an area where consumer markets companies have a major opportunity to raise their game.

Take analytics and insight, which is pivotal to optimising the customer experience. Currently, 25% of consumer markets businesses are relying on the built-in functionality of their core cloud-based applications for analytics and insight services, compared to just 19% of companies across all sectors.

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# 36%

And only of consumer markets businesses are using third-party services designed to work with their other Cloud Services Providers (CSPs), compared to 41% of all EMEA respondents.

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The clear message? Consumer markets companies need to rethink which specialised data services might serve their business better and generate higher value.



## ...and what challenges do they face in realising those benefits?

Turning to the main barriers that consumer markets companies face in seeking to achieve measurable value from cloud, their biggest hurdles are budget and/or investment constraints, talent gaps and an inability to effectively quantify or measure the return on investment. Interestingly, consumer markets respondents to our survey assess budgetary limitations as being much less of a barrier than EMEA businesses generally. Retailers in particular regard talent gaps as a significant barrier to measurable value.



## Evolving cloud strategies: industry solutions come to the fore...

Consumer markets companies' efforts to overcome the challenges they face and realise the benefits of the cloud are shaping their cloud strategies and approaches to cloud architecture in distinctive ways. For example, they're more likely than businesses in other sectors to use one CSP for more than 50% of their workloads and others for specialised purposes—with 64% of companies in the consumer markets industry overall (rising to 68% of consumer goods companies) saying they take this approach.

When asked how their cloud strategy will evolve over the coming year, consumer markets companies say they're less likely than those in other sectors to expect to focus more on cloud-native development—and more likely to consider industry cloud solutions, such as a 'retail cloud' specifically designed for the industry and its value chain.

In fact, the rising use of industry cloud solutions emerges as a major theme going forward.

# 48%

of the consumer markets companies in our survey already use an industry cloud solution and a further 42% plan to adopt one within the next two years.

Consumer markets respondents currently using an industry solution say the top benefits are cost reductions and better time-to-value through streamlined development processes (40%), improved security features more relevant to the company's operations (40%), improvements in data access, quality and insights to support decision-making (39%), and process and workflow efficiencies (39%).

## ...with cloud decision-making supported by strong C-suite involvement

Crucially, as consumer markets companies make decisions on their cloud strategies, they're benefiting from closer involvement from senior leadership than companies in other sectors. Active and robust senior sponsorship is key to successful cloud transformation. Consumer markets companies report consistently stronger relationships across most of the C-suite in delivering it—including 72% with the CEO (against 65% across sectors) and 67% with the CFO (60% across sectors).

However, one area where consumer markets companies are approximately on a par with other sectors is in the stage at which the IT team engages other discipline leaders in the transformation process. In about half of cases, consumer markets businesses wait until the design or implementation phase of their company's cloud transformation before involving the leaders of business units in areas, such as customer, marketing, front office, talent and products.

But the reality in all industries is that to maximise the chances of a successful cloud transformation, IT and business must start to work together closely at the earliest possible stage in the cloud journey—ideally at the planning, budgeting and requirements-gathering phase.





## Four key focus areas to maximise value from cloud in consumer industries

In light of our findings, here are four key focus areas where consumer-facing businesses can concentrate to optimise and accelerate their journey to the cloud:



### **Develop and implement the right data strategy, cloud controls, cloud architecture and Application Programming Interface (APIs).**

Around half of consumer markets companies are currently modernising with the cloud one business area at a time, often expanding their network boundaries using cloud hyperscalers and Software as a service (SaaS)/ Platform as a service (PaaS). This approach increases the complexity of securely and reliably connecting business applications, making it vital to adopt a cloud-first digital strategy across the enterprise—a strategy that's coherent, adaptive, encompasses all data, cloud controls and cloud architecture, and is paired with an API-first approach. This will enable consumer companies to target and manage risk more effectively and boost returns on investments in the cloud.



### **Embrace the opportunity of industry-specific cloud**

With 90% of consumer businesses either already using an industry cloud solution or intending to do so within the next two years, the industry's direction of travel towards industry-specific cloud environments is clear. Furthermore, 31% of respondents foresee new revenue streams becoming available exclusively through industry cloud architectures.



### **Facilitate close collaboration between IT and the business**

The IT department is typically responsible for elaborating the technology strategy and managing cloud adoption. However, end-users in the business departments need to be involved in cloud decisions from the beginning and throughout the cloud journey—especially since they often lack an understanding of cloud solutions and the benefits they offer.



### **Develop CIO, CTO and technology skills**

Consumer markets respondents identify 'the ability to think strategically' as the most important skill for technology leaders, followed by technical expertise and communication skills. They're also supporting their cloud journeys by building up cybersecurity and cloud-native development and integration skills. With talent gaps representing a major barrier to cloud transformation, especially for retailers, companies must not underestimate the importance of these skills.

To find out more about how PwC can help your company realise the full potential of cloud, please contact:



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