GSI

HOW TECHNOLOGY IS TRANSFORMING THE CPG INDUSTRY

Grab a seat and enjoy.
Read Time: 5 minutes

HOW TECHNOLOGY IS TRANSFORMING THE CPG INDUSTRY

Encumbered by disparate technology systems and minimal IT resources, consumer packaged goods companies are turning to unified enterprise resource planning systems to run their global businesses more efficiently and profitably.

In the consumer packaged goods (CPG) industry, evolving consumer preferences, rising raw material costs, trade wars and the ecommerce boom are all pushing CPG companies to think beyond the boundaries of their current business models and technology infrastructures.

Saddled with cobbled-together IT setups that don't integrate well with one another—and require a high level of internal IT support that most CPGs lack—these companies have to scale up to meet customer demands while maintaining a competitive position and serving a dynamic retail channel.

To achieve these goals, CPG companies need enterprise-wide visibility, good inventory management, unified enterprise resource planning (ERP) systems, and point of sale (POS) systems that handle ecommerce, omnichannel commerce and brick-and-mortar transactions.

This white paper explores the growth of the CPG industry, explains the key challenges that it's dealing with right now and shows how a unified, cloud ERP can help organizations get over these and other hurdles to come out ahead.

Healthy Margins, Stiff Competition
Manufacturers, distributors and marketers of physical goods that include (but aren't limited to) household products, makeup, clothing and food, CPG companies operate in an industry that's on track to reach $721.8 billion in annual sales by 2020, up from $635.8 billion in 2015, according to Statista. Focused on making, selling and distributing physical goods that are packaged, sold through retailers and used by consumers, CPG firms operate in one of the largest sectors in North America.

Led by organizations like Coca-Cola, Procter & Gamble, and Unilever, CBP companies tend to have healthy margins and attractive balance sheets, but are also in a constant battle with one another for shelf space in physical stores. Focused on growing both brand recognition and customer loyalty, these companies tend to invest heavily in advertising and marketing that help keep their products top of mind for customers.

“While consumer demand for CPGs largely remains constant, this is nevertheless a highly competitive sector, due to high market saturation and low consumer switching costs, where consumers can easily and cheaply switch their brand loyalties.” – Investopedia

The same companies are also dealing with small IT staff, extended, global supply chains, patchworked technology systems and a lack of enterprise-wide visibility. These issues can boil into major challenges when external issues like raw material cost increases, tariff changes and international trade wars start to impact their operations. Operating in a competitive industry where customer demand remains fairly constant, CPG firms must be able to maintain profitability while also meeting their customers’ ever-changing demands.

Addressing CPG’s Most Pressing Challenges

In today’s volatile trade environment, CPG firms needs accurate inventory management which can help them manage ever-changing tariff complexities. Working with a broad network of geographically-dispersed suppliers, these companies also need solid supply chain planning, forecasting and demand planning capabilities. These are just a few of the areas where legacy solutions usually fall short.

“In most cases, the CPG industry’s legacy solutions lack essential functional components of an integrated system that can handle complex inventory planning, for example, or associating landed costs with items in order to manage tariff considerations and other complexities,” said Shawn Flowers, Director of NetSuite Enterprise Solutions at GSI, Inc., an ERP consultancy and NetSuite partner.

There’s also no way to configure these financial and operational functions within a legacy ERP, he adds, nor can these tasks be handled effectively using spreadsheets or QuickBooks, both of which are still in use at many CPG companies.

Lack of ample IT staff is also hampering CPG companies’ ability to upgrade their current technology infrastructures and benefit from modern solutions. “In many cases, CPG companies are working with small IT staff,” said Shawn Scanlon, GSI’s Executive VP, “and a lot of them have no desire to have much of any IT staff.”

A unified, cloud ERP supports these “lean IT” missions by providing a turnkey platform that needs little or no intervention on the part of the CPG firm. Taking even more pressure off its clients’ IT staff, GSI steps in to handle any administrative activities that the company doesn’t want to take on, making the unified ERP completely turnkey and ready for operation.

Filling in the Critical Gaps

In most cases, today’s CPG companies rely on partially-integrated ERP solutions like Microsoft Dynamics GP and Sage. Most have fairly complex business requirements in place and tend to augment their ERPs with spreadsheets and other manual approaches. Knowing that these “frankensystems” don’t provide the modern capabilities that they need to operate their global enterprises, CPG firms come to GSI in search of a full-blown, integrated ERP that works on the day that it’s switched on.

“Our CPG projects are always a bit larger in scale, but they give our clients a comprehensive look at everything from inventory and financials to warehousing and distribution.”

– **Shawn Flowers**, Director of NetSuite Enterprise Solutions, GSI, Inc.

Using the GSI SuiteSuccess methodology, the company effectively addresses each CPG client’s specific customization needs, manages the integration of any third-party

“NetSuite brings those capabilities to the table by allowing companies to do fairly simple financial roll-ups across all of their subsidiaries.”
– **Shawn Flowers**, Director of NetSuite Enterprise Solutions, GSI, Inc.

solutions, and provides a conduit for continuous improvement at a low risk (e.g., it doesn’t require managed service clients to purchase any “hours” in advance).

Working with CPG clients whose annual revenues are $50 million to $200 million, GSI sets up dashboards that enable enterprise-wide visibility that most of those companies previously lacked. It also manages multi-currency and multi-subsidiary requirements. The $100 million CPG firm that purchases or creates new subsidiaries, for instance, must be able to parse those entities’ data out and assess it both collectively and separately.

Knowing that CPG companies lack the necessary IT capabilities, GSI also focuses on ease of integration. It avoids complex customizations within the ERP software itself, for instance, and also provides a high level of flexibility when integrating outside applications into the unified, cloud platform.

This is especially crucial for companies that need to think and act fast in today’s fast-paced ecommerce environment. “This is usually a happy surprise for CPG companies that are expanding internationally, and that can just stand up new businesses and store presences overseas with no added expense,” said Scanlon. “Using NetSuite, they just run the new operations from the U.S. while maintaining their cost structures and increasing their revenues.”

Automating Processes Across Six Global Entities

Being an industry leader has always been part of Hourglass’ DNA. Since the cosmetics line launched in 2004, it has been pushing the envelope in creating cruelty-free products that wrap innovation and integrity into a luxury brand. Its lock on the luxury cosmetics market led Unilever to acquire it in 2017, kicking off a new volume of a growth story that was already a bestseller.

While the complexity of its operations mirror that of a Unilever-size business, Hourglass has only 280 employees globally with 75% of those people working in customer-facing roles. Just 8% maintain supply chain and finance operations that include sourcing thousands of items across dozens of suppliers to create the products and its custom packaging.

With international expansion driving growth, legacy Sage software could not automate manufacturing and financial processes across six different global legal entities and transactions in 16 currencies, let alone accomplish efficient financial consolidation and intercompany transfers needed for drop shipping.

“What we need and how we operate and what it takes, we’re constantly evolving to have a system that can constantly evolve with you, that’s huge.” — **Joshua Rosenzweig**, CFO and COO, Hourglass Cosmetics

Implemented by GSI and customized to include a unique chart of accounts, NetSuite has saved Hourglass the hundreds of hours it used to take to accomplish intercompany processes. Visibility into metrics like landed costs and the ability to tag expenses to customers drive profitable decisions.

Since implementing NetSuite, Hourglass’ business has doubled in size, the number of SKUs has tripled while headcount in the supply chain has remained flat. With international markets driving the most growth, NetSuite’s multi-currency and multi-subsidiary functionality enables the business to, for instance, open a new store presence overseas, staff it with five people and manage operations from the US.

Taking CPG Firms into the Future

Operating on all points of the technology spectrum, CPG firms have very specific needs when it comes to unifying their operations onto a single, cloud platform. Those that already have myriad systems in place—but no real cohesion across those solutions—are particularly interested in cloud solutions that not only provide high levels of integration, but also allow companies to trim their IT staff.

“We help CPG companies achieve all of these goals,” said Scanlon, “while also providing the flexibility to integrate other, outside applications into the mix.” Through GSI’s managed services offering, clients get a low-risk solution that serves as an outsourced IT department at an affordable price. “There are a lot of benefits to having your implementation partner around post-implementation,” said Scanlon. “At GSI, we don’t lock customers into restrictive terms. We allow them to grow in a way that aligns well with their budgets and internal resources.”

As the CPG industry continues to grow, companies operating in the space will face new pressures and have to overcome different challenges. Whether they’re dealing with new tariffs, rising raw material costs, changing consumer preferences or stiffer competition, CPG firms need robust technology systems that will not only help them thrive today, but will also take them into the future.

To know more about GSI, Inc.:

11475 Great Oaks Way, Suite 340,
Alpharetta, Ga. 30022
877-474-4377
info@getgsi.com
getgsi.com

www.netsuite.com

info@netsuite.com

877-638-7848