



cutting through complexity

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Bespoke, Be Heard

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#06

Part 6 of 8

#06

BESPOKE: BE HEARD

By Marcus Richards

CFIO – FAST FORWARD 2035

INTRODUCTION

Business today is facing what is perhaps the greatest combination of challenges seen in a century. Capitalism is under attack, with confidence in the current economic system at an all-time low, and new laws and regulations on the horizon. Geopolitical changes, falling personal wealth, volatile resource markets, climate change and shifts in the centres of economic power will exert tremendous pressure on the future business environment.

While these international factors shape the global market, organisations also need to keep ahead of the increasingly fast pace of change in operating conditions. They are doing this by innovating at ever increasing rates – the average number of patent applications in the US rose five-fold between 1985 and 2009.¹ Adoption of these new technologies means the amount of data is exploding, with the number of servers expected to grow 10 times and number of

files by 75 times over the current decade.² And the impacts of some technologies, such as social media, are only just starting to be understood.

What does the way the world is turning mean for today's CFOs? How can they prepare for this cacophony of change?

To start with, we think the CFO of the future will need to combine finance and information skills to become an executive who delivers valuable business intelligence. This new role will evolve into the chief finance and intelligence officer, or CFiO.

But the future for business is not so much about what the CFO will be called as about the external pressures that will impact their role – and how they will change their role.

Tomorrow's CFIOs will need to be ready for the real game changers – what we see as the main pressure points that will shape the world of business in 2035.

Partly this is so they can ensure they are ready for the challenge; that they're suitably equipped to be able to engage with the brave new world that the coming decades will bring.

But it is also because we believe the mega trends we have identified will have a fundamental impact in shaping the role of the CFIo of the future.

Engaging with these trends can help build a better idea of how the business world will look in 2035, and how the changes between now and then will shape the CFIo's role.

Forecasting is a dangerous game. You may agree with our ideas; you may not. That's not relevant here. Our purpose is to get everyone thinking about the main ideas and issues that will create the global market of 2035, and to open the debate and encourage discussion around these topics.

We want you, our clients, to be involved in this debate. We want to be alongside you as you consider the areas your businesses will need to focus on in order to continue to be global leaders in 2035 – to consider how to negotiate the obstacles and make the most of the opportunities in order to guide your organisations to greater growth and prosperity over the coming decades.

In this, essay #6 in our Fast Forward series, we now look at another of those emerging trends; the Personalisation of goods and services.

The last century marked an astonishing acceleration in global commerce. Mass production and deepening international trade brought an explosion in the number and types of products available. The service sector has escalated to become the largest and fastest growing component of middle- and high-income countries, with services in emerging economies catching up fast ¹.

Homogenisation underpins the incredible growth stories of the last century. But I believe the age of uniformity in business offerings is over.

Tomorrow's business story will move away from the general to pinpoint the specific. The narrative will no longer centre on the standard, but the bespoke. Personalisation will be the driving force behind every type of business everywhere – whether it deals with products, services, or any combination of the two conceivable.

The consequences of this new industrial and service revolution will be dramatic, and their reach will be felt at all points along the business chain. In fact I believe that by 2035 we will look back at the early years of the 21st century as the end of the Dark Ages of mass production from the vantage of being able to

customise everything to all customers' individual requirements.

The roles of globalisation and technology

The 20th century brought about an interesting dichotomy in the affairs of people and commerce. On one hand business got bigger, with international conglomerates striding the global stage and dominating international trade. But at the same time the century was witness to an unprecedented rise in the individual. Expectations for personal freedom and choice are on the march the world over. Advances in technology over the past few decades have given this theme increased momentum, with expression of individual ideas and preferences becoming universal.

I believe that over the next couple of decades we will see a power struggle; the convergence of these two themes – of big business with the rise of the individual. And by 2035 the individual will win, it will be the individual who will be in control.

The Industrial Revolution v1.0 did not satisfy the desires of the individual as it left us with goods and services suitable for the average. Rarely would something fit customers' requirements to perfection.

¹ http://www.worldbank.org/depweb/beyond/beyondco/beg_09.pdf

BY 2035, THE ROLE OF MANUFACTURERS WILL BE OBLITERATED UNLESS THEY EMBRACE THE IDEA OF PERSONALISATION

Consumers are becoming ever more aware of and dissatisfied with this situation. Personalisation will fulfil their desire for asserting their individuality and their self-actualisation needs.

The deepest and longest financial crisis in living memory is starting to impact consumption trends. The crisis has made people re-assess their values. The idea of having the biggest and best on offer is losing its appeal – people are more concerned with having something that reflects their individuality and is customised to their tastes.

Globalisation is a major agent for wholesale change in attitudes. Greater interconnectedness of markets has brought an increase in homogenisation, all on the back of mass production.

The big question that business faces in the global market is how to stand out from the crowd, and how to harness that crowd.

Technology is already allowing consumers to stride ahead, leaving corporations in their dust. Consumers, connected through social media and empowered with technology from cloud computing to 3D printing are designing, financing and producing products before organisations even knew that the demand existed. We are at a point where a consumer can download the blueprint for a component for their car or program their own app and produce it from the comfort of their own home to their very own specification. That is happening now. By 2035, the role of manufacturers will be obliterated unless they embrace the idea of Personalisation.

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The digital soul

Personalisation will not be confined to the production of goods. By 2035, Personalisation will lend itself more to services than it will to goods, and that will be down to one reason: data.

Technology is the facilitator that boosts growth. It is what enabled the Industrial Revolution v1.0 to take place, allowing organisations to crank out as much as possible for as little as possible. Today technology is being harnessed to collect data and information that can be used to boost business.

By 2035, data will be the resource which supports every individual's digital soul. Data will evolve from being something merely quantitative to being something qualitative. The consumer of the future will have possession of such a rich, vast and personal collection of data that it will embody their very person; it will represent the person more so than we can currently comprehend. And hence the digital soul will become the most valuable asset that a business can acquire.

By 2035, this depth of data will swamp our lives allowing organisations to analyse not just what you

buy in your weekly shop, but what time you brush your teeth, how quickly you will wear out your shoes according to how fast you walk into work, and whether you are in a good mood or a bad mood. The ability to understand the digital souls of its customers will be the only way in which a business could possibly begin to understand the demands of its customers.

An understanding of the digital soul will allow businesses to project ahead more effectively. They will use sensory technology to get one step ahead of the game in turning market information into future business ideas. This data, supported by enhanced technologies, will be all encompassing. It will know things about the consumer before they even know it themselves.

The ever increasing power of artificial intelligence will support this revolution. The data available won't need human interpretation to determine a course of action. Today, computers will analyse consumers browsing patterns to establish whether or not they are likely to make a sale. The revolution of Personalisation will enhance this to beyond a level ever seen before. By 2035, the technology available will provide a real time view of customer demand; it will begin the automated delivery of products before a transaction is complete; it will have re-ordered stock in advance of

anticipated sales; it will have begun preparations for the development of a new production centre due to forecast uplift in demand; and it will have rewritten the business's strategy for next year. All of this will occur on the back of real time data and the foresight of customer demand before it has even happened.

As our real world becomes ever more entwined with the digital world, and an augmented reality begins to dominate, our digital souls will become who we are. Without a digital soul and hence an ability to interact with the digital, an individual would disappear into nothing. Business will understand this, and products will become perfectly tailored to every individual's digital soul. While the digital soul will be everything to the individual – by 2035 organisations will have become the digital consciousness to the individual, constantly caring and thinking 'what is best for the individual'.

Survival through flexibility; the role of the CFiO

Organisations will feel the pressure for Personalisation from all angles, not only from their customers but also from their employees and other stakeholders. Democratisation will work through

every aspect of an organisation's thinking and operations. Smart organisations are already letting go of their traditional structures and operations to allow for a greater degree of flexibility in everything they do. By 2035, the CFiO will be at the helm of an organisation where every decision is taken on the front line. Through constant metamorphosis, and shedding of a fixed exoskeleton, corporate organisations will become corporate organisms.

To be successful, the CFiO will exude three qualities which will percolate through to every aspect of an organisation; speed, responsiveness and foresight. Without any of these qualities in abundance, an organisation in 2035 will be obliterated by the pressures of Personalisation. It will allow businesses to have their finger on the pulse of the market place and to profit where their competitors will fail. There will be a number of ways in which a CFiO will prepare the organisation for such an environment.

There will be complete decentralisation of everything; decision making, risk management, resources and power. Only then can an organisation adapt to the degree that it needs to thereby providing consumers with the level of customisation that they will come to demand.

This pressure will result in the CFIo bringing functions back in-house. The CFIo will realise that operatives on the ground will be best placed to determine market needs and so will be free to pick and choose what resources they need to respond. The idea of outsourcing will be reversed – in its place will come “self sourcing”. Self-sourcing will allow employees to provide the level of Personalisation that consumers will demand without the constraints of inflexible corporate support functions.

This empowerment will extend throughout the organisation until the overall effect is complete delegation: rather than employees being in a hub-and-spoke type operation they will be part of an enormous web. Organisations will no longer be bureaucratic and cumbersome but will have flexible structures and lightning speed responses. When there’s a change in market sentiment and new opportunities arise, those who react fastest will profit most.

The role of the CFIo will be critical. By 2035, the idea that there should be an individual who controls and monitors resources in the form of a glorified accountant will be seen as obscene; resources will be entirely managed by the front line, not the Head

of Finance. Instead, the CFIo will be seen as a chief risk taker, someone who purely controls the degree of risk that a business can tolerate, in line with its risk appetite and its Personalisation agenda. The CFIo’s decisions will be made at lightning speed, supported by proactive rather than reactive strategy. The CFIo will ensure that the organisation has the ability to tap into the digital souls of its entire customer base, thereby feeding off a mass of truly individual demands.

The CFIo’s ability to effectively control the risk exposure of the organisation will determine the success or otherwise in this new world dominated by Personalisation. And in this world, risk aversion will be aligned with weakness and bureaucracy. Ask a leader today and they would have an appetite for a 99% chance of making a million a day. Ask a CFIo tomorrow and they’ll take a 1% chance of making a billion a day every time.

Consumer power rules the day

Consumers are beginning to wake up to the enormous power that the digital world gives them. Through social media they can engage with organisations and brands, making or breaking reputations.

Smart organisations are even now taking advantage of social media's consumer input to shape their business output.

Whilst currently social media is used to influence a degree of business output, by 2035, it will be the predominant source of direction for an organisation. Why would a business sit in a room working things out for themselves when there is the combined power of the entire human population waiting on your call at the click of a button? In fact, taken to its logical conclusion, I believe that in time organisations will exist purely to facilitate individuals' immediate and spontaneous market choices. The focus will shift from an organisation being the best producer to gaining permission from the consumer to supporting the consumer through the design and delivery of their very own personalised product.

The CFiO will need to ensure that the product line is supported by user-friendly tools that support this Personalisation – that the organisation's mindset is turned towards total engagement with its customers. This will be inevitable as we consider how technology will entice like-minded consumers to collaborate

virtually, not only on a product's design but on its manufacture. Consumers have been shut out from this process in the past; by 2035 they will be in control of this process.

How can organisations ensure that they are not bypassed, that they remain an integral part of the world of manufacturing? They will need to see that giant factories with gargantuan production lines are a thing of the past. Instead organisations will have to evolve to become smaller hubs with a nano-corporate core. From this hub they will support networks of like-minded individuals who come together with one project or product in mind, allowing them to collaborate in the design and manufacture of their own personalised items. This process will be encouraged by consumers who want a stronger voice in their consumption and who, as a result, will be increasingly engaged in shaping how businesses look.

This will be financed by consumers as well. Crowdfunding has paved the way for consumers to invest directly into the products that they want. This process will intensify and will dominate the way the businesses operate by 2035.

THROUGH CONSTANT
METAMORPHOSIS, AND SHEDDING OF
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ORGANISATIONS WILL BECOME
CORPORATE ORGANISMS

It makes sense from the consumer's perspective and it makes sense from the business's perspective. It will fuel the Personalisation revolution.

A Personalised World

By 2035 Personalisation will be the norm. Business and consumers will not just want but expect that all of their products and services will be customised to their requirements and tailored to their digital soul. Innovation will be everything – not just in the goods and services that a organisation offers but also in the way it does business.

Flexibility will be organisations' watchword. Big and cumbersome business structures will be a thing of the past. The CFiO will be at the centre of a nimble nano-core which collates information and processes it to disseminate intelligence, enabling it to respond at lightening speed to desires for new products and services. Organisations will use sensory technology to pre-empt these demands, helping them maintain their competitive advantage. The end result will be a product or service that has perhaps been designed directly by customers, perhaps personalised to their wishes, but always customised to their desires.

The CFiO will not be concerned with managing resource allocation or monitoring budgets. Their primary concern will be risk and how to ensure that the information they have to hand can optimise their decisions about the risk exposure of their organisation, balanced with their ability to customise their product.

Competition will be fiercer and more ruthless than ever. Organisations will want to take advantage of areas they are not necessarily specialists in: they will spot opportunities for which there is demand and create businesses at the drop of a hat so they can get in on the action faster than their competitors. Nimbleness and alertness will be the keys to corporate survival.

The world will be dominated by our digital souls; they will become who we are. The CFiO will play a vital role in ensuring that an organisation is aligned to profit from this environment through facilitating a personalised product that is in harmony with our digital souls. By 2035, no one will hear you if you produce for the masses. Bespoke will be the only way to be heard.

THE IDEA OF OUTSOURCING WILL BE
REVERSED – IN ITS PLACE WILL COME
'SELF SOURCING'

Questions to reset your assumptions

- Do you let your customers design your products?
 - Do you truly let big decisions be made on the front line?
 - When did you last design a product around a customer's exact needs?
 - When was the last time you set your customers loose in your design lab?
 - Are your products more personalised than your competitors? How?
 - Why do you concern yourself with manufacturing? Can't you outsource this to your customers?
 - How accurately could you describe your target customer from the data you hold?
 - Would your customers personally finance the development of future new products?
 - Are your products designed for your customer today or your customer tomorrow?
 - Do you use sensory technology to detect customer needs or do you wait for them to tell you?
 - Would you pay your council a premium for a unique service tailored to you?
 - Bespoke or bog standard?
 - How wide is the gap between your decision makers and your customers?
 - Who really designs your strategy?
 - Did you consult Instagram during your last business brainstorm session?
 - What time would your market response stopwatch say?
-



Biography

Marcus Richards

In 2035, I work for a nano-corporate organisation driven by the knowledge that if we don't foresee our customers' needs, then our competitors will. Our technology allows us to tap into the digital soul of anyone on the planet and can establish global trends before they even happen. Our various functions react autonomously to these, ensuring that we are set up to maximise opportunities and to deliver utmost value to our ever changing customer base.

My role as CFiO is a far cry from the requirements of a Director of Finance 20 years ago. My role exudes three key qualities – speed, responsiveness and foresight. We operate at an incredible pace in a constantly changing environment; no two days are the same for us, but then again no two customers are the same and no two products are the same!

Contact us:

For more information on the Fast Forward series, please email us at fastforward@kpmg.co.uk

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