

IBM Institute for Business Value

# Cloud for consumer electronics

*Delivering new IT capabilities, reducing costs and increasing customer demand*



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## Overview

New technologies, economic instability and increasing regulation are applying pressure on the consumer electronics industry. Companies must now navigate more complex supply chains, shrinking product lifecycles, uncertain demand and declining revenues. Within this ever-changing landscape, cloud computing offers a new path for sustainable, efficient, flexible growth. Consumer electronics leaders have shared with us their top reasons to adopt cloud computing: improved internal business-process efficiency, increased customer demand and expanded sales channels.

Using a combination of cloud-delivered services, companies accelerate time-to-market and enhancements that differentiate the customer experience. Cloud can drive significant value creation and competitive advantage. So, how can cloud spur major benefits for the consumer electronics industry?

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Our experience with cloud computing underscores its power to fundamentally shift competitive landscapes by providing a new platform for creating and delivering business value.<sup>1</sup> To take advantage of cloud's potential to transform internal operations, customer relationships and industry value chains, organizations across industries must determine how best to employ cloud-enabled business models to drive sustained competitive advantage.

Multiple disruptive forces confront the consumer electronics industry today. Supply chains grow more complex and require greater resources to manage global sourcing, manufacturing needs and international standards. Shrinking product lifecycles increase pressures to accelerate time-to-market, while evolving regulations mandate reduced environmental impacts for manufacturing and waste management. What's more, the industry faces declining revenues and uncertain demand.

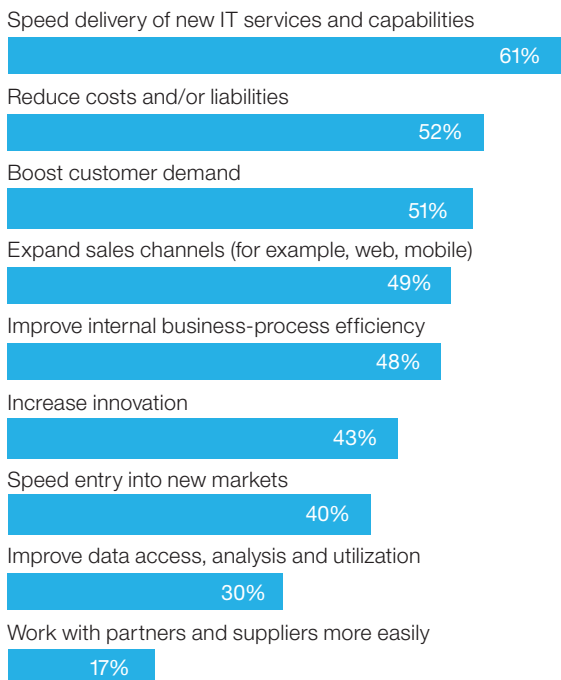
Meanwhile, technology-enabled innovations – such as the Internet of Things, 3D printing and intelligent robotics – are reshaping the future of the industry. Cloud plays a key role, opening up opportunities for traditional electronics companies to transform across value-chains and emerging ecosystems. In this evolving environment, it is imperative that the consumer electronics industry develops innovative products and optimizes operations.

## Cloud is transforming the business of electronics

For the electronics industry, cloud computing offers the potential to redefine customer relationships, transform operations, improve governance and transparency, and expand business agility and capability.



**Figure 1**  
*Consumer electronics executives report faster IT services delivery and reduced costs from cloud technologies*



Source: "Mapping the cloud maturity curve" by EIU, March 2015.  
Question: "What business benefits has your company realized as a result of using cloud technologies?" n=100

Leading consumer electronics companies leverage cloud for:

- *Operational innovation* – Simpler and faster processes drive internal efficiency; reduced complexity enables better governance and expanded access to more and broader data to manage risk; and IT capacity is better aligned to business volumes.
- *Revenue model innovation* – Customer relationships, data and other assets are monetized more readily; time-to-market is enhanced; and relevant partner services are incorporated more easily.
- *Business model innovation* – Third-party services extend into the consumer electronics ecosystem; open collaboration and sharing are expanded; new types of business can be pursued; and innovation is introduced systematically.

As part of the "Mapping the cloud maturity curve" survey by the Economist Intelligence Unit (EIU) in March 2015, 100 consumer electronics executives were asked to identify their organizations' *top business drivers* behind cloud adoption. The top-three drivers cited were to improve internal business-process efficiency (cited by 52 percent), boost customer demand (48 percent) and expand sales channels (44 percent).

*Consumer electronics companies have realized significant benefits* as a result of cloud adoption during the last two years. Sixty-one percent of the same industry executives said cloud has sped delivery of new IT services and capabilities, while 52 percent indicated reduced costs and/or liabilities, followed by 51 percent with increased customer demand (see Figure 1).

As cloud adoption by consumer electronics companies matures, other benefits will also accrue. Business users will be able to design and prototype applications quickly. Organizations can benefit from new user-driven, mobile and cloud-centric information technology. Cloud is expected to support transformation of enterprise IT functions, roles and responsibilities. And business managers will increasingly use cloud for application development to enhance agility.

Along with benefits for the enterprise, cloud also brings the potential for increased customer benefits. Cloud can facilitate new and expanded channels, as well as improve access to client data, allowing for better tailored products and services. By enabling more integrated, compelling customer experiences, cloud helps strengthen customer loyalty and market advantage for first movers.

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Access the full “Mapping the cloud maturity curve,” study here: [ibm.com/cloudmaturity](http://ibm.com/cloudmaturity)

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## Charting the path for cloud adoption

To succeed with cloud, consumer electronics companies have to assess its impact on the operating model and determine what actions are required for more effective cloud adoption.

- *Source and manage partnerships and alliances efficiently.* Automate procurement and sourcing functions. Define service-level agreements to secure customer data in a shared environment.
  - *Proactively redesign business architecture and processes.* Integrate legacy processes into new cloud-enabled, dynamic processes. Establish available and reliable cloud-based platforms.
  - *Change organizational design and governance.* Prepare to mitigate data privacy and compliance risks with strong risk management systems.
  - *Evaluate existing performance management.* Develop strategy and metrics that address new levels of reporting complexity. Build performance metrics into contracts for cloud-based services.
  - *Develop critical new cloud capabilities.* Foster skills in customer and service orientation; vendor and relationship management; and virtualization and network technologies. Build deeper data analytic and operational capabilities.
  - *Increase adoption of emerging technologies.* Update IT strategy to support new business strategy and cloud enablement. Adjust budgets to cover costs of legacy systems and new network bandwidth.
  - *Reassess location strategies for optimal cloud adoption and to enhance the customer experience.* Decommission or consolidate technology assets.
  - *Promote organizational culture changes.* Educate employees about organizational changes, addressing resistance by IT and other functions.
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## How can IBM help?

IBM has a unique position in the marketplace with consulting services and enterprise-grade cloud offerings. We are ideally positioned to engage clients in conversations to identify cloud adoption entry points that move beyond cost cutting to transforming business models through cloud capabilities that include:

- Business and technology strategy consulting services that help clients leverage cloud to develop executable strategies and transform their businesses, operations and organizations by delivering business value through technology.
- The next generation, enterprise cloud service delivery platform, IBM Cloud solutions offer clients unprecedented service level control. This common IBM architecture for private, public and hybrid clouds is based on IBM hardware, software, services and best practices.
- A robust set of IBM Cloud services: computing, storage, backup, SAP, security and unified communications.
- Consulting, design, implementation and infrastructure component management services that create an IT environment dynamic enough to effectively support cloud computing deployment.



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#### Reference

- 1 Berman, Dr. Saul, Lynn Kesterson-Townes, Dr. Rohini Srivathsa and Anthony Marshall. “The power of cloud: Driving business model innovation.” IBM Institute for Business Value. January 2013. <http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-power-of-cloud.html>



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