The Crossover Effect
Positioning Consumer Products Companies on the Growth Path
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Mastering the Art of the Crossover
Cleans a Path to Market Dominance

To succeed in today’s hypercompetitive environment, consumer products companies need to employ greater speed, agility, and defense to outmaneuver competitors. Players can create space and options by mastering a move known on the basketball court as the crossover. At its best, the strategy can be hypnotic, disguising your next step and keeping your rivals off balance as you get into position to make your next big play.

For basketball fans, one of the most exciting plays is when a top-notch ball handler executes a killer crossover move. The player obscures where the ball will go next by rapidly yo-yoing the ball back and forth from hand to hand. The defender must rely on guesswork and gut instinct to get through this suspenseful moment in the game. And more often than not, the defender ends up moving in the wrong direction, leaving the shooter with a clear path to the basket.

What if consumer products companies could employ a similar strategy to make the consumer experience more engaging, responsive, and unified across all sales, marketing, and commerce channels? Imagine the possibilities of diverting the competition’s attention while giving your business time to get in position to make its big play. This strategy not only disguises your intent and keeps options open, but also exposes how your opponents react to market dynamics and where their weaknesses create previously unseen opportunities for your business.

For example, some consumer products companies are developing direct-to-consumer arms that build deep, enduring relationships and stave off upstart competitors. Another approach is to balance traditional routes to market with a strategic set of e-commerce partners. Or perhaps cultivating new business models based on an in-depth understanding of consumer desires and goals is the way to go.

In this point of view, we examine how a killer crossover strategy can help consumer products companies:

- Evolve the consumer experience by keeping strategic options open and flexible as needs change
- Stay hyper-focused on delivering on a myriad of choices that consumers face: what they want, where they want to shop, how much they are willing to pay, and what information they need to make a final decision
- Leverage new types of data, digital capabilities, partners, and success measures to identify and support such game-changing maneuvers
Driving the Strategic Priorities for Competing in the Digital Economy

The relevance of a consumer products company is only as strong as its ability to pivot to meet consumer demand and seize emerging opportunities. Companies must learn to quickly adapt, innovate, and differentiate their brands – without leaving an opening for their competitors to steal their thunder.

But no matter how they tackle this ever-evolving game, consumer products businesses must execute newer, bolder, and game-winning crossover strategies to address strategic priorities that drive transformation.

ENABLING NEW BUSINESS MODELS
Innovative consumer products companies are demonstrating that product delivery has nothing to do with the traditional rules of the industry. These companies are sensing opportunities in the moment, crossing over to new industry segments, personalizing interactions, and individualizing products.

For example, according to CB Insights, weakening incumbents and a hot merger-and-acquisition environment are attracting specialized investors.1 Consumer products leaders are blurring industry boundaries by moving towards online and brick-and-mortar retail to control the point of sale, shape consumer trends in their favor, use data to launch private labels, and make related equity investments.

As companies further explore intelligent technologies such as augmented reality and machine learning, brands will continue to adapt and improve to better engage consumers with confidence and agility across physical and virtual channels.2 Any consumer products company unable encourage this level of innovation will be threatened by tremendous disruption.

The crossover strategy: Find new ways to earn revenue and maximize profits, such as monetizing content or data, pursuing innovative partnerships, or selling excess capacity.

DELIVERING PERSONALIZED OUTCOMES
Consumers are facing a complex paradox of choice. Never before have they had such unlimited access to information, giving them more power throughout the buying journey. While choosing on their own terms is generally viewed as beneficial, consumers can find this freedom crippling, leaving a pattern of indecision, abandoned shopping carts, disloyalty, and lackluster experiences.

Industry players that perform well in this evolving marketplace know how to engage, inform, and convince consumers with the right solution for their needs. Key players know how to pivot from a consumer market once focused on product features to one that highly values consumer outcomes.

For example, a pair of running shoes is assessed for comfort and fit, as well as through the lens of meeting wellness goals.

Companies that understand the new consumer mindset and know how to innovate digital technology are the ones differentiating themselves with a combination of products, consumer experience, and continuous engagement.³

The crossover strategy: Build enduring customer and consumer relationships by delivering on a set of outcomes, often service driven, that go well beyond traditional product focus.

COMPETING AS AN ECOSYSTEM

Consumer products companies are experiencing intense pressure to accelerate growth. They already cut costs significantly, operate with manufacturing excellence, and run zero-based budgeting programs. And although these strategies have worked well for years, they are beginning to show signs of diminishing returns.

To gain every consumer’s attention, consumer products companies must get closer to the people and organizations they serve and prove their relevance. Their key requirements are to rapidly transform with speed and agility to serve both customers and consumers across all channels, execute consistent initiatives in all interactions, and understand market demand and purchase behaviors with transparency and data-driven insight.4

Having multiple routes to market presents the challenge of delivering a consistent message across all channels (see Figure 1). However, companies that overcome this hurdle have a distinct competitive advantage as they demonstrate their relevance to consumers.

The crossover strategy: Expand the boundaries of consumer products by teaming with nontraditional ecosystem partners to deliver higher value at no or low incremental cost.

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4. Adapted from Emerging Opportunities for Consumer Products Companies to Deploy Industry Processes in the Cloud, an April 2018 commissioned study conducted by Forrester Consulting on behalf of SAP.
Enabling New Business Models for Revenue Growth and Market Leadership

While innovation has been largely synonymous with refining product design and recipe formulation, consumer products businesses are going a step further by renovating the marketplace. They are experimenting with engagement and point-of-sale models and addressing the needs of a small, yet ignored, consumer segment.

But don’t be fooled – such maneuvers are not pursued purely for opening up new revenue streams. Competitive consumer products companies are tapping consumer insights to innovate new delivery mechanisms and respond to unfulfilled consumer needs. And in the end, these competitive companies are driving buyer confidence, consistent purchasing behavior, long-term loyalty, and higher consumer satisfaction.

Successful crossover strategies that take advantage of this competitive play for consumer engagement include:

Data-Driven Services

Markgräflich Badisches Weinhaus is redefining the wine-making game with rich data. The heritage label is capturing data on weather, fertilization, and harvest conditions and sharing them with viticulturists and consumers to trace grapes from the vine to the glass – all with the help of a next-generation ERP suite.

Personalized Offers

Emmi is offering a full-range of distinctive, high-quality dairy products with a cloud-based omnichannel platform. By connecting its countless digital touch points across its Swiss operations, that company is using an unparalleled understanding of its consumers to personalize its digital marketing.

Direct-to-Consumer Engagement

Edgewell Personal Care is simplifying and optimizing its processes while connecting every touchpoint of its disparate data sources. With a next-generation ERP suite, the company is matching inventory levels to demand with swift responsiveness, agility, and profitability.

Consistent Omnichannel Experiences

Global retailer, New Era Cap, is giving its consumers a responsive, easy-to-use, and personalized omnichannel experience. Every employee can address consumer needs and anticipate demand with a consistent, cross-channel view enabled by a commerce cloud platform.
To bring these business models to life, consumer products companies should incorporate three critical steps in their strategy:

**STEP 1**
Focus

Fulfill unanswered consumer needs without sacrificing the experience.

**STEP 2**
Accelerate

Innovate rapidly with an iterative approach to bring potential successes to market quickly.

**STEP 3**
Invest

Include employees of all roles to rethink how to position and promote the product better.
Delivering Personalized Outcomes with Data-Driven, Consumer-Oriented Insights

Physical and digital retailers are shifting their attention toward meeting ever-shifting consumer expectations. At the same time, retailers expect consumer products companies to guide them with expertise in what consumers want, how to deliver them, which channels drive them to act, and when things will change.

No two consumers are alike – and neither are the retailers that serve them. The key is to segment consumers, as well as retail customers, to harmonize and integrate the buying experience while optimizing price points, inventory fulfillment cycles, personalization options, product variations, and service offerings.

For example, consumer products companies are increasingly shifting away from promoting discounts and add-on purchases. Now, they are bundling offers with products from different companies representing various segments to deliver a unique user experience to specific consumers.

As the volume of available consumer data continues to increase, consumer products are taking on more advanced crossover plays, including:

### Trade Management

**Henkel Beauty Care** is pivoting quickly to keep up with a rapidly changing market with a faster, simpler approach to traditional and modern trade promotions. Trading in a traditional system of 16,000 clicks with a modern application that requires only one, the multinational chemical and consumer goods company is positioning its partners and retailers to make intelligent purchase decisions that meet consumer demand.

### Retail Execution

**Henkel** is changing its game with an online and mobile shop and field sales applications. Sales representatives can now check the conversion rate of their promotions and collect product information during store visits. More importantly, consumer needs and habits are captured and analyzed to open new opportunities for cross- and upselling.

### Creative Delivery Options

**Li-Ning** is increasing inventory turnover and sales volume while staving off out-of-stocks. The leading sports brand in China integrated its order-management system with a cloud-based commerce solution to ensure online orders are submitted instantly to physical stores and warehouses. The integrated system also gives retail customers the convenience of mobile ordering and SMS notification of order status.
Consumer products leaders take advantage of **data-driven, consumer-oriented insights** by embracing three fundamental principles:

**STEP 1**
**Target**

Leverage data-driven insights to energize the right retailers with the right promotions and products.

**STEP 2**
**Share**

Exchange real-time intelligence with retail customers to help drive their success – as well as the product’s.

**STEP 3**
**Evolve**

Blend competitive data with real-time insights from stores and visits to outmaneuver rivals with agility and consistency.
Competing as a Unified Ecosystem to Engage with Consumers Closely

Consumer experiences cannot be predicted, manufactured, stocked, or distributed – but they can be created and delivered at the moment of need. By coordinating sales and marketing across all channels, retail partners, distributors, and online networks, consumer products companies can see how all elements of the consumer experience impact each other as well as profitability, revenue, and growth. Plus, connected operations provide insights that can help the business uncover new opportunities first and mitigate emerging risks proactively.

Putting consumers at the center of the business requires a single, connected view of sales, service, marketing, commerce, and beyond. Consumer products companies that deliver great experiences with simplification, agility, and transformation focus on crossover strategies including:

The Segment of One

**pladis** is switching over to a cloud-based, next-generation ERP suite to gain deeper insight into sales patterns, demand, and profitability by brand and channel. The parent company of well-known brands such as Godiva is leveraging emerging technologies – including machine learning, artificial intelligence, and predictive analytics – to accurately shape and deliver treats for each and every taste.

Premium on Data-Driven Insights

**Royal Cup** is celebrating over 120 years of business success and close relationships with its consumers. The world-class coffee and tea business is moving to the cloud to record and share consumer data in real time and enable mobile access to insights. With this approach, the company will improve everything from business planning and order fulfillment to delivery of the very best coffee and tea experience available.

In a market transitioning from selling products to selling outcomes, consumers buying dishwashers, for example, do not want another appliance. Instead, they want a better, less time-consuming way to clean dishes. Brands that understand this reality are partnering with brands across industries to offer, along with the dishwasher, installation services, detergent supplies, and operation and technical support.
Consumer products leaders can engage with consumers closely by considering **three significant aspects** of the consumer experience:

**STEP 1**
**Coordinate**
Connect sales and marketing to deliver a consistent consumer experience.

**STEP 2**
**Curate**
Leverage artificial intelligence, the Internet of Things, and blockchain to personalize every interaction.

**STEP 3**
**Protect**
Safeguard data to comply with GDPR rules and maintain the trust of your consumers and customers.
Keeping Competitors Guessing
By Understanding Consumer Values First

In virtually every segment, consumer product companies can no longer compete on product features, price, and shelf space alone. First and foremost, they need to move towards selling their products as a service to create experiences that match consumers’ values.

A detergent brand, for example, can offer a laundry service that provides the convenience their consumers desire while showing the cleaning power of its products. An oral care company may solve the common problem of using worn-out toothbrushes by offering a mobile app that monitors product use and triggers an order when a replacement is needed.

No matter the new business model or offering, these companies will gain traction and keep their competitors guessing only if they put what their consumers value most at the center of their innovation efforts.

With data intelligence at the core of decision-making and strategy planning, consumer products companies can optimize operations; fuel engagement; collaborate with retail consumers and partners; and exchange information on pricing, risk, and opportunities. Brands can first assess how consumers use the existing product, what needs are not being met, and which values resonate with them most.

Then, they can determine how to best leverage emerging technology – from blockchain and the Internet of Things to artificial intelligence – to enhance consumer engagement and the user experience.

The best part of running a business with an intelligent, consumer-focused crossover strategy is the opportunity to take on more challenging opportunities. Companies can leverage crossover plays with intelligence and speed to seize new revenue streams and mitigate risks in real time and, most likely, before their competitors do.

Learn more
Find out how we can help put your consumers at the center of your business strategy. Contact your SAP representative or visit our Consumer Products page.