SAP’s Industry Cloud
Spotlight for the Consumer Products Industry

Delivering Superior Consumer Outcomes in Moments of Opportunity
For 50 years or more, consumer products companies have organized almost entirely around the “two moments of truth” – the moment a consumer buys the product in the store and the moment they use the product at home. Achieving growth by simply getting great products on a store’s shelves at a fair price is behind us. Now the store is digital, and it’s everywhere. This is creating the greatest channel shift of our lifetime, a shift that is accelerated by the COVID-19 pandemic.

A focus on moments of truth presumed a linear path to purchase, with a set of defined touch points designed to influence purchase. It also favored economies of scale, creating competitive advantage and entry barriers that benefited large, established brands. This is no longer the case.

We have moved from consumer products to consumer outcomes. Today, leading companies are focusing on consumers in “moments of opportunity,” taking a broader view of the consumer journey and offering personalized experiences on the way to delivering meaningful outcomes directly in moments of need.

Delivering outcomes expands the nature of the consumer relationship. It looks beyond the products a company provides and instead focuses on the outcomes a company can help enable for consumers, such as health, wellness, security, happiness, and more.

Disrupting the Rules

Consumers expect outcomes that will make their lives easier while being personal, relevant, and simple – where commerce is seamless, technology is invisible, and privacy, security, and trust are assumed and assured. They don’t want to be sold to or influenced. They want to be inspired, guided, educated, and helped; and they will reward those companies that differentiate based on personalized experiences and outcomes.
Strategies for Consumer Products Companies to Run as Intelligent Enterprises

Today’s consumers no longer simply want to buy products, they want to be inspired and educated by brands that share their values and deliver personalized outcomes. They want personalization with a purpose. Consumer products companies will need to embrace next-generation business processes and intelligent technologies such as artificial intelligence and machine learning to lead in this new era. We have identified three strategic priorities necessary for consumer products companies to transform their business.

Enabling new business models: The traditional consumer products business model – building scale and share under the banner of well-known brands – no longer delivers reliable growth. Instead, market leaders carve out share by looking at new business models such as pursuing innovative partnerships or monetizing content or data, with a fresh eye, unburdened by established product categories, channels, or approaches.

Competing as an ecosystem: As the industry seeks to become more diversified, consumer products companies are now looking at delivering higher value in more differentiated ways by partnering more effectively across the full ecosystem. They will need to optimize and deepen the level of collaboration with existing strategic partners to pursue additional sources of value as well as aggressively pursue new partners to further differentiate and enable new levels of agility.

Delivering personalized outcomes: Throughout many years of sustained growth in the consumer products industry, the prevailing model has been “one product fits all.” With a limited number of national and global brands dominating the various segments, consumers were confined to the styles, flavors, types, and sizes that consumer products companies produced. However, as consumers gain power and the number of producers and channels proliferates, leading companies are now focusing on the personalized products and outcomes that consumers demand.

Reframing “Business Models”

Business model innovation will win the day in the consumer products industry. The leading consumer products companies use deep consumer insight to deliver measurable outcomes, and draw an increasing percentage of revenue from data-intensive services. Personalized offerings, such as direct-to-consumer subscriptions and flexible fulfillment options, deliver growth and differentiation.

Diageo’s Johnnie Walker – Delivering the Perfect Whiskey

Diageo built a predictive system to allow users to find their perfect whiskey by having them answer a few fun, simple questions. The user could then purchase that whiskey online, ultimately driving strong engagement and high conversion to purchase – Read the story.
From Best Practices to the Vertical Edge

In a digital world, innovation is no longer just the domain of the research and development teams. Innovation must become an integral part of each department and discipline, so they all contribute to the evolution from industry best practices to next practices, right to the “vertical edge.” This enables cross-functional teams to experiment with new ways to create unique value for customers, thus generating top-line, bottom-line, and green-line improvements.

Driving Sustainability Through Supply Chain Transparency and Efficiency

Consumers have been shifting spend significantly to sustainable products that support health and wellness outcomes. Companies must have the ability to demonstrate an end-to-end source-to-consumer process that provides consumers with visibility into every step along the value chain, building trust that products are sustainably sourced, that ingredients and packaging align with consumers’ health and wellness goals, and that direct consumer engagement is personalized.

“Our passion for and commitment to the environment and sustainability will improve the livelihoods of these Indonesian fisherman and enhance their communities.” – Tony Costa, SVP, CIO, Bumble Bee Foods LLC

Bumble Bee Foods deployed the farm-to-consumer blockchain solution from SAP to provide consumers with full value chain visibility for its premium tuna line, all the way back to the individual fisherman on the day the tuna was caught.
Road Map to the Vertical Edge

We have identified eight initial innovation spaces where we see the potential to move to next practices and the vertical edge jointly with our customers. Consumer products core processes offer a significant potential to move from current best practices to next practices using digital technologies and a digital mind-set.

Building the Intelligent Enterprise for the consumer products industry is a collaborative effort between our customers, partners, and SAP. We see opportunity in innovation spaces that are sparsely populated or even empty today. We know how many innovative ideas are out there in search of a platform to turn imagination into innovation and reality.

The intelligent suite and our business networks are the perfect foundation for next practices and innovation at the vertical edge.
Enabling New Business Models: The New Direct-to-Consumer Experience

COMMON PRACTICE

The common consumer experience as a single, threaded journey focused on where the consumer buys products is inconsistent across channels. Confusing offers and messaging that is not targeted to consumer needs ultimately diminish consumer loyalty. This common practice is based on:

▪ Siloed, expensive innovation strategy with sporadic new-item successes and huge investments in innovation for products where the majority of new items don’t last more than three years
▪ One-size-fits-all marketing strategy that wastes trade and marketing funds
▪ Limited visibility into in-store conditions and consumer preferences, and a disconnect among channel partners that exacerbates out-of-stock conditions
▪ Disjointed e-commerce strategy that fails to capitalize on the growth potential

NEXT PRACTICE

The new consumer experience is focused on consumers themselves, with personalized experiences delivered in micro moments on the journey toward helping that consumer achieve a desired outcome. This is the difference between a company making a sale or the consumer making a switch. The next practice is based on:

▪ Consistent master data, customer (business-to-business), and consumer (business-to-consumer) across all channels to enable a consistent and meaningful experience
▪ Full visibility of the entire value network, from sourcing and partner networks to in-store conditions and actual consumption
▪ Live access to, and use of, both structured and unstructured demand drivers to assess market dynamics in real time
▪ Scaled, qualitative analysis of consumer experience sentiment and feedback to deliver a unified, personalized user experience

Top Value Drivers*

50% Of consumer products industry growth will occur through a direct business model

US$100 million In trade spend savings

*Source: SAP Performance Benchmarking

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Delivering Personalized Outcomes: The “Speed Factory” for Apparel

The traditional athletic and apparel time-to-market process is linear and slow, usually averaging 3 to 4 months. The inherent time lag in this sequential process causes companies to fall behind rapidly evolving consumer trends, leaving few options for personalization, and putting up-front investments at risk.

By contrast, in a new-world scenario, a concurrent, collaborative “speed factory” consolidates processes. In this new scenario, consumers can participate in an interactive experience to select their shoes, move through to a virtual design and custom fitting process, and ultimately receive a custom-designed and tailored product, usually in less than a day.

**Common Practice**

Mass production through slow, sequential processes

- R&D
- Procurement
- Manufacturing
- Supply chain
- Sales and marketing

Traditional process takes months, with little flexibility for adjustment

**Next Practice**

“Speed factory” with concurrent, collaborative processes

- R&D
- Procurement
- Manufacturing
- Supply chain
- Sales and marketing

Configuration to consumer

24 hours

Building Enduring Customer and Consumer Relationships

Consumer products companies should have a vision to build enduring customer and consumer relationships by delivering on a set of outcomes, often service driven, that go well beyond traditional product focus. Drive top-line growth by developing deeper consumer insights to deliver personalized engagements, products, promotions, and pricing.

63% Of consumer products companies say it’s important to engage with consumers through a seamless, fluid channel experience, but only 16% are currently able to do so*

*Source: SAP Performance Benchmarking
Competing as an Ecosystem: Food Provenance, Traceability, and Recalls with Blockchain

Consumers increasingly want to understand where the ingredients in the foods they eat come from, whether or not those ingredients were sustainably sourced, and how those ingredients moved through the value chain on their way into finished and packaged food products. These consumer preferences are driving food producers to provide visibility into their products, from sourcing to production and distribution and finally to delivery to the consumer.

Blockchain securely captures and exposes transactions across the entire food supply chain. An open food supply chain network whose participants include smallholder farmers and big-box retailers can publish information to a standard, agreed-upon blockchain ledger, creating a single version of the truth in which all participants can prove sustainability, improve support for compliance with regulatory requirements, and drive accountability through analytics.

Linear, sequential sharing of provenance information impedes the handling of food recalls. Farmers struggle to be certified as suppliers of quality harvest. Smallholders are paid unfairly. Recall information is slow and unclear. Recalls are slow and expensive due to number of products to remove from warehouses and shelves. There is no visibility into supply chain for food manufacturers to ensure quality and certifications.

Blockchain food ledger is secure, trusted, and transparent, enabling instant information flow upstream and downstream on the entire supply chain. The vision for consumer products companies is to expand today’s boundaries by teaming up with nontraditional, innovative ecosystem partners to deliver higher value at no or low incremental cost.

Companies are looking at their ecosystem as a more dynamic set of relationships – one capable of delivering new types and sources of value to consumers. Coca-Cola FEMSA, the largest independent Coca-Cola bottling group in the world, has created a 360-degree view of its customers and can now market to 1.5 million business-to-business partners by using SAP Customer Experience solutions to achieve integrated sales.
SAP’s Industry Cloud – A Joint Innovation Space

Business innovation is driven by everyone – customers, partners, and SAP. It starts with ideas: how to fix a problem, how to discover and unlock new value, how to deliver new business outcomes. Translating an idea into a business process or a solution needs an innovation space that comes with digital tools and content to build and deliver quickly and predictably. This allows developers and business users to focus on getting things done to push new solutions out the door.

Industry Innovation Spaces
Stand-alone applications struggle to deliver relevant business value. Enterprise applications always need access to essential business domains such as products, cost centers, employees, and customers. SAP’s industry cloud provides direct access to business domains and processes in the intelligent suite through APIs, while our business and technology services provide the tools and infrastructure to create and run innovative industry cloud solutions.

Intelligent Technology at Your Fingertips
Business innovation needs digital technologies that are ready to use to solve a business problem. SAP’s industry cloud powered by SAP® Cloud Platform provides a full set of technologies ranging from user interfaces to robotic process automation to artificial intelligence and machine learning.
Open Innovation Platform and Ecosystem

SAP’s industry cloud is the way for our partners and SAP to deliver industry cloud solutions for customers that unlock new levels of efficiency, extend end-to-end business processes at the edge, and enable innovative business models.

SAP partners find a unique environment in our industry cloud in which the data domains and business processes of the intelligent suite and our business networks are readily accessible through open APIs. This allows our partners to accelerate innovation by focusing on the differentiating business capabilities they want to build and deliver to our joint customers.

This enables a spectrum of partnership and innovation models ranging from close co-innovation over identified white spaces to completely open innovation spaces with free competition to drive customer value.

The innovation models are complemented by a set of commercialization models that are strongly correlated to the value the solutions deliver to the business of our customers.

Freedom of choice is a key value, so customers can choose any partner or hyperscaler to deploy their industry cloud solutions.

Open Ecosystems Deliver More Innovation

Open platforms, available to the wider ecosystem, have consistently delivered more innovation and choice for customers. Therefore our industry cloud solutions can be run by the major infrastructure-as-a-service (IaaS) providers, giving our customers the freedom to implement their own individual platform strategy.

INTURN: Driving Customer Value

Excess inventory is a business reality, with no existing systems in place to manage it. This leads to a manual and error-prone process. The INTURN platform connects internal and external players throughout the inventory lifecycle, leading to an 85% decrease in operating costs, 55% decrease in transaction time, 10% increase in product margins, and a 60-day decrease in time to market.
SAP has been the proud solution provider for the consumer products industry for almost five decades – starting from humble beginnings and growing into a position of supporting the core business of our customers.

SAP’s industry cloud opens the field for a new level of co-innovation with customers and partners, enabling next practices and new business models that help our customers capture the new opportunities of the future.

Our open partner strategy gives our customers the choice of whom they work with to design the business models of the future; whom they partner with to define and implement business processes for efficiency and growth; and whom they trust with running their infrastructure.

There are many journeys consumer products companies can take into the digital economy to become intelligent enterprises. No matter which they choose, our scalability, security, global reach, vibrant business networks, and business process knowledge across consumer products and adjacent industries are the success factors for our customers, our ecosystem, and SAP.

Our partner ecosystem includes, among others:

Engagement Model

SAP is the partner for the consumer products industry in the long run. We have established a co-innovation and collaboration model with many of our customers that is based on mutual trust and long-standing, value-based relationships.

This is the foundation to chart the journey into the new world of consumer experience and outcomes, to capture the opportunities and tackle the risks in the digital economy.