Scaling a Profitable Consumer Products Company

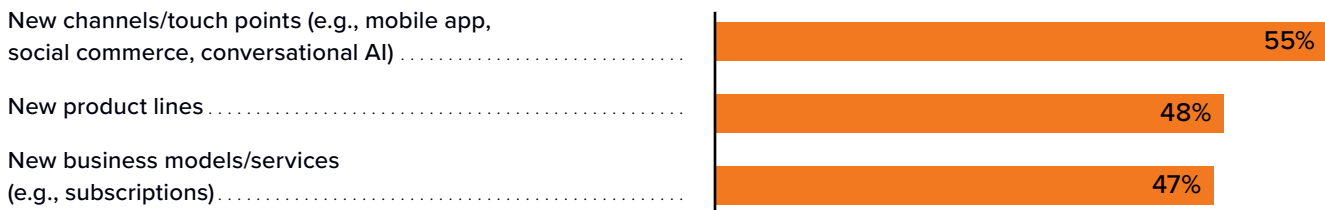## How Technology and Digital Transformation Play a Critical Role in Driving Growth

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Recent IDC research commissioned by SAP revealed that among midsize consumer products companies:

They follow a number of strategies to improve their supply chain resiliency:

Strategy	Percentage
Greater use of technology for supply chain management	44%
Supply chain diversification across many different suppliers	41%
More reliance on financial hedging for price stability	38%
Locking in long-term contracts	38%

Attracting new customers is key and respondents plan to evolve customer experiences with:

Experience	Percentage
New channels/touch points (e.g., mobile app, social commerce, conversational AI)	55%
New product lines	48%
New business models/services (e.g., subscriptions)	47%

Source: *IDC, 2022*

Driving Growth and the Importance of the Supply Chain

Although midsize consumer products companies have been quite successful at wrestling share from their larger competitors over the past decade, that growth has been mostly a result of the ability to be nimble in developing products for narrow or niche markets. They have not been as good at expanding these markets, so growth often stalls. Midsize consumer products companies recognize this challenge and have identified the necessity of attracting a new and broader customer base as a top priority to further drive growth.

Supply chain disruptions have had a significant drag on midsize consumer products company success over the past three years, and these businesses continue to look for ways to create a more resilient supply chain to minimize future shocks. Companies must aggressively pursue both visibility and agility, through digital-first investments to better understand and address risk. In IDC's 2022 supply chain survey, almost 40% of consumer products companies cited a lack of digital competencies as limiting their ability to adapt to and adopt new business models.

A lack of collaboration, speed, and visibility are the biggest impediments to supply chain success for the growth-focused consumer products company. Supply chain challenges are too great for a single enterprise to tackle; so better collaboration, driven by data sharing and advanced analytics shaped by artificial intelligence, brings efficiency, innovation, and competitive advantage. Companies must rethink their end-to-end supply chains and the extent to which they engage with their ecosystem using business networks.

56%

of respondents haven't started or are in early stages of digital transformation

Business Priorities and the Digital Transformation Journey

Attracting new customers was ranked as the top objective (cited by 48%) to drive growth and enhance profitability. This is particularly true in the current economic environment where inflation has put significant pressure on margins. While companies have been able to take targeted price increases, it is also important to have the technologies and systems to identify opportunities for waste reduction and business process improvements.

Furthermore, recognizing that customer expectations have changed, midsize consumer products businesses look to introduce or expand value-added services to address those evolving expectations (as shown in the chart above). It is not enough to aspire; these companies must ensure they have the necessary capabilities in place to successfully deliver this, particularly in the supply chain. Just 44% of respondents said that they are in advanced states of their digital transformation, meaning that they may not have the necessary capabilities to put their plans into action. This remains a clear opportunity.

Conclusion

Opportunities abound for the midsize consumer products company to drive growth by leveraging a new and broader customer base across a wider variety of channels, product lines and services. Doing this optimally and at scale means investing in the necessary supply chain tools for visibility and resiliency. Indeed, digital maturity correlates highly with improved revenue and profit so efforts to progress transformation must be prioritized.

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