Intelligent Consumer Products
The Digital Transformation Imperative
Unlock Intelligence with Next-Generation Industry Practices

Consumer products (CP) companies face an ever-evolving landscape, where digitalization and competition are accelerating. Consumers continue to intensify their demand for innovative products, sustainable options, and uniquely personalized experiences. And these preferences are raising the bar on direct commerce engagement, product quality, assortment, and responsible business practices.

Brands must withstand such increasing pressure to protect their profit margins and advance their cost management strategies. And many of them are responding by embarking on a digital transformation journey that is changing all aspects of their business.

The Shifting Moments of Opportunity

With a new product hitting physical and online store shelves daily and demand for the latest hyperpersonalized offerings increasing, CP companies compete on fertile ground for start-ups, nontraditional players, and every brand in between. Nevertheless, consumer expectations still run high.

Consumers covet brands that reduce waste, support fair trade, run on a small carbon footprint, and engage the circular economy. They also want to know that each brand’s supplier base involved in the product is transparent with proactive reporting to support all those requirements.

That said, CP companies have complex supply chains that include intricate inventory management considerations and a network of global suppliers, co-packers, and co-manufacturers. With disruptions and unforeseen demand shocks and shifts, they need agile, resilient, and adaptable supply chains to deliver consistent profits with operational transparency.

The Modern Consumer Products Business

With all this disruption, consumer brands are making significant changes to gain the flexibility and agility needed to deliver on expectations and protect their brand. Such changes include personalization, product innovation, new sustainable products and packaging, small-batch production, and a shorter time to market to capture consumers who switch brands with little effort.

Executing, innovating, and operationalizing such a modern business calls for culture-aware employees. However, expanding that workforce is not always an option due to rising overhead costs; instead, external talent is used to supplement the current environment. Meanwhile, resources for maintenance, repair, and operations services are meticulously prearranged and coordinated as time becomes limited.

The Rising Importance of Procurement and Supply Chain Management

With cloud-based procurement and supply chain solutions from SAP®, your business can move forward with higher productivity, faster operations, and greater customer value. Additionally, you can minimize the risk and cost of direct and indirect spend, as well as contingent labor and services procurement.

The solutions fulfill those promises by optimizing supplier collaboration, reducing supply chain risk and disruption, obtaining workforce flexibility, and strengthening vendor relationships with a combination of valuable data, processes, and a business network.

This approach toward digitalization allows your company to work more effectively with your suppliers and integrate planning and the value chain through process automation – no matter the circumstance. More importantly, you can align your sales forecasts and inventory planning to maximize sales and manage working capital.
Know Where Spend Happens
to Optimize Governance and Control

Not all spend is created equal. A CP company’s typical spend profile contains various types, ranging from raw materials and packaging to maintenance, repair, and operations tools, lubricants, and services. Each category requires different processes, communities, and levels of supplier collaboration. Procurement organizations must also contend with various buying channels that further complicate and silo spend processes. (See Figure 1.)

Digitalization of all direct and indirect spend activities – from purchase to governance, control, and compliance auditing – provides the insight and visibility to identify the best sourcing options and appropriate buying channels. In return, total cost of ownership is improved, risk is mitigated, and compliant spending behavior is modeled.

Figure 1: Spend Profiles as a Percentage of Transactions

| Services
<table>
<thead>
<tr>
<th>Contingent Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Services statement of work</td>
</tr>
<tr>
<td>• External services</td>
</tr>
</tbody>
</table>

| Indirect
<table>
<thead>
<tr>
<th>User Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Catalog, spot buys, and marketplace</td>
</tr>
<tr>
<td>• Non-purchase order buys</td>
</tr>
<tr>
<td>• Travel and expense</td>
</tr>
</tbody>
</table>

| Direct
<table>
<thead>
<tr>
<th>Plan and Forecast Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>• MRP planning and scheduling</td>
</tr>
<tr>
<td>• Supplier-managed replenishment</td>
</tr>
<tr>
<td>• Contract manufacturing</td>
</tr>
</tbody>
</table>

| MRO/Assets
<table>
<thead>
<tr>
<th>Project and Maintenance Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Plan, replenishment, and predictive work</td>
</tr>
<tr>
<td>• Catalog, inventory warehouse, and spot buys</td>
</tr>
</tbody>
</table>

The State of Consumer Products

14,100+

CP companies in 134 countries are SAP customers

100%
of the greenest CP companies in the world run SAP solutions

90%
of the most successful consumer brands in the world run SAP solutions

88%of CP companies in the Forbes Global 2000 are SAP customers

Source: SAP Fast Facts.
New Expectations and Challenges Bring New Opportunities

By digitalizing spend, you can optimize supplier, co-packer, and co-supplier collaboration; mitigate supply chain risk and disruption; and strengthen vendor relationships. Every purchase decision is guided to improve brand reputation, increase profit margins, and align sustainability practices with the needs of the business and the community.

You can attain these characteristics of an intelligent enterprise by applying unique industry knowledge and a portfolio of applications and innovation services to optimize processes across your business. As a result, your operations become more resilient to market conditions, drive profitable top-line revenue growth, deliver more sustainable consumer-based outcomes, and enable purpose-based personalization.

Stabilizing and Rebalancing the Supply Network

Enable supplier self-services by automating operational procurement and integrating supplier collaboration across a digital business network. By aligning a complex chain of suppliers, distributors, co-packers, and co-manufacturers, you can increase your supply chain’s resiliency to reduce the risk of stock outs. Plus, you can achieve efficiencies such as low on-hand inventory and an ecosystem of suppliers ready to handle unexpected demand.

Driving Global Multinational Support and a Local Presence

Manage spend across multiple integrated systems – including ERP systems and finance planning applications – deployed across your multinational business. You can oversee spend activity in direct and indirect procurement, supply chain collaboration, services procurement, and contingent workforce management. Plus, with access to a broad product portfolio and global presence, you can serve the local needs of your regional office, supporting specific languages, currency, and data centers.

Leveraging the Network

Compete as an ecosystem and integrate it with the world’s largest network. SAP® Business Network unifies all points of interaction and integration across your supplier and trading partners to help your business move faster.

A unified network allows you to discover and connect to trading partners of every type through a single directory, then collaborate across them by using shared, near-real-time data and lean workflows. You can also apply network-wide intelligence to effectively predict opportunities and disruptions, then guide decisions to adapt and improve.

This is not just another network. It is a business-changing way of working that simultaneously reduces risk and amplifies both speed and stability for your company.

Growing and Protecting the Brand

Protect your brand and help ensure a seamless flow of stock to safeguard consumer loyalty, especially as new products are introduced daily.
New Expectations and Challenges
Bring New Opportunities

Accessing Cash
Gain the flexibility to free cash and increase working capital through payment term management. Such capabilities include dynamic discounting and supply chain finance to shift payment terms for suppliers and manage the supply chain for effective and efficient cash flow.

Providing Early Supplier Feedback in Design Process
Drive supplier innovation through a digital platform capturing supplier sentiment and ideas for continuous improvement. Supplier collaboration is also improved by importing part lists quickly from a product lifecycle management system. With this approach, your business can acquire early feedback from suppliers and leverage innovative use cases within their processes.

Planning Maintenance Repair and Operations (MRO)
Schedule services in advance to optimize MRO stock room and inventory and minimize downtime. This approach helps minimize operational disruption, while you support your customers’ needs for personalization and individualized products through smaller batch runs with more variations.

Connecting to Talent
Access and manage external workers’ timesheets, service entry sheets, and onboarding and off-boarding processes with greater ease and speed to acquire the capacity and skills to create a more-efficient and versatile workforce.

Optimizing Production with Services
Operate facilities that produce goods with coordinated and timely management of equipment maintenance, spare parts availability, and workforce skills.
Procurement Agility Fuels
Supply Chain Stability

Your brand must stay one step ahead by offering the latest products at the lowest possible cost. To deliver on these needs, SAP customers from within the CP industry facilitate agile procurement processes that support operational flexibility, visibility, and collaboration with internal and external partners (See Figure 2).

Figure 2: Key Processes of a Consumer Products Business

Source to Pay

Design to Operate

Key contacts with end-to-end business and process responsibility:

Human Resources
- CEO
- COO
- CIO

Finance
- CMO
- Head of Mobility
- VP, Supply Chains
- VP, Manufacturing

Success Across the Industry

Coca-Cola FEMSA innovates procurement to optimize experiences for employees, suppliers, and consumers.

Natura delivers superior customer experiences while sourcing raw materials ethically.

Al Dahra centralizes procurement to aid food security, supply, and agricultural sustainability.
Procurement and supply chain solutions from SAP are designed to help brands respond to consumer demand strategically in ways that minimize costs, increase transparency into potential disruption across the value chain, and optimize operations business-wide. Furthermore, you can leverage these technologies to adopt the critical characteristics of an intelligent consumer products enterprise: intelligent products, intelligent factories, intelligent assets, and empowered people.

This end-to-end value chain enables innovation, new business models, personalized outcomes, and the ability to compete as a unified ecosystem. Behind it all are procurement and supply chain functions focused on optimizing every purchase and investment. They keep the business moving forward with higher productivity, faster operations, reduced costs, and greater customer value.

This new reality is accomplished with the assistance of best-of-class solutions that improve supplier management and collaboration and mitigate risk.

Learn more

For more information on procurement solutions from SAP, contact your local SAP representative, or click the link below.

Learn more about SAP procurement solutions