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Briefing Paper

May 8, 2022

Enhancing Brands and Shaping Customer Experiences: From partnerships to experience ecosystems

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Executive Summary

As consumer goods businesses engage in an accelerating innovation arms race, competing for increasingly scarce consumer attention we identified three archetypical strategies they employ to improve consumer experience and shape their brand perception, often by shifting from products to experiences.

Working with FMCG firms and marketers we identified the following options, briefly considered in this paper: (A) creating value alone within the realm of their existing industry; (B) collaborating with other companies across industry boundaries; and (C) co-developing value with ecosystem partners while redefining industries.

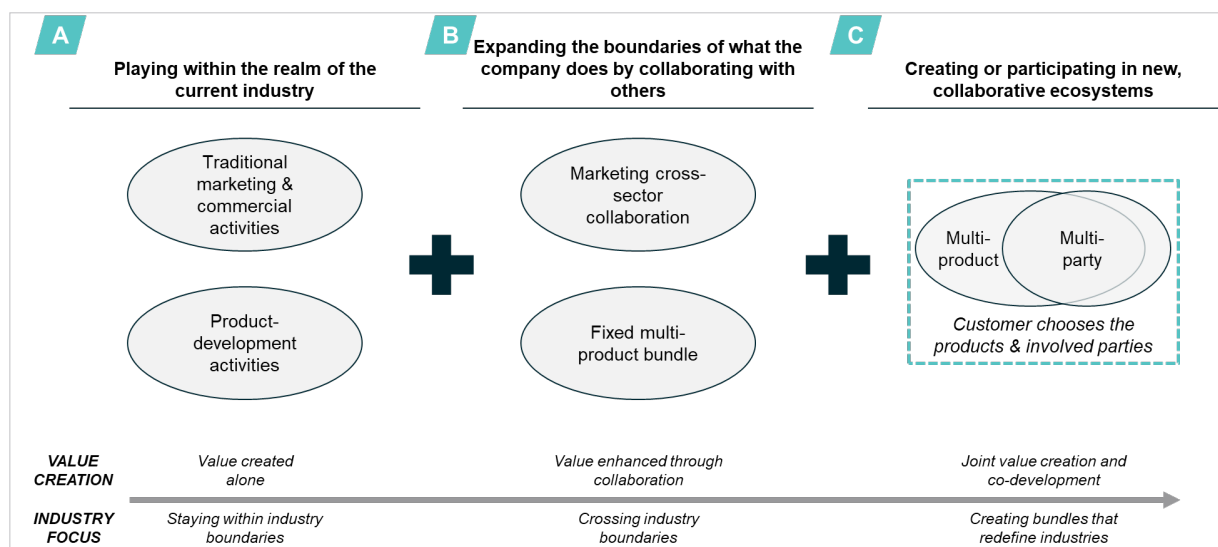
While (A) is the (traditional) approach most companies employ, significant consumer value could be co-created through partnerships and collaborations in (B) and (C). These two strategies allow companies to transcend their industry's boundaries, and allow them to reach new audiences and repositioning their brand through association.

We find that building ecosystems may be promising, but is also more demanding as it requires a distinct set of competencies in partnering and collaborative value creation to be successful. We find that businesses could start building these competencies through ad hoc partnerships and by playing a complementor role in other ecosystems.

Value for FMCG and their brands: From products to experiences

As customers, inundated with choice, are increasingly open to shifting from products to experiences, FMCG firms – seeking continuous product and brand innovation as their traditional primary lever of competitive advantage – are left with a conundrum: How should they go beyond their traditional boundaries? Also, as competition is making it increasingly difficult for companies to reach consumers and attract their attention, how can such moves reinvigorate not only customer experience but also brand perception? Winning brands are on the lookout for how they can improve the experience of interacting with them, and it is becoming clear they are increasingly partnering with other brands in order to do so. The question becomes, what choices do firms have?

Through our research and engagement with practice through projects with Evolution Ltd, we have identified three strategies that companies can use as part of a portfolio of options that can improve their customer experience and shape their brand perception: creating value alone within the realm of their existing industry; collaborating with other companies across industry boundaries; and co-developing value with ecosystem partners while redefining industries. Each of them serves a particular function, has its own pros and cons, and understanding them is the first step in invigorating brand and customer proposition alike. Mapping what a company does along these lines, as we propose in the figure below, helps get a handle of the opportunity space – and on what could be the next frontier.



How do these three options compare? Let's look at each one of them in turn.

A. Playing within the realm of the current industry

The first option, which is the “traditional” approach, is to do something new- but, do so within the existing sectoral boundaries. Firms innovate but within limits. This focus encompasses most traditional marketing and commercial activities, as well as new product development. An individual company creates value without straying beyond the boundaries of its industry—for example, a brand such as KitKat or Oreo launches a new flavor. This is the most popular strategy, and numerous FMCG companies employ it on a regular basis. Yet, it isn’t the only possible option, which is why it’s worth considering the next two sets of opportunities.



B. Expanding the boundaries of what the company does by collaborating with others

What we have seen is that firms increasingly add value by engaging in collaborations to create and capture value for the customer- and the brand alike. Here, the company collaborates with another brand in a co-branding marketing activity or to develop a unique multi-product bundle to enhance customer value.

For instance, two iconic Italian brands, Smeg and Dolce & Gabbana, collaborated to create a unique home appliance collection that brought Sicilian aesthetics to their customers’ homes. Both companies transcended the boundaries of their traditional industries, with D&G playing in home appliances and Smeg in fashion.



Some collaborations are created at the intersection of digital and physical. Traditionally physical brands partner with digital natives to reach new audience with Metaverse providing ample opportunities in this space. Gucci partnered with Roblox to create a virtual complement to Gucci's Florence-based real-life exhibition. Gamers took the form of digital avatars which transformed into digital artworks as they moved through a series of rooms inspired by iconic Gucci campaigns. Virtual visitors were also able to shop for limited-edition digital Gucci items with a digital Dionysus bag sold for 350,000 Robux (\$4,115 at the time of writing).¹

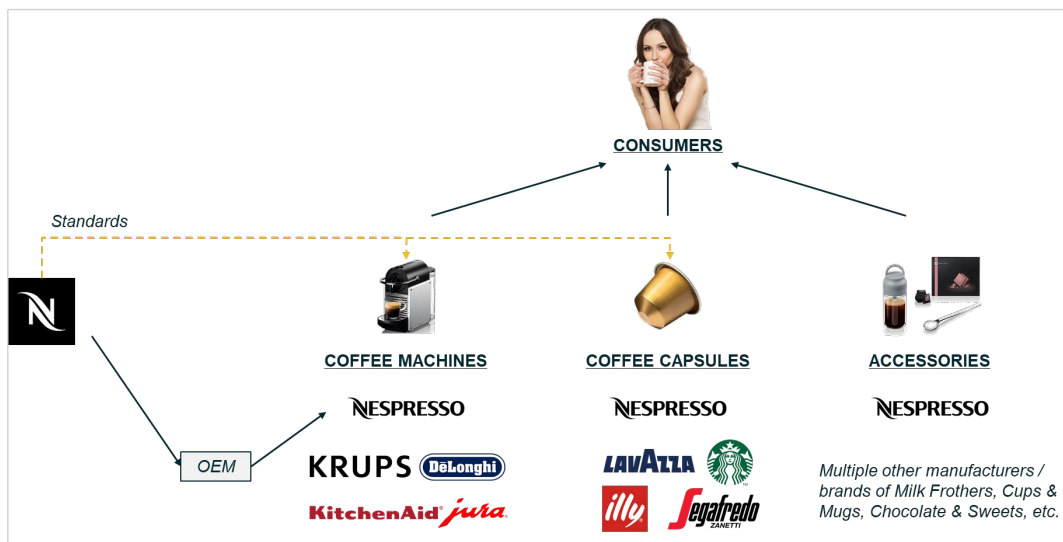
In another campaign digital experience was created to complement traditionally physical service of air travel. Peloton partnered with Delta Airlines and brought its classes to the airline's in-flight entertainment systems – the first time Peloton's content became available to stream outside of its app or hardware.

¹ On the use of Gamification to support your business objectives, see our recent White Paper at <https://www.evolutionltd.net/post/gamification-how-to-climb-the-ladders-and-avoid-the-snakes>

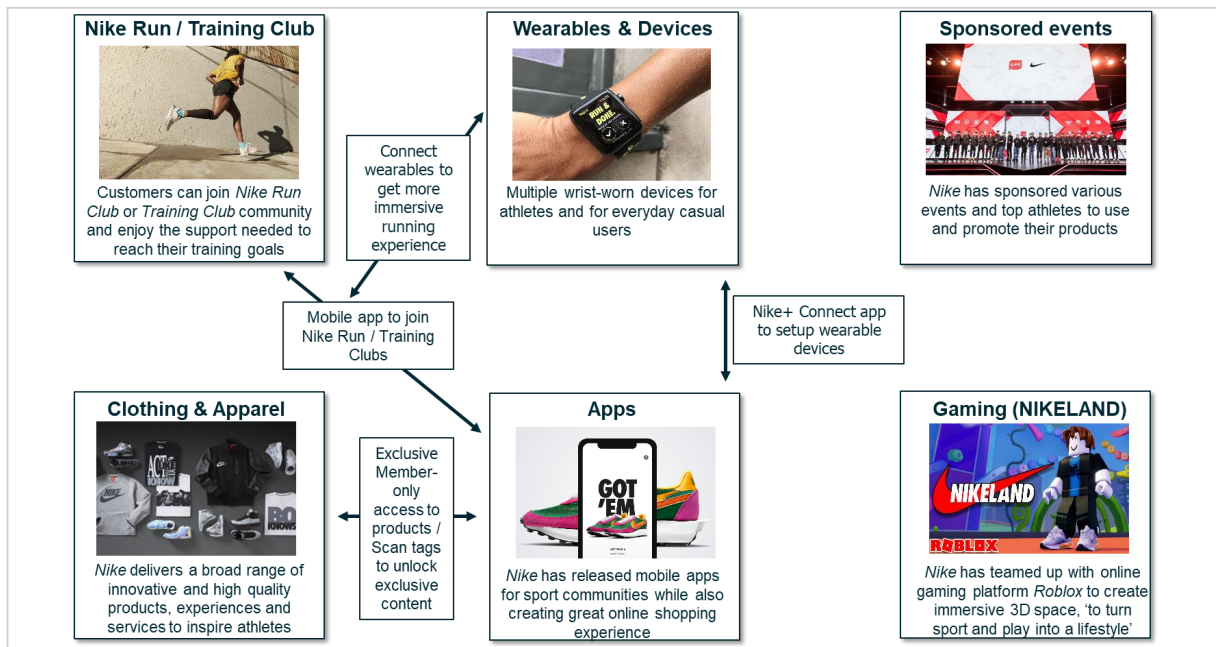
C. Creating or participating in new, collaborative ecosystems

Beyond such one-off collaborations, which can both improve customer experience and help invigorate the brand a firm has and its perception, we see firms increasingly focus on shaping entire collaborative structures as business ecosystems: collaborative structures that deliver an integrated customer value proposition in which customers themselves are the decision-makers. Complementary and modular solutions co-create significant value for the customer, with industry boundaries shifting and dissolving as a result.

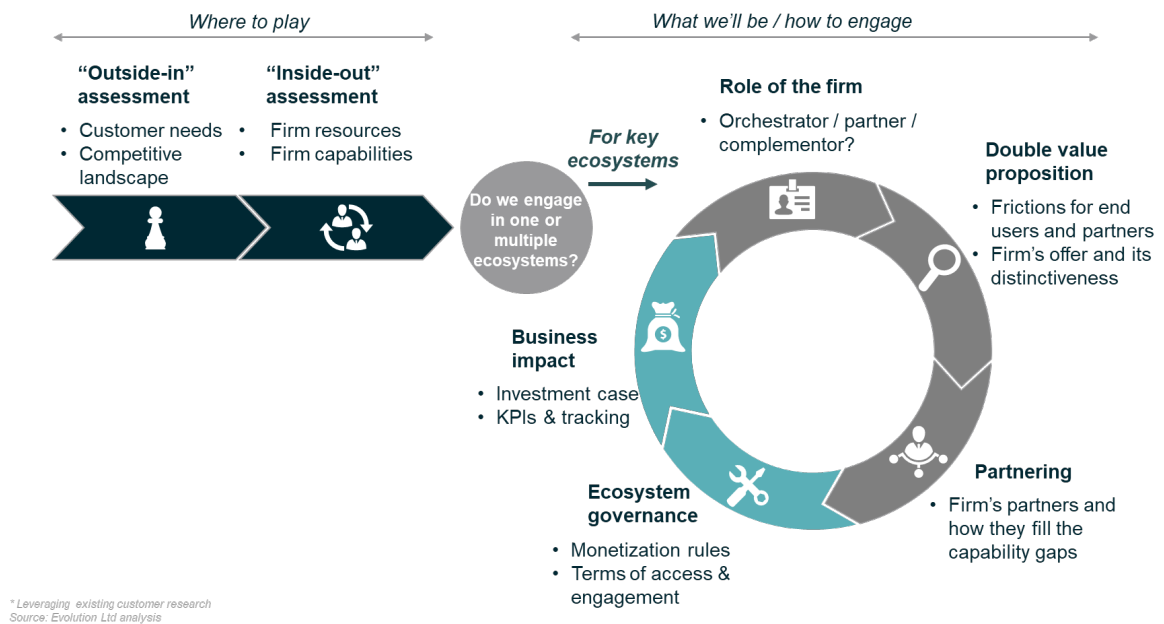
Business ecosystems are most often mentioned in relation to the tech world, but there are examples from FMCGs too. Consider Nespresso, a coffee company that redefined the way coffee is delivered and consumed. Nespresso built an ecosystem with machine manufacturers (e.g. Krups, DeLonghi) on the one side, and coffee producers providing standardized capsules (e.g. Lavazza, Starbucks) on the other. Nespresso itself sets the standards and “rules of the game,” and importantly promotes the ecosystem to ensure demand for Nespresso-compatible products. The ecosystem proved so successful that other coffee brands such as Illy, Lavazza, and Keurig followed suit and attempted to build their own coffee ecosystems.



Ecosystems can be created not only by engaging external partners, but also within a company by combining products from different business units. Apple does it well in the tech world, but Nike is another strong example from FMCGs. Nike managed to build an experience ecosystem around its brand and the sports and activities its users enjoyed, using an app to forge new connections between products such as running shoes and wearable devices, as well as venturing into live experiences with Nike Run Club events.



Ecosystems generally deliver more value to customers and provide ample value-capture opportunities for the companies that participate in them, as we explore in more detail in our Ecosystem Development Framework,² summarized below.



² See <https://www.evolutionltd.net/post/how-to-compete-when-industries-digitize-and-collide-an-ecosystem-development-framework> also printed in *California Management Review*, May 2022

C.1. Succeeding through multi-product (experience) and multi-actor ecosystems

Success, then, comes from both generating income and generating brand excitement through ecosystem design. Such ecosystems are *multi-product* in the sense that they relate to a set of products that reinforce the value of each other, and that can collectively form an *experience* which can be appealing to the customer precisely because it covers an interesting combination of needs. This multi-product or experience ecosystem is also valuable because it helps refresh the brand – not only elevating it through association but also by helping it move into a new perceptual space.

Such ecosystems often integrate physical and virtual experiences. Consider for instance what Majid Al Futtaim has done in the Gulf, where it has provided a web of services to the customers that visit its malls (like Dubai Mall) and its stores (like Carrefour in the UAE), which provide convenience to the shopper. MAF combines customers' physical experiences as they shop with convenience and geolocation services. It rewards customers with points that aim to engage them and provide MAF with a more granular understanding of customer habits in real time, yielding an asset that can motivate its tenants, retail stores.

With the excitement with Metaverse running high, we also expect gamification – the use of computer and immersive games (drawing on AR/VR) to become an additional feature of these experience ecosystems, and their success will hinge on the ability to provide a solid unified experience for the customer.

In addition, ecosystems have a *multi-actor* perspective- that is, whatever scope we decide to set, they need to engage many different complementors to be able to deliver value-added services. A firm does not need to orchestrate the ecosystem it is active in, and for most firms partner or complementor strategy is preferred. Defining customer and partner value proposition, identifying key pain points and rewards to use, setting KPIs to track are important components of any ecosystem strategy. In addition, orchestrators must define partner selection and onboarding processes and form a view on ecosystem governance.

In setting up ecosystems strategy, knowing *what we are after* is critical: Is it new revenue streams or additional margin? Is it a brand reinvigoration or is it experimentation with new directions? Ecosystems allow us to explore, but exploration should be coupled with a sense of purpose and direction, to be able to leave a mark.

C.2. There's no such thing as a free lunch – even in the world of ecosystems and collaborations

Ecosystems allow us to experiment and learn, draw on partners' capabilities and extend our own, in ways that will take us well beyond the simpler set of activities that transgress traditional boundaries. Yet they require time and attention – and the homework to define the right scope of the experience ecosystem and the right approach in setting up the role in the multi-actor context.

Choices such as whether to be an orchestrator vs a partner, and how to motivate others around you are crucial to your success. And this is where good intentions do not suffice: Orchestration takes time, resources, and position. For many companies, that role will be out of reach—but they can still begin their journey by learning how to collaborate with partners through ad hoc collaborations that deliver fresh customer experiences. Alternatively, they can adopt a complementor strategy by participating in established ecosystems – both digital and physical – and riding the wave of their success.

Evolution Ltd is a boutique advisory that combines frontier research from world-class business academics and technologists with hands-on experience from senior executives to guide organizations in an increasingly complicated environment.

Evolution focuses on digital ecosystems, Artificial Intelligence and their impact on strategy and organization. Its independence and governance structure ensure rigor and bespoke solutions for its clients and inspire hands-on, [award-winning frameworks](#) that shape managerial practice.

Its clients and partners include large corporates, leading consultancies, governments and NGOs. Projects draw on its affiliates' vast experience and connections to global tech giants, startups, disruptors, entrepreneurs, and governments alike to engage key stakeholders in effective conversations and catalyse action.