

The Demand Revolution: It's Time to Unleash Your Commercial Creativity

Winning over customers in today's world means unleashing your commercial creativity and embracing transformation.

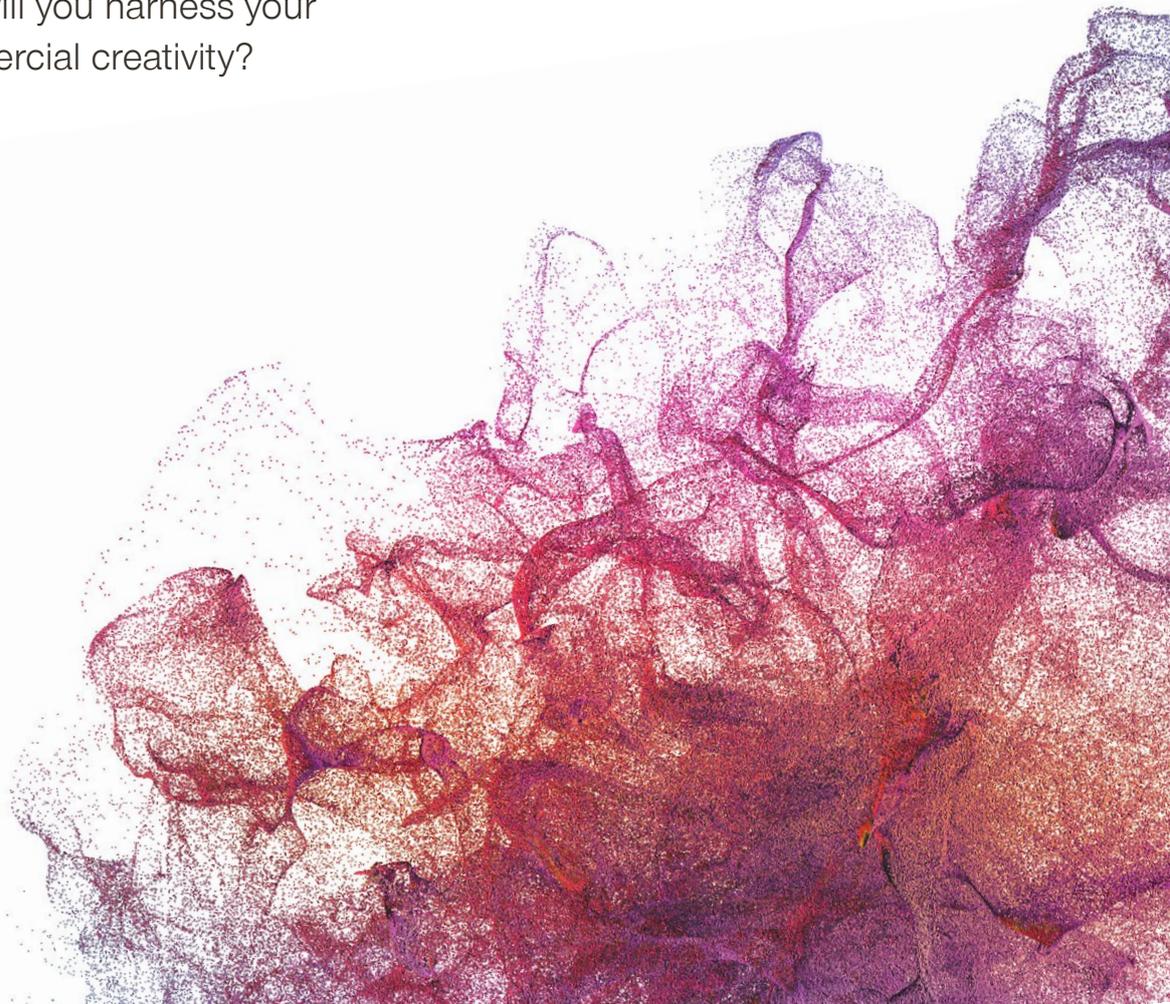
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The Demand Revolution:

It's Time to Unleash Your Commercial Creativity

Facts & Figures

60%

of consumers are making more purchases that are either **sustainable or ethical**.

75%–95%

of people would prefer **hybrid working model** after the crisis ends.

Over **80%**

of corporate leaders plan to **allow remote work** to continue in some form.

Customers and consumers cannot “unsee” the new behaviors and alternatives that confronted them in 2020, and in many cases, see no reason to undo their choices. Strategic planning will be little more than advanced guesswork until companies understand how extensive and dynamic the demand revolution is in their sectors and which customers they should bet on.

The demand revolution puts everything back on the table. To succeed in this environment will require extraordinary and unprecedented levels of commercial creativity. The ability to quickly and effectively re-engineer every cylinder of the revenue engine represents the key to unlocking and amplifying revenue growth in a changed world.

The two strongest forces that set this demand revolution in motion and still persist today are heightened community awareness and mass digital migration. Events and outcomes during the resurgent crisis raised the world's collective consciousness in ways that will be almost impossible for companies to ignore. The crisis provided an extended preview of what happens when the world burns less fossil fuel, thus drawing keener attention to climate change. The crisis also exposed vulnerabilities in safety nets and social and political institutions. Within a year, stakeholder capitalism and credible sustainability morphed from nice-to-have marketing messages to hygiene factors. Many consumers and customers now actively seek healthier, safer products and services created through sustainable processes.

This trend is clearly evident in the data. According to a [United Nations report](#), the number of businesses and governments committed to reaching net-zero emissions has doubled in less than a year. A majority of consumers are already making more purchases that are either sustainable or ethical. The vast majority of them plan to continue that practice when the crisis ends. Google searches for "how to live a [sustainable lifestyle](#)" increased by a factor of more than 40 in mid-2020.

The mass digital migration is also leaving permanent changes in its wake. It is hard to imagine anyone living in a major economy who hasn't shifted some part of their business or life online, either by choice or by default. From distance-learning to online meetings to surges in entertainment streaming and online ordering, this mass digital migration turned some businesses into superstars and caused some stable businesses to implode just as quickly.

“ In terms of customer motivations, companies have far fewer genuine insights than they did 12–15 months ago. They have become experts in what customers are doing but have lost sight of why they are doing it.

According to a [Supermarket News survey](#), the percentage of US consumers who have shopped online for groceries has doubled since 2019. Europe has seen a similar growth pattern. The work-from-home trend also seems poised to cause massive lasting changes. Depending on the survey and geography, between 75% and 95% of people would prefer a hybrid working model after the crisis ends. [Gartner](#), meanwhile, reports that over 80% of corporate leaders plan to honor those wishes and allow remote work to continue in some form.

More fundamentally, the digital migration also exposed a polarized relationship between companies and their customers. They have become closer than ever in terms of data collection about customer activity. But in terms of customer motivations, companies have far fewer genuine insights than they did 12–15 months ago. They have become experts in what customers are doing but have lost sight of why they are doing it. These “black box” customers – the ones that companies know only through their actions – now make up a greater share of many markets in 2021.

The demand revolution will continue as long as customers and consumers assess their own needs, recalibrate their expectations, and set their own future course.

This means that companies need robust answers to these four simple-sounding but deceptively complex questions:

Which ways are my customers heading now?

The simplest answer here is forward or backward. Are they headed “back to normal”, or are they heading in one or more new directions?

Why are they headed there?

What are the motivations behind these movements? What are the drivers behind future customer behavior, and how different are they from the drivers prior to the crisis?

How quickly are they moving?

How strong and enduring are these motivations, and how will they affect the pace of change in the market?

How boldly can we lead them there?

What ideas do we have to lead customers on their new chosen paths? What capabilities, resources, scale, and innovations in our pipeline can we draw on to implement those ideas quickly?

Prior to the resurgent crisis, most companies operated as well-oiled machines in relatively stable, growing markets. But in 2021, the relevance of the past is just as murky as the shape of the future. Answering those four seemingly evergreen questions now demands a level of urgency and commercial creativity that few companies have needed or nurtured until now.

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1 Welcome to the faster future

Why “resetting” your business will now require extraordinary commercial creativity

One way to sum up what happened in 2020 is that the future sure got here in a hurry. And it has no plans to leave. Last year’s need for crisis management – which called for an unprecedented level of commercial agility – will now yield to the equally urgent need for growth management, but in a world and at an intensity that will bear little resemblance to the pre-crisis world. Sustainability and stakeholder capitalism are both here to stay. The mass digital migration will continue unabated, reshaping markets faster than most futurists and long-term strategic planners dared to imagine.

The sudden emergence of once far-away trends leaves companies with largely blank pieces of paper for their strategic planning. The incremental thinking that helped them project a firmly established past into an uncertain but somewhat predictable future will no longer suffice. Growing a revenue base now requires a completely new level of commercial creativity. ▶

“ Last year’s need for crisis management will now yield to the equally urgent need for growth management, but in a world and at an intensity that will bear little resemblance to the pre-crisis world.

To deal with this, companies will need to find brand new levels of commercial creativity because:

Your crystal ball went dark in 2020

Big Data and advanced modelling have enabled companies to sharpen their revenue and volume forecasts over the last decade with ever-greater precision. But those forecasts hinged on one key assumption: historical data had predictive power because demand would remain relatively stable. A structural shift in demand weakens the validity of that assumption, if not eliminates it. That severely limits the usefulness of historical data and the predictive tools those data fed. In short: you can't extrapolate your way to a better position anymore.

You are starved for deeper level customer insights

In their relentless pursuit to understand “what” customers want, companies have lost sight of the “why” behind that demand. The resurgent crisis has also prevented companies from observing customers “in the wild” for the last 12-15 months, with no sign of when they can observe them again. Companies will need to find other means to gather customer insights reliably and quickly. This presents an opportunity to redirect their digitalization efforts away from automation and cost efficiency and more toward testing, customer orientation, and value creation.

The critical questions are not about “what happened?” but instead about “what happens next?”

DEFINITION

Commercial creativity

com·mer·cial cre·a·tiv·i·ty

The ability to re-engineer every cylinder of the revenue engine in response to the demand revolution.

Everything is on the table, because companies must now act without the confidence and statistical certainty that their previously safe assumptions and predictive power provided. The damage from any missteps could be significant. No company wants to create commercial solutions that lead customers quickly “back to normal” if they have decided to stay in new, durable market segments. Nor does a company want to feel it has weathered the storm simply because the demand revolution has left most customers close to their previous market positions. The current “what” might look similar to 2019, but the underlying “why” may have fundamentally changed, leaving black-box customers open to new ideas and ready to move on the moment better alternatives come along.

Your successful products no longer have viable markets

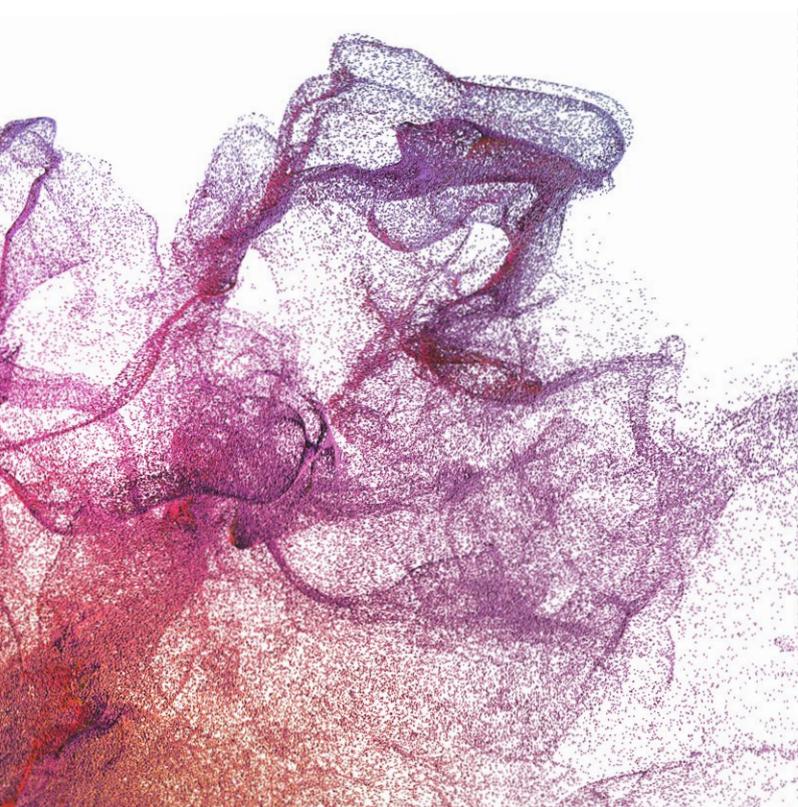
A structural shift in demand can alter the value perception and willingness to pay within existing customer segments, and at the same time, create entirely new segments. This can leave your price-value relationships – so carefully calibrated before the crisis – out of whack with what customers want and need, now and in the future. In other words, your successful products may have lost their competitive edges in the span of just 12–15 months.

Your go-to-market approach is no longer relevant

As 2021 began, you may have become exceptionally good at doing things nobody wants or needs anymore. The limited ability to have personal contact with customers has disrupted long-standing sales and channel models, from retail to foodservice to B2B field sales. The adjustment to the post-crisis period may be even harder than the adjustment during the resurgent crisis because customers will exit the crisis with more options – and a greater willingness to embrace them – than ever before. Personal and remote interaction, or some hybrid combination, are all viable alternatives in B2B and B2C.

Your fundamental revenue model is no longer valid

Heightened community awareness and mass digital migration will profoundly affect traditional pricing models. The tipping point for consumption-based or subscription models has finally arrived. The acceptance of wasteful and risky traditional ownership models is eroding. Customers want to use things, not own things. They expect the way they pay to mirror the way they consume.



▶ Knowing the course of the demand revolution – its future direction, its intensity, and the drivers behind it – is even more important right now than defining a current state, which is liable to change anyway. The demand revolution means that customers' openness to explore and commit to new ideas will never be higher than when the crisis subsides and governments ease restrictions. The critical questions are not about “what happened?” but instead about “what happens next?”



2 Winning the future means creating the future

Past business revolutions had their roots in innovation – but this revolution is very different.

Previously, companies developed breakthrough technologies, and customers adapted and slowly adopted them. The demand revolution not only flips that process around 180 degrees. It also heightens the urgency. It is the customer who has taken the lead and developed breakthrough habits, changed attitudes, and redefined expectations. Now it is the companies' turn to adapt.

A company's best response to a demand revolution is to embrace it with a commercial revolution of their own. Unless executives and managers are fully confident that their traditional, pre-crisis business practices will apply seamlessly to the post-crisis world, they will need to get creative in ways and in areas they never previously imagined.

But what does commercial creativity mean in practice? Companies need to learn how to summon and harness their creative energies to secure or rebuild their revenue bases from the ground up in 2021 and beyond.

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Commercially creative organizations are ones that:

Accelerate their boldest commercial plans

Prior to the resurgent crisis, most companies at least speculated about making a major commercial change, such as a new revenue model or a new structure for the product and service portfolio. In our experience, the scary question in those speculative discussions was usually “what will happen if we do this?”

In periods of stable and predictable growth, it is often hard to justify major changes and bold initiatives on the revenue side. Companies nearly always considered it too risky to play with revenues and customers and far safer to play with costs and suppliers. Stability is Kryptonite to the exotic future ideas that companies love to sketch on the strategy whiteboards. But the demand revolution has ended stability, at least for the foreseeable future. The scary question for bold commercial initiatives has now become, “what will happen if we don’t do this?”

Companies now have a window of opportunity to innovate their go-to-market models to build or secure a solid revenue base. Whether it is a shift to a subscription pricing model, the launch of a product-as-a-service model, a full commitment to personalized digital sales, or even radically bundling or unbundling the offer, bold initiatives can now serve as a source of competitive advantage rather than competitive risk. Some companies may even discover that ideas that failed in a previous context deserve a fresh look.

Make “test-and-learn” second nature

The answer to the eternal question “what do customers want?” may never have been as uncertain as it is right now. What will customers refuse to unsee or undo? What is motivating “black box” customers?

The desire to reconnect 2021 with 2019 – as if the events of 2020 never happened – is wishful thinking at best and a grievous error at worst. Companies that can resume traditional projections and predictive modelling will be the rare exception, not the rule. Most companies will need to find ways to anticipate trends at an entirely new level of speed, flexibility, and scale. This need elevates the concept of “test-and-learn” from a trendy goal to an essential step that pervades the organization, from product development through to after-sales service and support.

Companies can seize the opportunity to rebuild their assumptions by testing exploratory or adventurous hypotheses rather than seeking confirmation of safe hypotheses. The focus of research and testing shifts to working from the future backwards instead of projecting the past forward. But this doesn’t necessarily mean that all pre-crisis data and assumptions are invalid, nor does it mean that what happened in 2020 is purely an aberration. The events and outcomes of 2020 are arrows pointing to new expectations from customers. Using test-and-learn to rebuild the revenue base starts with a data salvage mission to understand what you have available. ▶

“ Companies need to learn how to **summon** and **harness their creative energies** to secure or rebuild their revenue bases from the ground up in 2021 and beyond.

- ▶ A commercially creative organization puts business intelligence at the core of its strategy. But picking up trends from both internal and external data is not sufficient on its own. It will take a combination of commercial creativity and commercial agility to pick up the right cues and adjust the go-to-market model quickly and effectively.

Shift the digital mindset to “revenue-up” instead of “cost-down”

Companies have opportunities to refocus their digital transformation efforts toward reconnecting with customers and creating greater value for them, rather than focusing on automation, cost savings, and efficiencies. Many businesses have celebrated the efficiency of “remote” and have learned a great deal during 2020 about the cost benefits of digitalization. But the mass digital migration has created opportunities so vast that they have stretched companies beyond their capacity to serve their customers.

In other situations, companies have used digital technologies to unlock pent-up demand in creative ways. Many businesses had only just started towards proficiency with digital transformation on the efficiency side. Now they will have to answer a litany of digital questions that are many times harder on the revenue

side: how do they make dynamic and personalized pricing work? How can they improve the economics of direct-to-customer eCommerce? How should they redesign field sales around a digital customer?

Build a creative leadership team

Commercial creativity is neither guesswork nor a qualitative “art.” It is a set of challenges that puts the entire organization on notice, from R&D to marketing to finance and sales. It will also require their interaction to spur fresh ideas and expose functions to new sources of expertise. One task of this leadership team is to reinforce the other three points above: accelerating bold ideas, establishing a pervasive culture of test-and-learn, and focusing digital efforts and resources on revenue and value creation.

Our project experience shows us that most organizations already lacked holistic leadership of revenue and pricing. “Costs incurred” typically has clear ownership in most organizations, while “prices realized” rarely has such a clear owner. This will make the task of creative leadership on the commercial side much harder for most organizations. In addition, they need to overcome two related obstacles: too many people heavily invested in the past, and too many resources devoted to historic or pre-crisis processes. The result is that most organizations will struggle to be as commercially creative as they need to be.

And there is so much for this leadership team to do. In addition to its cultural and change management roles, the team will also be responsible for identifying the operational areas to focus on. These could cover anything from portfolio design or monetization models, to CRM efforts and channel management, to salesforce training, time allocation, and incentives.

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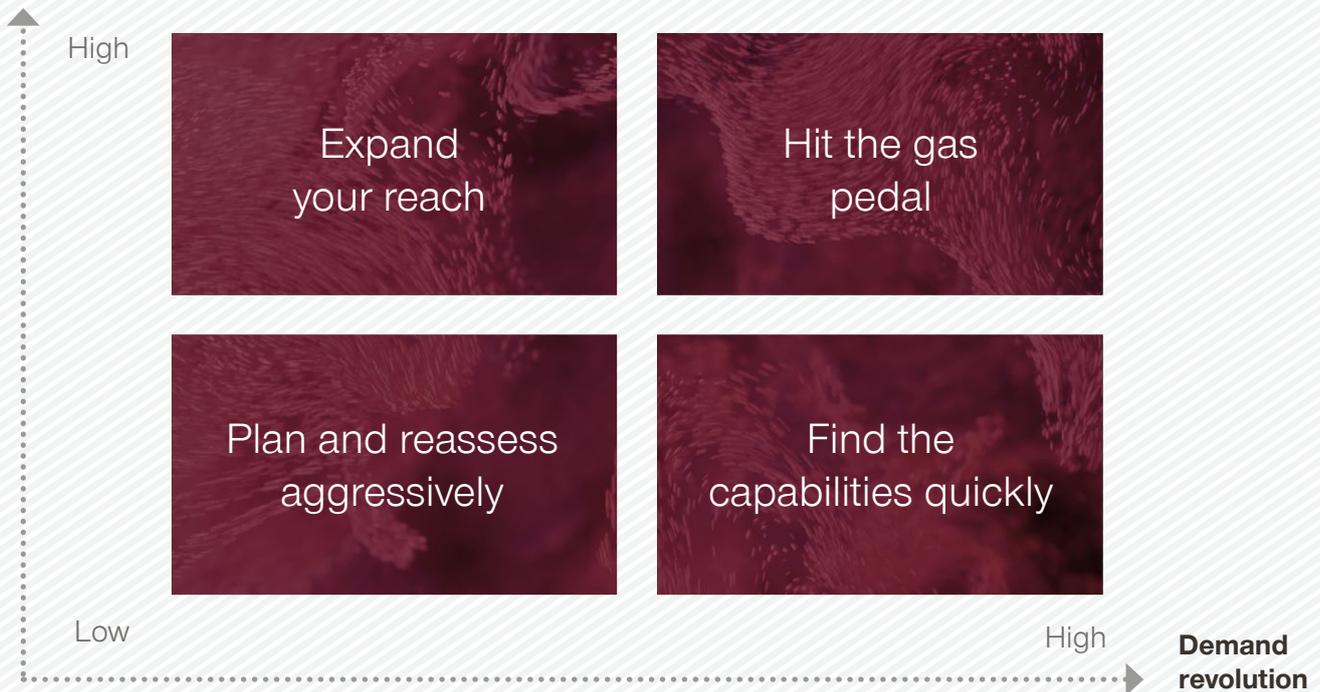
3 How will you respond to the demand revolution?

Assess your commercial creativity potential and kick start your journey.

Some companies will be well-prepared to accelerate their boldest plans, make test-and-learn second nature, shift their digital mindset to value creation, and build a strong creative leadership team. Others will face an uphill battle to redirect their organizations and mount a robust response. At the same time, the extent of the demand revolution will vary

by sector, region, and in some cases, by the individual company.

The first step to getting started is to understand your potential for commercial creativity and where you need to apply it. The map below – based on your own assessments – shows four calls to action.

**Commercial
creativity**


Plan and reassess aggressively

This area is the one that most resembles a pre-crisis status quo. Suppose you are in a situation where both your potential and your need for commercial creativity seem to be low. In that case, the first step is to reassess and look at your situation from different perspectives to ensure your assessment is correct. The next step is to put plans in place along a longer time horizon because the effects of the demand revolution – and the need to respond – will emerge sooner or later.

Find the capabilities quickly

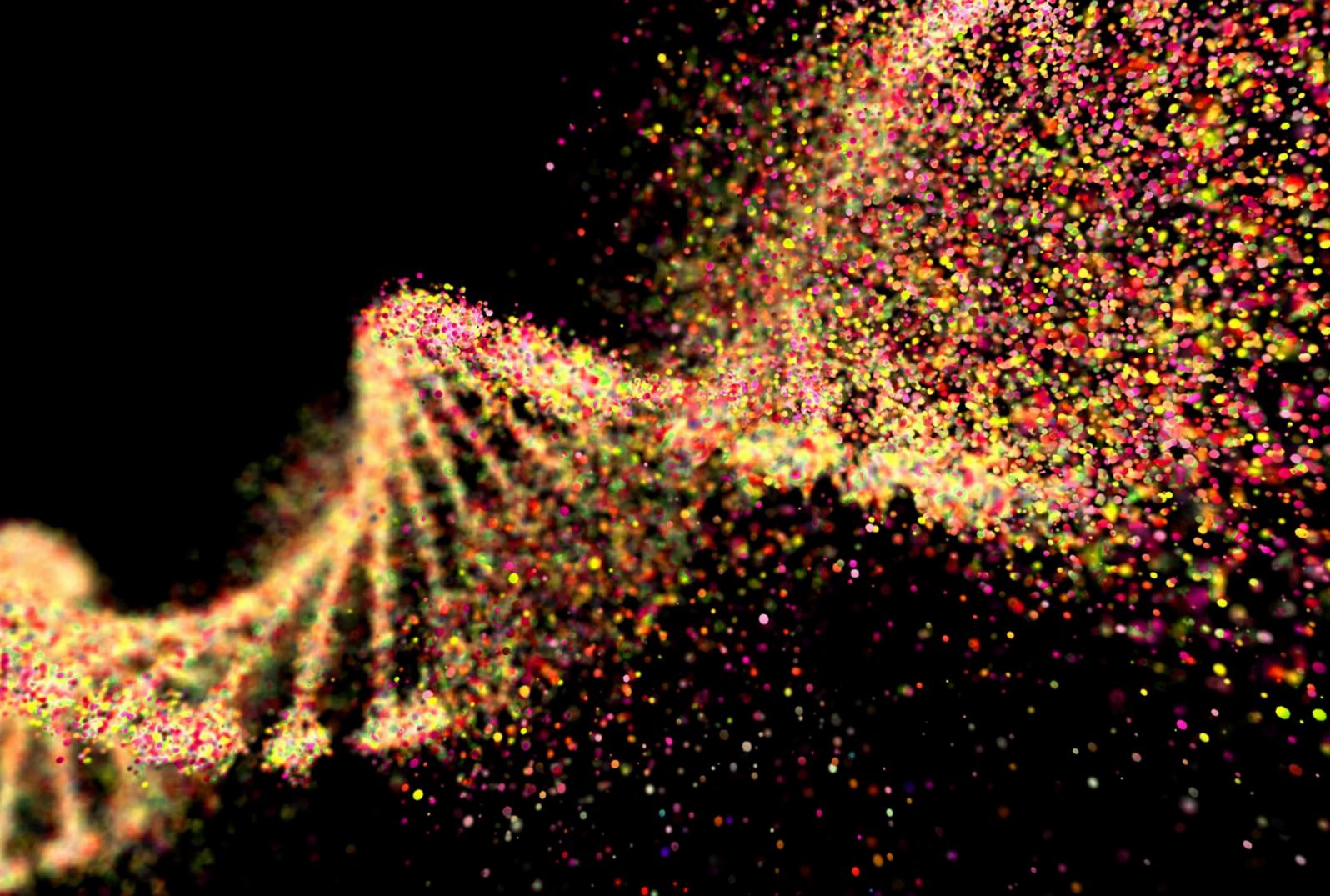
This quadrant leaves companies looking at a blank slate through a fog. You will need to look urgently outside the organization for the talent and resources to build up commercial creativity.

Expand your reach

Companies in this quadrant have the mindset and the focus to be commercially creative but operate in an industry where the impact of the demand revolution has been relatively low. These companies should apply their creativity to adjacencies to carve out additional advantages.

Hit the gas pedal

Companies in the upper right quadrant are best prepared to excel as the crisis subsides, but they need to set their priorities quickly because the demand revolution has significantly altered the markets they serve. Whether they bring new products, services, or business models to market, or enter into key partnerships to serve new customer segments, the opportunities for revenue growth are substantial. But they can also be fleeting if the company does not act quickly.



4 How will you harness your commercial creativity?

Many companies now face largely blank pieces of paper for their strategic planning. Now is the time to embrace their creativity and draw their new futures.

The five creative levers are essential parts of any company's go-to-market model, but the demand revolution changes the form and intensity of each one. Ultimately, each form of expression serves the customers along all stages of their lifecycle: attracting and acquiring them, monetizing and "right-selling" them, and then taking a pro-active approach to retain them.

The five
creative
levers

01

Customer
Experience

02

Channel

03

Product
(re)invention
& innovation

04

Revenue
model

05

Pricing

“ The five creative levers are essential parts of any company’s go-to-market model, but the demand revolution changes the form and intensity of each one.

01 Customer experience

In many sectors, the heightened community awareness of customers has expanded the definition of what it means to “wow” a customer. Rather than a narrow focus on the immediate value delivered by a product or service, firms now need to consider questions such as “How does this make my customers feel?” and “How can I support my customers’ values?” Customer relationships have taken on additional layers of meaning. More and more customers now expect their suppliers to be partners or fellow travelers in pursuit of sustainability rather than mere transactional vendors.

- What can you do to enhance your customers’ experience?
- What positive and impactful things can you do that they can never unsee?

02 Channel

The demand revolution turned every customer into a digital customer. This change effectively turned “omnichannel” from an emerging trend into a fact of life. B2B customers do a lot of advance research and communication online. B2C customers have significantly increased their online shopping – both for window shopping and actual purchases. The meaning of “last mile” has evolved from the nearest link in a consumer’s telecommunications connection to include the final steps a delivery person takes to the front door. With respect to channel management, companies can unlock and apply their commercial creativity when they stop viewing online and brick-and-mortar or personal channels as a zero-sum trade-off. They are now interrelated and mutually reinforcing ways for customers to express their own desire to use a product or service.

- What is our long-term channel mix / how do the economics of multi-channel work?
- What capabilities do I need to buy / build to become a best-in-class D2C company?

03 Product (re) invention and innovation

How companies creatively re-design their product portfolios depends on their segmentation approach in the wake of the demand revolution. There is no blanket answer. Some companies may see a need for a proliferation of versions, tending toward mass customization and personalization. For others, the demand revolution may provide the motivation to consolidate their portfolio, doubling-down on winning propositions. One area where a blanket answer is emerging is innovation. Even in periods of stable, predictable growth, the majority of innovations fail to achieve their commercial goals. In the wake of the demand revolution, the pressure for progress will remain persistently higher. “Learn fast” has replaced “fail fast” in the innovation playbook, as companies now need to design their portfolios for moving targets.

- How can you re-focus your existing portfolio to meet emerging customer needs?
- How can you shorten time-to-market for bold ideas?

04 Revenue model

There are many compelling reasons for companies to apply their commercial creativity to their revenue models. One reason is to make their revenue models “surge proof.” The way you charge customers for products and services should facilitate growth when demand surges and likewise should not leave a revenue black hole when demand slacks off. Commercially creative companies will explore a mixture of monetization models, including recurring revenue models such as subscription, so that the firm can weather extremes as well as periods of stability. At the same time, customers are open to innovative revenue models as they want to manage their own money more efficiently instead of tying up resources in assets they use infrequently.

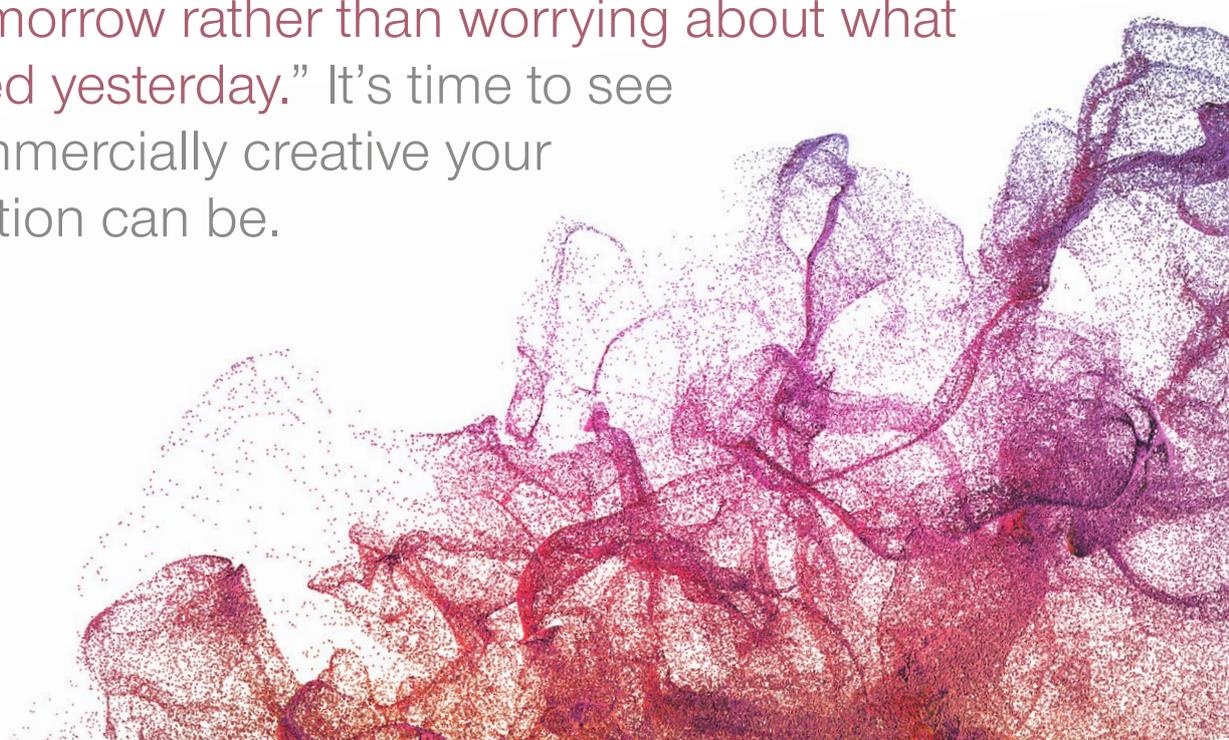
- Around which elements of our offer (product, service, data, etc.) could we build a subscription?
- What can we effectively measure that could be used as a more creative and value-aligned price metric (users, usage, etc.)?

05 Pricing

The list of arguments against one-size-fits-all prices is a long one. Most companies know that the approach leaves money on the table, but they lacked either the motivation or the means to take that money off the table. In the wake of the demand revolution, one of the strongest reasons against the approach is that it limits revenue growth. Uniform prices deny many customers access to your products and services. Applying commercial creativity means offering multiple prices by using price differentiation (e.g. time-based, segment-based), targeted promotions, or dynamic pricing. It also means finding more advanced ways to set prices, including using machine learning or algorithms to support decision-making.

- What willingness-to-pay indicators could we build into our customer segmentation to enable differentiated pricing?
- Has the business case for investment into pricing software changed?

“ As Steve Jobs once said, “Let’s go invent tomorrow rather than worrying about what happened yesterday.” It’s time to see how commercially creative your organization can be.



Simon-Kucher & Partners, Strategy & Marketing Consultants

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+2 to 4% points ROS



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on par with two other consultancies
Financial Times, list of the UK's Leading Management Consultants, 2018

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brand eins Thema special edition: Consulting – industry report from *brand eins Wissen* and *Statista*, online survey, seven years in a row: 2014 - 2020

Capital



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Capital, survey of the best consultancies in France, 2016, 2018 (conducted every two years)

Forbes



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Forbes, survey of the best management consulting firms in the US, October 2016, 2018 (conducted every two years)

MT Magazine/Erasmus University



#1 Strategy Consulting

MT Magazine/Erasmus University: MT1000 2018, survey of the best strategy consultancies in the Netherlands, 2018

Bilanz



#1 Marketing, Sales

Bilanz Magazine ranking, survey of the best consulting firms in Switzerland, 2019

What others say about us

Simon-Kucher & Partners was a great partner during our research phase. We appreciated their support, expertise, and partnership throughout the process of developing Uber Rewards

Barney Harford, former COO, Uber

Simon-Kucher & Partners did some excellent work to help us break one of the great myths in our organization. They radically changed how we understood our core audience

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No one knows more about pricing than Simon-Kucher

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