Remaining Traditional with the Core while Implementing Digital Solutions: A Multiple Case Study of Fast-moving Consumer Goods Companies about Digitalization and Business Model Innovation

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Abstract

This dissertation explores the external and internal determinants influencing business model innovation in fast-moving consumer goods companies. It will further investigate the impact of digitalization-related factors on (existing) business models as well as the usage of digital technologies. In the end, barriers and success factors that shape business model innovation within the fast-moving consumer goods industry will be identified. In the literature review, definitions of the business model concept and its innovation are discussed. Based on those insights, the characteristics of business models in the fast-moving consumer goods industry are identified and a deepened understanding of the phenomenon on digitalization is created. Based on the theoretical insights gained in the literature review, a multiple case study spanning three different fast-moving consumer goods firms is performed. Business model developments and digitalization efforts of those three companies are investigated by the conduct of two semi-structured interviews per case with related managers, complemented with secondary data. It has been found that managing an old business model and a new business model that require different assets at the same time may create frictions that diminish profitability. As suppliers and distributors are highly interdependent and the German FMCG market is composed of a few big players, each interviewed company engages in different strategies and degrees of business model innovation and digitalization efforts. Especially adaptability seems to be a success factor to sustainable, long-term success.

Keywords: Business model innovation, digitalization, FMCG Industry, fast-moving consumer goods, Germany

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Abstracto

Esta dissertação explora os determinantes externos e internos que influenciam a inovação do modelo de negócio em empresas de bens de consumo rápido. Investigará o impacto dos factores relacionados com a digitalização nos modelos de negócio (existentes), bem como a utilização de tecnologias digitais. Serão identificadas as barreiras e os factores de sucesso. Na revisão da literatura, são discutidas as definições do conceito de modelo de negócio. Com base nesses conhecimentos, são identificadas as características dos modelos de negócio na indústria de bens de consumo rápido e é criada uma compreensão do fenómeno da digitalização. Com base nos conhecimentos teóricos, é efectuado um estudo de casos múltiplos que abrange três empresas diferentes de bens de consumo rápido. A evolução do modelo de negócio e os esforços de digitalização dessas três empresas são investigados através da realização de duas entrevistas semi-estruturadas por caso com os respectivos gestores, complementadas por dados secundários. Os resultados sugerem que a gestão de um modelo de negócio antigo e de um novo modelo de negócio, que exigem activos diferentes ao mesmo tempo, pode criar fricções que diminuem a rentabilidade. Uma vez que os fornecedores e os distribuidores são altamente interdependentes e o mercado alemão de produtos de grande consumo é composto por alguns grandes operadores, as empresas adoptam diferentes estratégias e graus de inovação do modelo de negócio e esforços de digitalização. A adaptabilidade, em especial, parece ser um fator de sucesso para um êxito sustentável e a longo prazo.

Palavras-chave: Inovação do modelo de negócio, digitalização, indústria de FMCG, bens de consumo rápido, Alemanha

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Introduction

Especially fast-moving consumer goods companies had to face several challenges in today's highly competitive environment. Changing customer demands and price competition of private labels are well-known obstacles, especially in the German market (Lange & Velamuri, 2014, p. 311). Furthermore, growing opportunities brought on by digitalization pressure companies to reflect their current strategy and explore new business opportunities (Rachinger et al., 2018, p. 1144). One way of tackling these challenges is business model innovation (Lange & Velamuri, 2014, p. 311). The research objective of this dissertation is to explore external and internal determinants, processes, and success factors of business model innovation and digitalization in the fast-moving consumer goods industry. Therefore, the following research questions have been formulated:

(1) Which external and internal determinants have affected business model innovation performed by fast-moving consumer goods companies?

(2) How have the digitalization-related determinants affected (existing) business models and the usage of digital technologies of fast-moving consumer goods companies?

(3) What are the barriers and success factors of business model innovation among fast-moving consumer goods companies?

Based on an extensive literature review, the study strives to answer the formulated research questions through a multiple case study which consists of three case companies that have been selected. Per case, two interviews with managers from the selected case companies are conducted. Additional secondary data was added to validate and enrich the findings and led to a triangulation of data sources. The dissertation will build a theoretical foundation first. It will compare and synthesize various business model (innovation) concepts, explore business model innovation for the fast-moving consumer goods industry and connect the introduced concepts to digitalization. In a next step, the methodology is described, and the company cases will be presented through a within-case analysis. Subsequently, the three company cases will be compared through a cross-case analysis and similarities as well as differences will be pointed out. The study's findings will be concluded in the end, finished with limitations and directions for future research.

1. Business model phenomenon

The first chapter starts to review different perspectives on business models which create a holistic overview of business model research, despite the lack of a common and operating definition of a business model. The most recognized scholars for business model literature, belonging to the research stream of business model elements, will be reviewed further. Accordingly, approaches like the Business Model Canvas will be presented. Secondly, the term business model innovation will be introduced. Finally, its triggers, process, barriers, and outcomes will be elaborated.

1.1 An overview over the main business model research streams

A common and operating definition of the term business model is lacking among scholars to date (Rachinger, Rauter, Müller, Vorraber, & Schirgi, 2018, p. 1146) which leads to a detailed but very fragmented understanding of business models (Ritter & Lettl, 2018, p. 2). It is important to mention upfront that this chapter is not aiming for completeness. In the following section, the most common scholars will be reviewed to find an operating definition for this particular study. Ritter & Lettl (2018) facilitate a first general understanding as they consolidate existing business model literature. As a result, they could identify five different streams that have a distinct way of defining business models each, captured by the generic terms of business-model activities, business-model logics, business-model archetypes, business-model elements, and business-model alignment. They point out that these five streams might supplement each other and can therefore co-exist at the same time (Ritter & Lettl, 2018, p. 2).

The *Business model activities* perspective "views a business model as a description of the activities that the firm has put together in order to execute its strategy." (Ritter & Lettl, 2018, p. 2) It is focused on specific activities an organization undertakes to create and capture value, such as value proposition design or revenue generation (Ritter & Lettl, 2018, p. 2). *Business model logics* describes the course of logical arguments that sums up the logic of the business and describes which certain activities create value (Ritter & Lettl, 2018, p. 2). It therefore looks at underlying logics behind a business model, including assumptions, principles, and theories that guide its design and operation. In other words, the business model is a representation of "the logic of the firm" (Casadesus-Masanell & Ricart, 2010, p. 196). In practice, firms might have two (or more) logics that supplement each other – for example an airline that adopts a quality business logic for its long-distance routes and a low-cost logic for its regional routes (Ritter & Lettl, 2018, p. 2). *Business model archetypes* describe very generic and well-known logics how a firm can do business. They identify common patterns (i.e., archetypes) how organizations create and capture value. One example is the "razor and blade" business model where the firm sells the product at a decent price and keeps selling consumables needed to regularly use the product to a higher price, generating regular above-average profits. Other well-known and often used business model archetypes are listed in the table below (Ritter & Lettl, 2018, p. 2f).

Table 1: Well-known business model archetypes

Commonly discussed business model archetypes	**Explanation**	**Examples**
Razor and blade	Firm sells the product at a decent price and keeps selling consumables needed to use the product to a higher price, generating regular above-average profits.	Nespresso, toner cartages
Two-sided platform	Brings two groups of users together. Usually, one group has a specific need and the other one has a possible solution.	Uber, AirBnB
Power by the hour	Turn products into services.	Share Now
Low cost	Offering lower prices than the competition with a no-thrill offering.	Ryanair
Freemium	A basic level is for free, higher-level offerings cost a premium price.	Spotify

Source: Ritter & Lettl, 2018, p. 2f, which is based on the website www.businessmodelzoo.com

The term *business-model alignment* considers how the different elements of a business model fit together and how they are aligned with the organization's strategy. That means the success or failure of an organization is determined by the interplay of the business model elements – their complementarity, interrelationships, and alignment. The alignment of the different elements can lead to business model optimization (Ritter & Lettl, 2018, p. 3). Finally, the *business model elements* stream captures the most important parts by detecting the essential elements that make up a business model. There is a variety of suggestions what the essential elements of a business model could be – for example Johnson, Christensen & Kagermann (2008) propose customer value proposition, profit formula, key resources, key processes.

Another approach which gained more popularity is represented by Osterwalder and Pigneur (2010). They suggest a selection of nine elements: key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, cost structure, and revenue streams. Teece (2010) brings in a third perspective as he views the key elements of business models captured by their value proposition, market segments, value appropriation, and value-chain organization. He states that a business' essential logic involves value creation, value delivery and value capturing activities in a simplified and abstracted representation (Teece, 2010). The intention behind the business model elements approach is that every firm can describe its business – in terms of what it does, what it offers (value proposition), how the offer is made (how and through which channels it interacts with customers) and who the customers are (Ritter & Lettl, 2018, p. 3).

In sum, the illustrated five perspectives of business model give a holistic overview and can be seen as complementary to each other. Taken together, a comprehensive framework is created to understand organizations and their available strategic options. Each one of them offers specific insights into business models and is, according to the authors, necessary for an all-encompassing understanding of business models (Ritter & Lettl, 2018, p. 3). However, the most recognized scholars for business model literature belong to the research stream of *business model elements*. Among them are Pigneur & Tucci, 2005; Osterwalder & Pigneur, 2010; Teece, 2010 and Amit & Zott (2021) as they all highlight the importance of creating and capturing value. Accordingly, the next section will focus on this approach and go more into depth.

1.1.1 Business Model Elements

Pigneur & Tucci (2005) started from the very first by disassembling the term *business model* into its original two components – business and model. They interpret *business* as "the activity of providing goods and services involving financial, commercial and industrial aspects" (Osterwalder, Pigneur & Tucci, 2005, p. 5) and *model* as "a simplified description and representation of a complex entity or process" (Osterwalder et al., 2005, p. 4). Reflecting on the assembled business model concept, Osterwalder et al. (2005) direct to the following description: A business model is a tool that encompasses a range of objects, concepts, and their relationships. Its purpose is to articulate the underlying business logic of a particular company. Consequently, there is a need to identify the concepts and relationships that facilitate a straightforward description and representation of the value proposition offered to customers, how this is accomplished, and the financial implications thereof (Osterwalder et al., 2005, p. 5). They thoroughly investigated the existing business model literature according to the four main elements of the Balanced Scorecard by Kaplan & Norton (2005): product, customer interface, infrastructure management and financial aspects. From that synthesis, they could identify nine building blocks: value proposition, target customer, distribution channel, relationship, value configuration, core competency, partner network, cost structure, and revenue model that encompass all the business model components, discussed by at least two authors in past research (Osterwalder et al., 2005, p. 17). The four pillars of the Balanced Scorecard connected to the business model building blocks are listed and explained below.

Table 2: From the Balanced Scorecard to the business model canvas

Pillars based on the Balanced Scorecard	**Business Model Building Block**	**Description**
Product	Value Proposition	Gives an overall view of a company's bundle of products and services.
Customer Interface	Target Customer	Describes the segments of customers a company wants to offer value to.
	Distribution Channel	Describes the various means of the company to get in touch with its customers.
	Relationship	Explains the kind of links a company establishes between itself and its different customer segments.
Infrastructure Management	Value Configuration	Describes the arrangement of activities and resources.
	Core Competency	Outlines the competencies necessary to execute the company's business model.
	Partner Network	Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.
Financial Aspects	Cost Structure	Sums up the monetary consequences of the means employed in the business model.
	Revenue Model	Describes the way a company makes money through a variety of revenue flows.

Source: Osterwalder et al., 2005, p. 18

Five years later, Osterwalder & Pigneur (2010) used the business model building blocks to provide a practical and innovative approach to develop, define, and refine business models – the business model canvas (see table below). It outlines the key elements of a business model and can be used as a tool for research or in practice, i.e., to describe, analyze and design business models (see Osterwalder & Pigneur, 2010).

Table 3: Business model canvas

<table>
<tr><th colspan="5">Business Model Canvas</th></tr>
<tr>
<td rowspan="2">Key Partners
Who are our key partners?
Who are our key suppliers?
Which key resources are we acquiring from partners?
Which key activities do partners perform?</td>
<td>Key Activities
What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue Streams?</td>
<td rowspan="2">Value Propositions
What value do we deliver to the customer?
Which one of our customer’s problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?</td>
<td>Customer Relationships
What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?</td>
<td rowspan="2">Customer Segments
For whom are we creating value?
Who are our most important customers?</td>
</tr>
<tr>
<td>Key Resources
What Key Resources do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue Streams?</td>
<td>Channels
Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?</td>
</tr>
<tr>
<td colspan="3">Cost Structure
What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?</td>
<td colspan="2">Revenue Streams
For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?</td>
</tr>
</table>

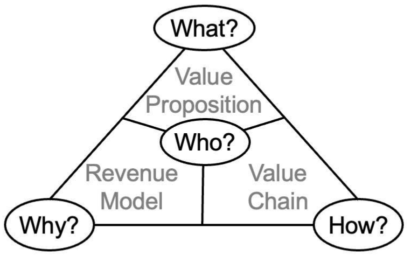
	How much does each Revenue Stream contribute to overall revenues?

Source: Osterwalder & Pigneur, 2010

Another well-known theorist regarding the business model concept is Teece. He defines the business model as a dynamic, interrelated, and adaptable system. It describes how a company "creates and delivers value to customers, and then converts payment received to profits" (Teece, 2010, p. 173). It "embodies nothing less than the organizational and financial architecture of a business" (Teece, 2010, p. 173) and implies certain assumptions about customers, the behavior of revenues and costs, the evolving demands of users, and probably reactions of competitors. It furthermore describes the business logic required to generate profits (Teece, 2010, p. 173f). Overall, Teece's perspective on the business model term goes beyond the business model canvas spreadsheet which is rather a practical tool that can provide a current snapshot. Teece goes beyond this snapshot as he emphasizes the importance of adaptability, innovation, and value creation and capture over time (Teece, 2010, p. 173f).

Finally, Zott & Amit (2010) conceptualize business model innovation as a strategic approach and start by defining business model as illustrating "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (Amit & Zott, 2010, p. 219). Content describes the selection of activities carried out within the system, governance describes control concerns, such as who oversees what activity, and structure describes the relationships between the various activities (Amit & Zott, 2012, p. 39). According to the model developed by Amit and Zott (2020), a business model's degree of analysis may extend outside the bounds of the target firm and may also include the firms' partners, customers, and suppliers (Amit & Zott, 2020, p. 47). These complementarities and interdependencies among all activities enable the whole system to create more value (Amit & Zott, 2021, p. 3). Amit and Zott's (2020) understanding of a business model contradicts Osterwalder & Pigneur's (2010) business model canvas as they state the business model is *not all-encompassing*. According to Amit & Zott (2020), a pre-formulated schema like the business model canvas is too constrained and preset to be able to accurately characterize the components that collectively make up the business model of an organization (Amit & Zott, 2020, p. 48). Consequently, Amit & Zott (2020) define a business model as the "value-centered system of interdependent activities that is designed by a focal firm and is operated by the focal firm and by its partners in order to meet perceived market needs" (Amit & Zott, 2020, p. 47). The main questions addressed by Amit & Zott (2020) can be found within their triangle framework which is pictured below.

Figure 1: The main questions of a business model



1. Content: "*What* activities to perform?"
2. Structure: "*How* to link the activities?"
3. Governance: "*Who* conducts the activities?"
4. Value logic: "*Why* should the activities be performed (value creation and appropriation logic)?"

Sources: Amit & Zott, 2021, p. 13; Amit & Zott, 2020, p. 47

As a conclusion, a business model can be seen as "a bundle of specific activities – an activity system – conducted to satisfy the perceived needs for the market, along with the specification of which parties (a company or its partners) conduct which activities, and how these activities are linked to each other" (Foss & Saebi, 2018, p. 13). In other words, a business model is a system of interrelated and interdependent activities that determine how a firm "*does business*" with its customers, partners, and suppliers (Foss & Saebi, 2018, p. 13). To stay competitive and adapt to a changing environment, firms react upon business model innovation (Amit & Zott, 2012, p. 36f) which is captured by the ongoing innovation of business models. Therefore, after explaining the business model phenomenon as such, I will start elaborating, why and how business models evolve or change. I will also point out possible outcomes of business model innovation.

1.2 Business Model Innovation

Neither business models are, nor business model innovation is directly observable. According to Foss & Saebi (2018), we "observe specific constellations of activities dedicated to value creation, delivery and appropriation" (Foss & Saebi, 2018, p. 10) and have chosen to refer to these arrangements as "business models" and any modifications as "business model innovation" (Foss & Saebi, 2018, p. 10). Accordingly, they define business model innovation as "designed, novel, and nontrivial changes to the key elements of a firm's business model and/or the architecture linking these elements" (Foss & Saebi, 2018, p. 216). Business model innovation can affect the company's value chain, value proposition to customers, and / or other partners (Rachinger et al., 2018, p. 1146). Therefore, business model innovation goes beyond innovative products, services, or process innovations (Heider, Gerken, van Dinther & Hülsbeck, 2021, p. 636) but however might overlap or go together with it (Sabaruddin, MacBryde & D'Ippolito, 2023, p. 133). Several scholars state that business model innovation only describes very influential or holistic changes in the current business model(s) of the firm (Bouncken et al., 2021, p. 4; Caputo, Cillo, Fiano, Pironti & Romano, 2023, p. 2) and might even renew the entire system (Heider et al., 2021, p. 636). Particularly because of advancements in computing and information technology, changes in a business model are "profound, holistic, and may shake firms to their core." (Amit & Zott, 2020, p. 3). On the opposite site, other scholars argue that business model innovation already occurs "when the company modifies or improves at least one of the value dimensions" (Abdelkafi, Makhotin & Posselt, 2013, p. 13) or core elements (Futterer, Schmidt & Heidenreich, 2018, p. 2). In line with that, corporate reality reveals that changing one element might induce (small) changes in other elements, too (Futterer et al., 2018, p. 3; Heider et al., 2021, p. 636). Perceiving the business model as a "set of loosely coupled organizational elements" (Desyllas, Salter & Alexy, 2022, p. 237) implies that these elements must be put together to produce a "fit". A business model has a high internal fit if its parts work well together, and high external fit when the elements altogether can help meet product-market needs. Accordingly, even when a business model has a high internal fit and is designed to last, changes in the external environment may force such companies to adjust their business models (Desyllas et al., 2022, p. 237). Foss & Saebi (2018) bring these parts together as they state that business model innovation has two dimensions in terms of novelty and scope. These two dimensions can have different degrees. Novelty can relate to a lower degree which would mean the type of business model innovation is "new to the firm" or a higher degree, being "new to the industry". The scope of business model innovation has different degrees in terms of "the amount of architectural and modular change" (Foss & Saebi, 2017, p. 216). As a result, it is possible to distinguish four types of business model innovation. *Evolutionary* business model innovation can be seen as a fine-tuning process of individual components of the business model which may include voluntary as well as emergent changes. Since the degrees of scope and novelty are low, it often occurs naturally over time. *Adaptive* business model innovations are changes in the overall business model that are new to the firm, however not new to the industry. The specific company might adapt the architecture of its business model in response to changes in the external environment, mostly due to competition of a new business model in its industry. *Focused* and *complex* business model innovation are efforts that disrupt market conditions since they are new to the industry. The management of a particular company is therefore actively engaging in modular or architectural changes of the current business model. If a firm engages in focused business model innovation, it innovates within one area of the business model, for example, by focusing on a new market sector that its rivals have neglected. The innovation is only a modular change to the company's business model. Consequently, the firm creates a new market while it keeps its value proposition, value delivery, and value capture mechanisms intact. Complex business model innovation has a higher degree of scope and affects the overall business model (Foss & Saebi, 2017, p. 216f).

Table 4: Novelty and scope of business model innovation

		Scope	
Novelty		**Modular**	**Architectural**
	New to firm	Evolutionary BMI	Adaptive BMI
	New to industry	Focused BMI	Complex BMI

Source: Foss & Saebi, 2017, p. 217

1.2.1 Triggers of Business Model Innovation

Why do firms innovate their business model(s)? To answer this question, several studies have examined triggers of business model innovation. They found numerous possible antecedents of business model innovation which have led to the need for organizations to adapt and improve their current business model(s). They can be divided into external and internal factors. Internal drivers comprise a change in strategy, dynamic capabilities (i.e., the ability to reconfigure an enterprise’s tangible and intangible assets) as well as open innovation capabilities (Foss & Saebi, 2017, p. 215, 218). Most common examples for external antecedents are (market) disruption and changes in competition (Snihur & Eisenhardt, 2022, p. 759; Teece, 2010, p. 187f; Zott, Amit & Massa, 2011, p. 1032f). Disruption in general can be technical (e.g., artificial intelligence), regulatory (e.g., legal incentives for solar energy deployment), and cultural (e.g., preference to stream videos on the internet) (Snihur & Eisenhardt, 2022, p. 759). Also, national political and economic stability can trigger business model innovation (White et al., 2022, p. 5f). Amit & Zott emphasize the need to better serve the requirements of all stakeholders, including customers (Amit & Zott, 2020, p. 8) as another trigger for business model innovation. Dymitrowski & Mielcarek (2021) assert that technology plays a significant role, not only as antecedent but also as enabler of business model innovation. They state that there is "a two-way relationship between business model innovation and technology. On one hand, business model innovation exploits the value of technology and helps companies deliver value, but on the other hand technology can be seen as a trigger for business model innovation" as well (Dymitrowski & Mielcarek, 2021, p. 2118). That means new technology can be a trigger for business model innovation. But more than that, it also helps companies to shape their innovation process (Dymitrowski & Mielcarek, 2021, p. 2118) which points toward the question *how* business model innovation occurs as a process.

1.2.2 Process and Barriers

One simple approach to describe the process of business model innovation is by looking at the design elements of a business model. Innovation can apply to each one of them and therefore occur in different forms. Amit & Zott (2012) mention content, structure, and governance as three interdependent design elements that characterize a company's business model. According to the authors, content describes the selection of activities carried out within the system, governance describes control concerns, such as who oversees what activity, and structure describes the relationships between the various activities. Business model innovation can consequently happen in three different fashions. First, by adding novel activities (e.g., forward integration or the addition of new products to an existing offering) which is referred to as new activity system "content". Secondly, business model innovation can occur by linking activities in novel ways (e.g., introducing new organizational structures like agile methodologies to increase flexibility and innovation) which is referred to as new activity system "structure". Finally, by changing one or more parties that perform any of the activities (e.g., changing the ownership structure of the company, such as going public) which is referred to as new activity system "governance" (Amit & Zott, 2012, p. 39). However, the business model innovation process is a complex and context-dependent undertaking and can produce impacts on a firm's current value proposition, creation and/or value capture. As stated before, the value proposition addresses how a firm delivers solutions that creates value for its stakeholders by addressing their needs. Value creation deals with issues pertaining to the firm's boundaries, such as make-or-buy decisions, investments in particular resources, or the effectiveness of organizational structures. Value capture showcases how the firm gains revenue due to the combination of value creation and proposition. Even though these components are distinct and different, they should not be regarded separately. Business models are not only successful because of one single component or the sum of its part but because of a working, coordinated system (Heider et al., 2021, p. 636). When incumbents engage in business model innovation, they will likely face the dilemma of managing their old business model as well as the new business model simultaneously. In that regards, incumbent firms have complementary assets, but also, and on the contrary to new entrants, must struggle with existing conflicting assets. Conflicting assets are the incumbent's current resources that, when paired with a new business model, will create friction, or even hinder the new business model to function properly (Kim & Min, 2015, p. 35). Accordingly, they diminish the incumbent's performance and highlight the obstructive liability of incumbency (Kim & Min, 2015, p. 39). Complementary assets will help the operations of the business model innovation and will improve the incumbent's performance (Kim & Min, 2015, p. 39). In a nutshell, Kim & Min (2015) state that "while incumbent complementary (conflicting) assets create performance-enhancing (detracting) potential, it is the managerial choices that create the necessary opportunity to benefit from (vaccinate against) them" (Kim & Min, 2015, p. 35). This makes managerial choices, including the right timing and the organizational configuration, critical during the business model innovation process (Kim & Min, 2015, p. 35) and consequently, managerial choice is a way to overcome the barrier of conflicting assets. However, poor management itself can pose a barrier. Especially incumbent firms face difficulties as they are likely to choose not to initiate, adopt, or react to new disruptive business models. A new business model may be embraced too late to gain a competitive advantage and only when the bottom-line consequences can no longer be ignored (Sabaruddin et al., 2023, p. 143). This diminishes the possibility to capture value because meanwhile the value created may be appropriated by other stakeholders in the value network which is called the value appropriation dilemma (Snihur, Zott & Amit, 2021, p. 22). To manage this dilemma, firms can design their business models to create and capture value in ways that are difficult for others to imitate (Snihur, Zott & Amit, 2021, p. 23). They can achieve this by using a combination of strategies, such as creating complementary assets, leveraging network effects, and building customer loyalty, to capture value from their innovations (Snihur, Zott & Amit, 2021, p. 30). Another obstacle is a lack of required capabilities. It might hinder a company to perform business model innovation effectively or even at all. Required capabilities include analogical reasoning and sensemaking, holistic and systemic thinking, communication, leadership, and entrepreneurial skills as well as dynamic capabilities and will result in a reasonable governance, sensible choices of innovation mode, matching organizational design and suitable timing of business model innovation (Sabaruddin et al., 2023, p. 143). In the end, certain driving factors and events may have a temporal component, whereby one that may not provide a threat in the early stages of business model innovation may become critical in the latter stages. Furthermore, the significance of the circumstances and driving forces leading to the dark side is relative and context dependent (Sabaruddin et al., 2023, p. 144). If companies fear the outcomes of business model innovation, they are also likely to think twice before innovating. One example is the business portfolio. Incumbents are likely to fear a cannibalization of the existing business(es). Adding a new business model might absorb own sales of existing business model(s) and reduce the value of its past investments (Kim & Min, 2015, p. 39). If the fear of diminishing the overall performance is too high, new entrants, typically non-incumbent firms, can meanwhile enter the market, commercialize the new business model, and scale it rapidly (Sabaruddin et al., 2023, p. 142). In terms of decision-making, effectuation and causation are two different behavioral logics for achieving business model innovation. On the one hand, *causation* is about a certain effect that must be achieved by selecting the right means accordingly. It is a traditional and goal-oriented approach, applicable for predictable and stable environments. It includes a logic of predicting and controlling outcomes, based on previously set goals. Causal business model innovation is likely to be successful in established, low growing industries as well as incumbent firms. Opposing to that, *effectuation* forms a dynamic, entrepreneurial, and pluralistic character as it capitalizes on uncertainty. It starts by taking the means at hand, aiming for different possible effects. Effectuation simplifies the action- and control-oriented causation approach and concentrates on the available resources which are affordable to be lost, forming networks of partners, and leveraging surprises. Effectual business model innovation has advantages for highly innovative R&D and is essential for corporate venture success in high-growth industries (Futterer et al., 2018, p. 3, 12f).

1.2.3 Business Model Innovation Outcomes

Innovative business models are not only resulting in a performance-enhancement for entrepreneurial firms, but also established firms can experience positive performance effects due to business model innovation (Foss & Saebi, 2017, p. 202). Zott & Amit (2010) state that there are four main value drivers of business models. Value drivers are defined as “any factor that enhances the total value created by an [e-]business” (Amit & Zott, 2001 p. 494) and include novelty, lock-in, complementarities and efficiency. Novelty captures the degree of business model innovation. Lock-in refers to business model activities that create switching costs and are incentives to stay within the activity system. Complementarities refer to the value-enhancing effect of interdependencies among different business model activities. Lastly, there is efficiency as a value driver which refers to cost savings through the interconnections of the activity system. In sum, these value drivers enhance the value-creation potential of a business model and consist of important synergies among each other (Amit & Zott, 2012, p. 40). Leppänen, George & Alexy (2023) build on the value driver concept and investigate the conditions under which novel business models lead to high performance. They examine how novelty as a value driver successfully combines with other value drivers (i.e., efficiency, lock-in, and complementarity), and strategies (differentiation strategy, focus or cost leadership), contingent on the firm environment (new and mature technological environment), intensity of competition and firm size. After the investigation of literature and case studies of firms that successfully implemented novel business models, they conclude that "novelty alone is not enough" (Leppänen et al., 2023, p. 40). They could detect three distinct business model configurations associated with high performance.

1. Novel business model design is an important determinant of firms' success for very high performance when the enabling technology is new. Anyways, the authors stress that novelty alone is not sufficient for superior firm performance (Leppänen et al., 2023, p. 40).
2. Novelty and efficiency are not per se incompatible, they are even complements in the high-performing and novelty-focused configurations (Leppänen et al., 2023, p. 41).
3. A clear, high-performing pattern across different technological environments and firm sizes is novelty with efficiency and a differentiation strategy for competitive environments (Leppänen et al., 2023, p. 41).

Snihur & Eisenhardt (2022) relegate to recent research findings that reveal the importance of fit among business model attributes (e.g., efficiency, novelty) as well as the fit with strategy (e.g., differentiation). Furthermore, an examination of businesses on Apple's AppStore showed that a fit between revenue model (i.e., value capture) and underlying activities (i.e., value creation) is reasonable (Snihur & Eisenhardt, 2022, p. 758). Furthermore, White, Markin, Marshall & Gupta (2022) found out that business model innovation has a positive impact on firm performance, however moderated by several factors such as industry dynamism, firm size, innovation culture, and strategic focus. The impact of business model innovation on firm performance is greater in dynamic and high-velocity industries, smaller businesses, and businesses with an innovative culture. Also, when companies have a clear strategic focus on innovation, the link between business model innovation and firm performance is more apparent. The study's findings generally imply that business model innovation can be a useful tool for companies looking to boost performance, although the effect of business model innovation on company success depends on unique contextual elements (White et al., 2022, p. 12f).

Apart from positive outcomes, business model innovation can also yield negative results. Negative consequences could be on the strategic level (impact on performance measures) or at the operational level (impact through day-to-day activities). Negative consequences on the strategic level include cannibalization, failed experimentation, overall failure, (more successful) copycats, the resulting value appropriation dilemma as well as the dilution of existing brands. On the operational level, identified negative consequences are uncertainty in determining the scope of necessary changes, challenges in establishing new activities and processes, challenges in integrating and aligning all components of the new business model into a coherent model, and challenges in striking a balance between exploration and exploitation (Sabaruddin et al., 2023, p. 135). Context-dependent negative consequences occur due to internationalization, possibly leading to high resource commitments due to geographical distance between the resources and chain of activities or a slow progress due to the difficulty of coordination. Another cause could be a high technology-based business model innovation, making high fixed-cost investments and expensive workforce very likely. Organizations that focus on sustainable business model innovation might find themselves pursuing a quasi-social mission due to the arising tension between social and commercial objectives lead to a failure to deliver the firm’s social mission. Collaborative or open business model innovation can also pose a challenge. Building trust with partners is challenging, there are issues with goal alignment and significant coordination costs, and partners have constraints on how some aspects of the new business model can be developed or changed (Sabaruddin et al., 2023, p. 135f). Another outcome-based measure is the Person-Organization fit. Intensity and scope of business model innovation has a strong impact on internal organizational outcomes (Menter, Göcke & Zeeb, 2022, p. 27). Business model innovation might produce “varying outcomes for the relationship between individuals and their employing organizations” (Menter et al., 2022, p. 26). While incremental changes to the business model improve the fit between members and their organizations periods of radical business model innovation impair internal fit and therefore have a negative effect on People-Organization fit (Menter et al., 2022, p. 26f).

1.3 Open Innovation as an Enabler of Business Model Innovation

Open innovation literature is often directly linked with business model innovation because, in specific contexts, these two phenomena can influence each other reciprocally. Open innovation can enable business model innovation by leveraging external knowledge and resources. Additionally, a strategic shift towards open innovation may require adaptions to the business model to align with collaborative and externally focused approaches (Foss & Saebi, 2017, p. 218). Furthermore, the capability to innovate a business model while having a closed innovation model is hard to achieve and poses a difficult barrier. Organizational processes need to be adapted thoroughly and the company culture needs to be open towards business model experimentation. An open culture might be able to embrace a new business model but also needs to be able to maintain the effectiveness of the current business model until the new business model is ready to take over (Chesbrough, 2010, p. 362). Open innovation could offer an easier and less risky solution for successful business model innovation (Futterer et al., 2018, p. 12) as it gives access to a wider pool of ideas, experiences, and capabilities. It allows collaboration with external stakeholders such as customers, suppliers, research institutions, and startups and therefore brings diverse perspectives and expertise to the innovation process (Chesbrough & Bogers, 2014, p. 10; Chesbrough & Garman, 2009, p. 69). In the open innovation model, the business model serves as an organizational construct that puts the innovation process into the organizational realm via its description of the company's value creation and value capture (Chesbrough & Bogers, 2014, p. 12).

Open innovation is referred to as breaking down traditional corporate boundaries to let its intellectual property, ideas and people flow purposively freely in and out of an organization (Chesbrough & Garman, 2009, p. 69; Chesbrough & Bogers, 2014, p. 10). In other words, open innovation can be conceptualized as a "distributed innovation process that involves purposively managed knowledge flows across the organizational boundary" (Chesbrough & Bogers, 2014, p. 3). Furthermore, managing the knowledge flows happen by using either pecuniary or non-pecuniary mechanisms, in line with the organization's business model. Flows of knowledge can move inflow, outflow, or both across the permeable organizational boundary. In 2003, Chesbrough inaugurated the use of the term open innovation as he noted the phenomenon of "companies making greater use of external ideas and technologies in their own business, and letting unused internal ideas and technologies go outside for others to use in their business" (Chesbrough & Bogers, 2014, p. 10). Innovation models became more open over time due to arising erosion factors that undercut the logic of the established closed innovation model and changed the preconditions under which firms innovate. Erosion factors of closed innovation are such as an increased mobility of workers, better universities, declining US hegemony and a growing inlet of startup firms to venture capital. The internet poses another erosion factor as it allows companies to benefit from distributed knowledge sources and enabled the rise and spread of social media (Chesbrough & Bogers, 2014, p. 10). Furthermore, the open innovation model can be extended to other functional areas like manufacturing and marketing for example (Chesbrough & Bogers, 2014, p. 13) – to create and capture value from ideas and technologies, it is important to consider "all activities from invention to commercialization" (Chesbrough & Bogers, 2014, p. 13).

1.3.1 Outside-In Open Innovation

To date, much attention has been paid to the inbound flow, called outside-in open innovation (Chesbrough & Bogers, 2014, p. 13). Inbound open innovation implies that enterprises are enabled to create offerings whose scale belies its internal capabilities thanks to contributions from outsiders, i.e., other parties (Chesbrough & Garman, 2009, p. 69). It opens a company's own innovation processes to many different external inputs and contributions, for example through acquiring or sourcing. The process of inbound open innovation can be structured into the following phases: obtaining, integrating, and commercializing. The company's business model(s) determine which external inputs and contributions will be incorporated into the market. Mechanisms to purposively regulate open innovation include scouting, crowdsourcing, licensing intellectual property, university research programs as well as competitions and tournaments, communities, funding startup companies in one's industry, spin-ins or spin-backs or working together with intermediaries, suppliers and customers, and utilizing nondisclosure agreements (Chesbrough & Bogers, 2014, p. 14).

1.3.2 Inside-Out Open Innovation

Chesbrough & Garman (2009) state that especially during lean times, the inside-out aspect of open innovation can become extremely important for a company because it may happen to have fewer resources to invest in R&D. Inside-out open or outbound innovation means that a firm installs some of its unused and under-utilized assets or ideas outside its own boundaries so others can use it in their businesses and business models through selling or revealing. Oftentimes, the business model for the idea will be different from the business model of the company it originated from, and it will frequently first be necessary to find the business model to sell the idea. Outbound innovation decreases risk and companies gain access to a broader range of expertise, resources, and ideas (Chesbrough & Garman, 2009, p. 69; Chesbrough & Bogers, 2014, p. 14). Therefore, a corporation can include spin-off companies into its offering without having to finance, create and maintain them over the long term (Chesbrough & Garman, 2009, p. 70). There are five different mechanisms of inside-out innovation. The first one is to pursue a project through becoming a customer or supplier of formal internal projects. This means taking a smaller role in the project which is associated with lower costs and risks (Chesbrough & Garman, 2009, p. 73). Secondly, a company could spin off its project to outside investors, keeping just a piece of action to itself (Chesbrough & Garman, 2009, p. 74). Another way is to make own intellectual property available for other companies, for example through giving patents. Move 4 is to establish an own ecosystem of options that don't align closely with a company's core business and grow it, even when the company is not. One example is Unilever, which developed a series of ecosystem-related innovation processes as it uses incubators to nurture promising projects that are not ready for one of its businesses yet but may have some commercial potential. The outcomes of its incubators can either be adopted by a matching Unilever business or seek outside funding. One project that migrated outside the company was MiLife, a personalized wellness and weight-loss coaching to consumers via wearable devices using IoT (Chesbrough & Garman, 2009, p. 75). The last type of inside-out innovation is about bringing internal ideas and projects out and creating open domains. They shift costs outside as well and expand participation that might accelerate progress (Chesbrough & Garman, 2009, p. 76).

1.3.3 Coupled Open Innovation

Coupled open innovation is the third type of open innovation and links Outside-In and Inside-Out open innovation processes. It indicates that actors in the innovation process exchange knowledge in both directions and combines purposeful knowledge inflows and outflows to jointly create and/or commercialize an innovation. It involves at least two partners who work together on collaborative invention and commercialization projects to manage mutual information flows across their organizational boundaries. In theory, coupled open innovation may involve any combination of the respective Outside-In and Inside-Out open innovation mechanisms, but businesses may deploy particular mechanisms. Examples for these mechanisms are alliances, joint ventures, consortia, networks, ecosystems, and platforms, all of which involve complementary partners (Chesbrough & Bogers, 2014, p. 14f).

2. Business model innovation in the FMCG Industry

In today's highly competitive environment with changing customer needs, companies face the challenges of managing more and more data that enable faster decision-making as well as granting the flexibility of production processes. Especially shorter product life cycles and an increased market offer range force companies to higher efficiency, flexible changes of equipment and machinery as well as more production flexibility (Liczmańska-Kopcewicz & Wiśniewska, 2019, p. 13329; Derqui, Fayos & Occhiocupo, 2022, p. 1052). To maintain and improve profit margins and achieve revenue growth, companies made huge efforts to innovate their processes and products in the past (Amit & Zott, 2012, p. 36f; Derqui et al., 2022, p. 1052). On the contrary, the consumer goods industry is perceived as a mature, low technology sector which is characterized with a relatively low private investment in R&D, compared to other EU manufacturing industries (Garcia Martinez, Lazzarotti, Manzini & Sánchez García, 2014, p. 215). Therefore, it will be interesting to investigate the respective innovation efforts.

2.1 From product innovation to business model innovation

In the past, especially manufacturing industries focused on product innovation, even if it is combined with a comparatively high risk. Sorescu & Spanjol (2008) investigated the relationship between innovation and firm value for the packaged goods industry. They focus on product innovation and distinguish between breakthrough innovation and incremental innovation. Their findings suggest that breakthrough innovation is associated with an increase in normal profits and economic rents. However, it is also associated with an increasing risk. Incremental innovation has no impact on firm risk but is only associated with increasing profits and therefore no increasing economic rents. In conclusion, companies should balance potential benefits of innovation with the associated risks – for example a more diversified portfolio helps to manage risks associated with innovation (Sorescu & Spanjol, 2008, p. 128). Whether risky or not, innovation is essential for the companies' long-term viability. For the fast-moving consumer goods (FMCG) industry, very frequent product innovations are common, even if they require a lot of resources and time, such as new equipment or even a new business unit (Derqui et al., 2022, p. 1052). All these investments need to be made regularly, even though future returns are uncertain. Hesitant to those huge and risky bets, companies are increasingly turning toward new ways of innovation that might require less upfront investment or are associated with fewer risk. One of such alternatives to product innovation is business model innovation (Amit & Zott, 2012, p. 36). Business model innovation can also complement product innovation in a way that it can enhance the performance of launching novel technologies or products (Desyllas et al., 2022, p. 237). In the following subchapter, the open innovation approach and the structure of business model innovation will be investigated for the FMCG industry.

2.2 The Structure of BMI in the FMCG industry

As business model theory makes its way from academia into practice, an increasing number of studies show that changes to the business model can result in sustainable forms of innovation within incumbent businesses. To date, research is mostly focused on the technology industry (Lange & Velamuri, 2014, p. 311) or entrepreneurial firms and their formation of new business models (Kim & Min, 2015, p. 34). It is surprising that established companies in the FMCG industry presently do not receive a lot of attention in empirical studies, despite their economic and social importance (Sorescu & Spanjol, 2008, p. 117) as well as their great resources to invest in business model innovation (Kim & Min, 2015, p. 35). Mostly, findings of the high-tech industries are generalized, regardless of their idiosyncratic characteristics such as a higher rate of technological innovation or greater network externalities (Sorescu & Spanjol, 2008, p. 117). Furthermore, many incumbent firms across different industries have added new business models (Kim & Min, 2015, p. 34). FMCG companies had to face several challenges that might have triggered business model innovation. Changing customer demands and price competition of private labels are well-known obstacles, especially in the German market (Lange & Velamuri, 2014, p. 311). For example, P&G and Unilever had huge difficulties to compete against low-cost private-label competitors that simply copied its product innovations and offered it for a lower price. Meanwhile companies in other industries, such as SMH or VW, succeeded in competing with the implementation of differentiation and low-cost strategies at the same time (Lange & Velamuri, 2014, p. 312; Markides & Charitou, 2004, p. 23). Another obstacle are numerous startups who succeed in competing with more innovative business models that operate directly to the customer (DTC), mostly via subscription (Randall, Lewis & Davis, 2016, p. 2) as well as physical store-based retailers that shift towards online retailing or at least add online retailing as a new business model (Kim & Min, 2015, p. 34). One global and very successful example of an online subscription DTC business model is the Dollar Shave Club startup which has been acquired by the consumer goods multinational Unilever for a price of one billion US Dollars. Especially the subscription-based business model of the Dollar Shave Club gained attention of the competition as it has been copied by Gillette with its Gillette Shave Club after Unilever made its acquisition (Randall et al., 2016, p. 4).

From a strategic viewpoint, it seems like traditional FMCG companies must navigate through two directions at the same time: On the one hand, cost leadership, requiring mass production and distribution; and on the other hand, differentiation, requiring personalized products with a smaller target group. Business model innovation could help traditional FMCG companies to face that challenge in three ways. First, compared to product innovations that are susceptible to private labels copycats, business model innovation can result in innovative and difficult-to-copy ways of doing business that will lead to sustainable future value, including in terms of the value proposition (Teece, 2010, p. 173; Lange & Velamuri, 2014, p. 312; Amit & Zott, 2012, p. 36f). Second, it can strengthen relationships with certain consumer segments, making them a more significant component of the current business model (see business model canvas of Osterwalder and Pigneur, 2010; Lange & Velamuri, 2014, p. 312). This is especially relevant in times of evolving customer needs, shorter product life cycles and the easy access to consumer data (Liczmańska-Kopcewicz & Wiśniewska, 2019, p. 13329). In the case of Germany, this is especially interesting in the time of an ageing society (Lange & Velamuri, 2014, p. 312). Third, companies that successfully use business model innovation can identify and leverage new revenue streams (Lange & Velamuri, 2014, p. 312), for example subscription-based models or novel forms of paid-services (Randall et al., 2016, p. 2).

2.2.1 An overview of business model innovation in the FMCG industry

As it seems evident that established FMCG companies are facing the challenge of navigating through cost leadership as well as differentiation, there are different approaches to adopt two business models in the same market. One popular solution to the challenge of managing two different business models that have conflicting underlying value chains is the "innovator's solution". This solution will keep the two business models separate, preventing the company’s existing processes and culture from suppressing that new business model (Markides & Charitou, 2004, p. 23). It can be extremely helpful for if an incumbent firm faces the challenge of managing conflicting assets (Kim & Min, 2015, p. 53). One example is Nestlé with its Nespresso subsidiary, nowadays one of the most successful units within Nestlé. By serving a specific niche with its new Nespresso brand, which is at the same time opposing the strategy of Nestlé’s Nescafé that is sold in supermarkets to the mass market, Nestlé successfully managed the co-existence of differentiation and low-cost strategies, placing it in in two different units under two different brands (Markides & Charitou, 2004, p. 23). However, the “innovator’s solution” prevents companies from exploiting synergies and a future integration of a spinoff might be difficult to achieve. Accordingly, some academics argue for keeping a new business model within the existing organization. To attain the integration, firms need to develop an “ambidextrous” organizational infrastructure, being able to contain different kinds of business models (Markides & Charitou, 2004, p. 24). One example is Gillette’s differentiation strategy which got threatened by disposable razor brands. They wanted to enforce their cost leader strategy and therefore started to increase the competition in the razor segment by aggressively lowering prices. However, Gillette did not try to copy the cost leader strategy but rather focused to develop its core strength, which is superior product performance, further. Therefore, Gillette focused on the production of razors that are worth the higher price, compared to the competition. As a result, adopting a low-cost strategy in combination with the existing differentiation strategy resulted in maintaining a 45 percent market share in disposables (Markides & Charitou, 2004, p. 30).

2.2.2 Strategies of Business Model Innovation in the FMCG industry

After mentioning examples of Unilever *acquiring* the Dollar Shave Club and Gillette building the Gillette Shave Club *incrementally* as a tactical response, it becomes evident that companies have different strategies to accomplish an innovation of their business models. According to Borah & Tellis (2014), firms may choose to commit to either make, buy or ally strategies (Borah & Tellis, 2014, p. 114f). *Buying* into new business models implies an incumbent’s acquisition of other companies to innovate and rejuvenate their own business model portfolio which leads to blurred lines between entrepreneurship and traditional R&D-based innovation management (Futterer et al., 2018, p. 12). Another way is *making* business model innovation. It implies the goal to build business model innovation organically in-house

(Randall et al., 2016, p. 4). A third strategy is to *ally* and includes committing to partnerships (Borah & Tellis, 2014, p. 114f). One exemplary company that strongly pursues the ally strategy is Beiersdorf who achieved over 300 long-term, international partnerships with universities, research institutes, individual scientists, and developers to date (Open Innovation | Beiersdorf, n.d.). One crucial success factor in the case of Beiersdorf was open innovation. As elaborated before, open innovation can also act as an enabler of make or buy (namely through outside-in open innovation) strategies.

To offer a broader range of business model innovation examples of consumer goods multinationals, present and publicly described efforts were researched and assigned to one cluster. It is important to mention that FMCG companies are likely to implement all kind of strategies (i.e., they frequently revise their portfolio, innovate in-house and commit to long-term partnerships at the same time in different units). However, the company websites and additional sources made it possible to determine a dominant strategy how they seem (or communicate) to channel their global business model innovation efforts. That means for example that companies are only assigned to the *buy* cluster if their latest acquisitions and disposals reveal that most of its acquisitions are directed towards business model innovation. These examples are mentioned for a better demonstration of business model innovation efforts in the FMCG industry and do not necessarily represent the specific companies chosen for the company cases.

Table 5: Business model innovation activities in FMCG companies

BMI Cluster	**Company and HQ**	**Business model innovation activities**
Make	Nestlé (Switzerland)	Nespresso: premium product with store solutions and razor and blade business model. First boutique opened 2000 in Paris (Die Geschichte Von Nespresso, 2015). Nescafé Dolce Gusto, BabyNes as well as Special T: DTC razor and blade business model. (Teemaschine Und Teekapseln - SPECIAL.T by Nestlé, n.d.; Patentierte Kapseltechnologie | NESCAFÉ Dolce Gusto, n.d.)
	Danone (France)	In-house created business model innovation called "One Planet, One Health" initiative, which is directed towards creating more sustainable brands and business models (Our Unique Growth Model, 2023) The company reached the Société à Mission Status in 2020 (Danone "Société À Mission," 2023)
Buy	Unilever (UK)	Acquisition of Dollar Shave Club in 2016 for $1 billion to implement a DTC subscription-based model (Randall et al., 2016, p. 4).

	Pepsico (USA)	Disposal of juice brand portfolio and acquisition of SodaStream (2018) for $3.2 billion to enter the at-home beverage market (Lucas, 2021; Tracxn, 2023)
	Mars (USA)	Launches all-encompassing sustainability plan in 2017 and acquires stake in healthy snack brand KIND (foodnavigator-usa.com, 2022)
Ally	Beiersdorf (Germany)	Over 300+ long-term, international partnerships with universities, research institutes, individual scientists, and developers. Partnerships significantly enhance product performance (Open Innovation | Beiersdorf, n.d.; Forschung & Entwicklung | Beiersdorf, n.d.)

Source: Own work based on cited sources

2.2.3 Open Innovation in the FMCG industry

To date, most fast-moving consumer goods companies have experimented with open innovation in different ways. They oftentimes set a focus that is aligned with their overall strategy, and it is important to mention that activities exhibit varying degrees of openness (Garcia Martinez et al., 2014, p. 214). Nestlé, for example, follows a sharing is winning approach and aims to build a global innovation ecosystem of food and nutrition and therefore focuses on local entrepreneurship (Open Innovation, n.d.). Danone directs most of its innovation efforts towards sustainability as well as other societal topics (Our Unique Growth Model, 2023; Danone "Société À Mission," 2023). Other examples include companies like Mars who search for new ways to launch and create brands (foodnavigator-usa.com, 2022) or rather R&D and data driven approaches like Beiersdorf (Open Innovation | Beiersdorf, n.d.; Forschung & Entwicklung | Beiersdorf, n.d.).

After business model innovation for FMCG companies, including open innovation examples, have been explored, the next chapter will aim to elaborate on the digitalization phenomenon and connect it to the concept of business model innovation in the FMCG industry.

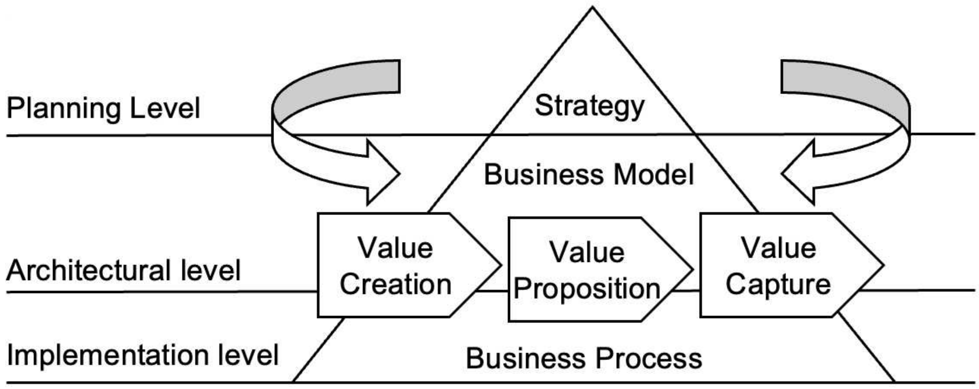
3. Digitalization phenomenon in combination with business model innovation

3.1 Relevant digitalization terms

In today's world, managers increasingly face the advent of new digital technologies that blur the distinction between business and IT strategies (Yeow et al., 2018, p. 43). IT already is and becomes more and more pervasive in functions like marketing or operations for example. Therefore, scholars argue that IT and business strategies are increasingly blending into each other (Yeow et al., 2018) as competition among firms increasingly depends on their ability to leverage digital technologies accordingly to their vision (Vial, 2019, p. 124). That is contrary to the traditional belief that IT is one stand-alone function in the company where its functional level strategy must be aligned with the firm's overall business strategy. Therefore, acknowledging their synergies, *digital strategy* as a notion explicitly contains the fact that IT strategy is integrated within business strategy (Yeow et al., 2018, p. 44). Another notion is digital business strategy, defined as an organizational strategy which is formulated and executed by using digital resources to create additional value in the future (Vial, 2019, p. 124).

Finally, the growing opportunities brought on by digitalization pressure companies to reflect their current strategy and explore new business opportunities. That means managers are more and more required to drastically change one or more components of their business models or even design new ones (Rachinger et al., 2018, p. 1144). How strategy is connected to the business model is illustrated by Rachinger et al.'s (2018) illustration which shows that the business model is located between strategy and business processes (Rachinger et al., 2018, p. 1147f). According to the authors, "the business logic triangle (Osterwalder and Pigneur, 2002) offered the perspective to differentiate between the business processes on the bottom and the strategic planning level on the top. In between lies the architectural level, which has been understood to be the business model that represents the company's reason for creating and capturing value by offering specific value propositions to existing and potential future customers" (Rachinger et al., 2018, p. 1147f). As a conclusion, strategy can be seen as the choice of a specific business model by which the company competes in the marketplace, and business processes can be chosen due to the preceding choice of a business model. Therefore, the chosen business model then represents the committed strategy (Casadesus-Masanell & Ricart, 2010, p. 196, 203; Rachinger et al., 2018, p. 1147f) and can be seen as an extension of strategy (Massa, Tucci & Afuah, 2017, p. 94).

Figure 2: The distinction between strategy and business model



Source: Rachinger et al., 2018, p. 1148

3.2 Digitization, Digitalization and Digital Transformation

Verhoef et al. (2021) identified three phases of digital transformation: digitization, digitalization, and digital transformation. *Digitization* is defined "to describe the action to convert analog information into digital information." (Verhoef et al., 2021, p. 891) Starting the digitization phase therefore means that businesses dematerialize and digitize material resources, for example the digitizing of paper documents (Caputo et al., 2023, p. 3). The concept of *digitalization* contains how digital technologies or even how IT in general can be used to alter common business processes. This means that IT is an important pioneer to accomplish new business possibilities. Common existing business processes like communication, distribution or business relationship management may be changed due to digitalization. This could on the one hand have a direct and external impact on the customer by an enhanced user experience for example, or on the other hand be an optimization of existing processes for internal purposes like cost savings (Verhoef et al., 2021, p. 891). Digital technologies are mostly used to change the business model, revenue model, and value creation processes (Caputo et al., 2023, p. 3). *Digital transformation*, the final maturity stage, is a company-wide change and enabled by strong digital capabilities (Caputo et al., 2023, p. 3). It goes beyond digitalization as it changes the business model (i.e., the logic) of a respective company (Casadesus-Masanell & Ricart, 2010, p. 195). Digital transformation may even lead to the development of new business models to the respective company or industry (Verhoef et al., 2021, p. 891). In the end, digital transformation can lead to a competitive advantage as it enables firms to leverage existing or develop new core competences to compete in a different or new way (Casadesus-Masanell & Ricart, 2010, p. 195; Bouncken et al., 2021, p. 2; Verhoef et al., 2021, p. 889).

3.2.1 Digital Technologies

To realize digitization, digitalization and digital transformation, companies need to access, acquire, or develop new digital assets and capabilities. Therefore, digital technologies are essential (Vial, 2019, p. 122; Verhoef et al., 2021, p. 892f). Especially in the context of new technologies, business model innovation can be a key driver for competitive advantage. The greater the use, the greater is a company's competitive advantage (Dymitrowski & Mielcarek's, 2021, p. 2123f). The potential of novel applications, as well as an integrated view of the product life cycle, are transforming the way value is generated and new, innovative business models are developed. This has been confirmed on numerous occasions: Big Data (new data sources), automation (changing machine functions), interconnectivity along the value chain (breakup of non-transparency), and digital consumer interfaces lay the groundwork for new business models and may reorganize certain sectors (Rachinger et al., 2018, p. 1146).

Digital technologies can be divided into two broad categories: Internal technologies as well as external technologies. *Internal technologies* include search engine optimization, social media monitoring, competitive intelligence, and analytics. *External technologies* are the platforms used to reach customers and deliver content. Examples are E-Mail campaigns, ads, landing pages, apps, or even a website. Accordingly, companies must find a way how to integrate digital capabilities into their existing business models and set targets to succeed (Sousa & Rocha, 2019, p. 258). Scholars have developed the popular SMACIT acronym as a collective term and refers to technologies related to social, mobile, analytics, cloud, and the Internet of Things (Vial, 2019, p. 122). However, also other forms of digital technologies became present through further research. Sousa & Rocha (2019) summarized the following 6 main technologies:

Table 6: Digital Technologies

#	Main Technology	Definition

1	Internet of Things (IoT)	A network of systems, equipment and physical devices that are capable to acquire and process information which can be shared using the internet communication protocol. IoT combines the global reach of the internet and can control the physical world.
2	Cloud Technology	Allows a straightforward use of certain internet-based applications or services, from anywhere and platform-independent through the internet. There is no necessity to install an application on computers or organizations – application providers develop, store, perform maintenance, update, backup and scale their application remotely. Cloud computing includes for example Software as a Service (Saas), Platform as a Service (PaaS) or Infrastructure as a Service (IaaS).
3	Big Data	Enables companies to capture and interpret data and have access to more details of their operations, leading to better strategic decision-making.
4	Mobile technologies	Enable multiple uses and collaboration. Examples are laptops, notebooks, smartphones, and GPS devices. They facilitate business activities, e.g., preparation of presentations, communication via E-Mail.
5	Artificial Intelligence (AI)	Using AI, computers can complete tasks that traditionally require human intelligence. AI is frequently applied in different areas, for example software security systems, robotics, or telecommunications programs.
6	Robotics	Technologies that automated systems with high-performance sensors. Therefore, robots are now able to perform many tasks in unpredictable environments. Examples are vacuum cleaning or unmanned aerial vehicles.

Source: Sousa & Rocha, 2019, p. 258f

In the context of digital transformation, especially combinations of these technologies are of relevance and offer the potential to create new products, services, and business models. As a result, companies can succeed in terms of increasing worker productivity and efficiency, optimizing supply chains, and increasing consumer loyalty and happiness, to mention a few (Rachinger et al., 2018, p. 1144). One example of a combination of those technologies is the ability to implement algorithmic decision-making. It combines Big Data, Mobile technologies, and Cloud Technology as it requires a firm's ability to perform big data analytics, collected through individuals' social media use via their mobile phones (Vial, 2019, p. 122).

3.3 The role of digitalization in the FMCG industry

In recent business literature, the concept of digital transformation has been largely used to highlight very disruptive and transformational impacts of digitalization. Anyways, digitalization is not just about high-tech and IT-first companies – it includes firms of any size, operating in any industry (Jafari-Sadeghi, Mahdiraji, Alam & Mazzoleni, 2023, p. 2). Especially companies that produce physical goods, like FMCG firms, are facing the need to integrate digital services or software into their internal processes and ways of doing business – digital transformation is not easily reached for companies that produce goods which require a high level of manual labor and traditionally used to employ rather analogue processes. In the end, digital transformation may result into a challenging co-existence of the existing traditional and the new digital processes (Hauke-Lopes, Ratajczak-Mrozek & Wieczerzycki, 2022, p. 2; Vial, 2019, p. 118) and is likely to create friction (Kim & Min, 2015, p. 35). For instance, the production in a non-digital facility (i.e., a factory) could be managed automatically through a digital facility (i.e., software) or non-digital products can be advertised through photos (i.e., digital products). Another example are non-digital business units that can communicate through digital communication software (Hauke-Lopes et al., 2022, p. 3f). In line with that, multiple studies show that companies are challenged by their aim to exploit the full potential of digital transformation. However, not being able to digitalize all processes does not necessarily hinder companies to grow. Remaining traditional with the core business while implementing digital solutions wherever applicable may create new ways of interaction with the customer as well as increase operational efficiency. To co-create value, traditional companies should reach out to acquire new and digital resources on the market to build new in-house capabilities (Hauke-Lopes et al., 2022, p. 13). Technologies can enable incumbents to collaborate with customers and develop advanced methodologies for customer-led product developments (Costa & Jongen, 2006, p. 462). A growing number of consumers engage in online communities and are willing to support companies in creating innovations and therefore play an important role in spreading user innovation (Liczmańska-Kopcewicz & Wiśniewska, 2019, p. 13329).

To navigate through digitalization internally, Sousa & Rocha (2019) could identify 3 main skills needed by managers to ace digitalization: Innovation, leadership, and management skills (Sousa & Rocha, 2019, p. 260). Innovation skills include the capacity to innovate: to be creative, identify and exploit new business opportunities and network opportunities, link project goals with business context and undertake smart risk. It leads to a(n) (inter)national network and diversification of the business area. Leadership skills entail the development of new opportunities for employees and enhancing their performance through mentoring, coaching and further motivation techniques. Furthermore, they contain communication skills, the ability to improve employee satisfaction and intercultural intelligence. Management skills comprise the knowledge about different types of technologies, responding to new forms of work or organization due to innovation, optimization of costs, adapting to organizational change, managing strategic deals and alliances as well as social and relational competencies (Sousa & Rocha, 2019, p. 260).

3.3.1 Digitalization as a major determinant of business model innovation for incumbent firms

Digital technologies provide existential threats to existing companies as they can disrupt a whole competitive environment. Digital transformation demands responses in form of digital strategy (Vial, 2019, p. 124). Therefore, nowadays digital transformation is crucial for incumbent firms to stay successful and gain competitive advantage for the markets they are competing in (Jafari-Sadeghi et al., 2023, p. 1). It enables business improvements, optimizations of their operations and reaching more operational efficiency. Digital transformation is furthermore triggering changes in companies' business model(s). That means the way how they operate, which goods they offer and how they create value (Hauke-Lopes et al., 2022, p. 2). Studies point our three different ways how digitalization influences and changes companies and their business models. First, it may lead to an optimization of the existing business model (e.g., cost optimization). It can also influence the transformation of the existing business model (e.g., reconfiguration of existing business models or extension of the established business) or lead to the development of a new business model (e.g., squeezing out established market participants, new products, or services). This would mean a transformation of the value proposition and the operating model as such (Rachinger et al., 2018, p. 1146). If the individual business model elements and how they change are investigated more closely, recent studies have found that digitalization has the greatest influence on the value proposition, internal infrastructure management, and customer interactions. Changes in the business model are mostly driven by new offers (products, services, or solution packages in the form of cloud computing or predictive maintenance). Customer relationships are strengthened when the quantity of offers, such as services and solution packages, grow. Relationships evolve into long-term collaborations to meet the needs of customers. In terms of value configuration, the solution packages available necessitate the modularization of hardware and software. This requires technological development operations, particularly software development (Rachinger et al., 2018, p. 1146).

Nevertheless, the degree to which digitalization affects corporate activities and spurs the development of business model innovation differs from industry to industry (Rachinger et al., 2018, p. 1144). It takes time since "business models are more context-dependent than technology" (Teece, 2018, p. 45) as they depend on resources and capabilities the company has. Incumbent firms may face a particular tradeoff given their legacy when trying to innovate their business models. They may experience challenges in combining their existing and new ways of doing business (Bouncken et al., 2021, p. 4) and in some cases, the existing business models may even become obsolete (Lindgardt, Reeves, Stalk & Deimler, 2012, p. 5). Furthermore, as incumbents are large firms, sustained and built for years, they may gradually transform and start with small changes like digitization or digitalization. That means that the initial goal of digital transformation will be strategically split into smaller steps. Chandy & Tellis (1997) present evidence for the "incumbent's curse" hypothesis, which suggests that as firms become larger and more established, they become less likely to engage in innovation and in exploring new opportunities. On the contrary, they rather focus on exploiting existing products and markets. However, the incumbent's curse is mitigated by external factors such as competition and technological change which could disrupt established market positions and create opportunities for innovation, even for incumbents. To stay competitive, incumbents need to adopt new strategies and align their organizational structures (Chandy & Tellis, 1997, p. 5, 8). As the FMCG industry is a traditional non-high-tech industry, it is worth to study how they approach and plan to undergo business model innovation and digitalization.

4. Empirical Study: A multiple case-study of business model innovation of German FMCG companies

The research objective is to identify the determinants, processes, and success factors of business model innovation of FMCG companies that are related to digitalization. Three research questions have been developed to achieve this goal and offer a direction for the planned study:

(1) Which external and internal determinants have affected business model innovation performed by fast-moving consumer goods companies?

(2) How have the digitalization-related determinants affected (existing) business models and the usage of digital technologies of fast-moving consumer goods companies?

(3) What are the barriers and success factors of business model innovation among fast-moving consumer goods companies?

4.1 Research Design

The empirical study will start from the conclusions drawn from the literature review. Especially after major global events like the COVID-19 crisis as well as the Russian war against Ukraine that have induced global consequences like supply chain disruption or resource constraints, encouraged by factors such as panic buying (Allam, Bibri & Sharpe, 2022, p. 5f), it is to be expected that FMCG companies have reexamined their potential for digitalization or accelerated their ongoing efforts. It is also expected that the shift towards online retailing or at least adding online retailing as a new business model (Kim & Min, 2015, p. 34) has been accelerated through the COVID-19 crisis (Sharma & Jhamb, 2020, p. 1). As laid out before, also changing customer demands and price competition of private labels are well-known reasons that could drive business model innovation, especially in the German market (Lange & Velamuri, 2014, p. 311). Another trigger for business model innovation could be due to upcoming startups that challenge the traditional retail-centered business model by operating directly to the customer and/or offering subscription-based models (Randall et al., 2016, p. 2). Acquisitions of startups that experiment with new business models like Unilever's Dollar Shave Club acquisition as well as incrementally created efforts like the Gillette Shave Club (Randall et al., p. 4) provide evidence that also incumbents aim to innovate their business models.

Given a limited amount of academic sources concerning the research topic, this dissertation will adopt an explorative multiple-case-study research design (Snihur & Zott, 2020, p. 8). The case study is defined as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident.” (Yin, 2014, p. 16f) and focuses on the complexities, context, and unique characteristics of a particular phenomenon. In accordance with the presented evidence as well as the research questions, Yin proposes using the case study method to provide a detailed and intensive analysis of a phenomenon to answer "why" or "how" research questions (Yin, 2014, p. 4). It is also recommended to deploy the case study method when the number of variables of interest will depend on several sources of evidence (Yin, 2014, p. 16). Consequently, this dissertation will not provide universal, representative results or a whole, generalizable picture of the current situation of the industry (Yin, 2014, p. 5) but rather a snapshot of the current status quo.

4.1.1 Case Selection Criteria

It is possible to choose either a single or a multiple case study. A multiple case study is recommended in the case of having no indication of unusual or extreme company cases because it relates to more robust results than a single case study (Yin, 2014, p. 57). As the literature review did not indicate that there are possible FMCG company cases that should be perceived as unusual or extreme, a multiple case study is chosen for this research. There is also evidence that especially in European markets, firms tend to participate in oligopolies with well-behaved competitors that have similar profit objectives (Colder, 2000, p. 331),

Coming to the similarity factors, the first one is that international FMCG companies will be investigated. International players have significant opportunities for innovation, including the access to new customer segments, technologies, and resources. However, adapting these strategies to local market conditions is important. That includes cultural differences, regulatory environments, and competitive landscapes (Colder, 2000, p. 335). Therefore, the second factor is that this research will focus on the German market. The geographic containment provides the advantages of greater feasibility and better comparability. This is because business models and their development may be influenced by their macro environment (White et al., 2022, p. 5f). Therefore, choosing the same country for every company should be helpful. The third similarity factor is retail as the main sales channel. That means in other words: the most revenue of those companies' business-to-customer products shall be generated in retail. Statistics about where the most revenue is created for certain companies can be found on the internet from external market research institutes and will be confirmed with the interviewees as well.

The first differing factor will be a pre-assigned business model innovation cluster. This means the firms will differ in terms of their strategies how to innovate their business models. Information to distinguish the companies' strategies are gathered from online sources (i.e., the respective LinkedIn account page of the companies, official website as well as published articles, podcasts, and blog posts by each company). Another differing factor is the company age, i.e., the number of years the company is in business. This information can be found on the companies' respective homepage. It is however important that all companies are established companies, with already existing and profitable business models. The third differing factor is the business-to-consumer product portfolio which can be found on the website of the respective company as well. Some FMCG companies will primarily produce and sell food products or personal care items for example. It is also possible that a company has a broader product portfolio. This information is retrieved from the website of each company.

Table 7: Case selection criteria

	1	**3**	**4**
Similarity factors	International fast-moving consumer goods company	Operation in Germany	Retail as main sales channel for revenue generation
Differentiating factors	Pre-assigned BMI cluster	Company age (number of years in business)	Number of B2C categories

Source: Own work

4.1.2 Characteristics of the selected FMCG companies

For this multiple case study, three cases were selected based on the previously defined case selection criteria. An overview of the similarity and differentiating factors can be found in table 7. Specific characteristics of the chosen cases can be found in table 8.

Table 8: Case selection

	Similarities			Differences		
Case	Intern. FMCG company	Operations in Germany	Retail as main channel	Pre-assigned BMI cluster	Company age	Number of B2C categories
A	Yes	Yes	Yes	Buy	~ 90	5
B	Yes	Yes	Yes	Make	~ 150	3
C	Yes	Yes	Yes	Ally	~ 190	9

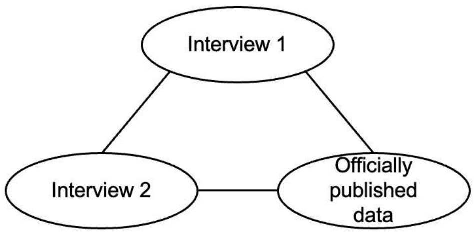
Source: Own work

All the similarity factors are fulfilled as all cases are international FMCG companies with operations in Germany, primarily focusing on retail as a sales channel. According to the differentiating factors, the pre-assigned business model innovation cluster differs for each company. Buy, make, and ally strategies are present in the selected company cases. Even though the focus is on incumbent firms, their years of being in business varies from 90 to 190 years and therefore constitutes of another differentiating factor. Company C stands out by being in business for over 190 years. Company B is in business for roundabout 150 years and company A is in business roughly 90 years. The last differentiating factor is the number of business-to-consumer categories and spans from 3 (Company B) to 5 (Company A) and 9 (Company C) categories per company in the German market.

4.1.3 Data collection and analysis

Triangulation of data sources is recommended by Yin (2014) to improve the reliability of the case study research (Yin, 2014, p. 119). The findings from the various data sources will be merged to produce findings that are supported by all three sources to achieve a convergence of evidence (Yin, 2014, p. 121). Accordingly, the basis for this dissertation will be a combination of primary and secondary data. The data collection per case is based on (1) two interviews with managers of each FMCG company and (2) officially published data. The first step includes one interview with a manager working in the operational day-to-day business (primarily marketing and/or sales), and one interview with a specialized manager who is works in a digital unit which is for all cases mainly focused on innovation and digitalization. As the organizational design of the three case companies looks very different, the second manager may for example be working in a global unit that is fostering the incubation of new business models and/or a global unit dedicated to digitalization. Yin (2014) suggests the triangulation of data sources to increase the reliability of the study (Yin, 2014, p. 119). The officially published data includes information posted by the company itself and includes companies' homepages and information of the official LinkedIn profiles. These two data sources consistently appear under the top five search results on Google when searching for general information about each company, so it is assumed that they are widely regarded as trustworthy sources of information. It is important to clarify that no direct reference is utilized in this case and that secondary data is only used to confirm information from the interviews. This is because the interviewees requested anonymity which could have not been fulfilled if quoting their company website. In the end, all the different findings from each data source will be merged to produce reliable findings that are supported by all three sources (Yin, 2014, p. 121).

Figure 3: Data triangulation



Source: Own work based on Yin (2014)

Final insights are gathered through two semi-structured case study interviews (Yin, 2014, p. 110) for each case. Interviewees have been identified via the professional network of the researcher as well as through a search on the related networking platform LinkedIn. The interviews were held in German and were recorded to prepare a subsequent transcription. The recording has been deleted after the transcription. The transcriptions were anonymized, translated into English, and coded using the coding approach by Saldaña (2009) regarding the most relevant characteristics of the companies' current business models and their innovation. They are viewed in the context of the study's theoretical concepts as well. To gather different and complementary viewpoints, the interviewees selection process will aim for a variety in terms of the general work department (one manager from sales and/or marketing department and one manager from a digital unit for each case), the dedicated FMCG category of the interviewee, gender, seniority, and work tenure. The interviews were conducted via Microsoft Teams and its length ranged from about 30 to 50 minutes. Per each case, interview number one and two triangulated with the officially published data will be used to carry out a within-case analysis. After the within-case analysis for company A, B and C each, the results will be compared to each other in a cross-case analysis (Yin, 2018, p. 350). The cross-case analysis will be structured regarding the key areas from the interview guide. As the interview guide uses the business model canvas by Osterwalder & Pigneur (2010), the business model approach in the cross-case analysis will also be structured accordingly. In comparison to the within-case analysis that still contains exemplary interview quotes with its matching first-order codes, the first-order codes have been consolidated and ordered during the cross-case analysis to facilitate the further analysis.

4.2 Study Findings

The study findings will be separated into two parts. The within-case analysis will be presented first and thereupon will follow the cross-case analysis. The interview structure, based on the research questions, can be found in the table below. The detailed interview guide including the interview questions can be found in the appendix. The within-case analysis with the exemplary interview quotes and the respective first-order codes can found in the appendix as well.

Table 9: Structure of the interview areas

#	**Interview Area**
1	Competition landscape and recent areas of growth or decline
2	Current business model
3	Digitalization
4	Strategies for business model innovation
5	Enablers, obstacles, and consequences

Source: Own work

4.2.1 Within-case analysis

The within-case analysis will cover the statements the managers created for each topic area as well as the exemplary interview quotes that can be found in the appendix.

4.2.1.1 Case Company A

Company A experienced a high number of mergers and acquisitions in the past. From parting its own business areas that were not profitable anymore where “you might have to part with some business areas that aren't so profitable, and we've often done that in the past” (Interview A2, 2023, p. 1) to the acquisition and adoption of startups and brands: “For me personally, our acquisition of an innovative food startup in 2018 was a big success.” (Interview A1, 2023, p. 2). There was even an external attempt to be taken over by a competitor: “Roughly 6 years ago, there was an attempted takeover, I would almost say encroachment, of a competitor. It was at a point where we had built ourselves up with great brands and a sustainability profile and a great culture. And we were all very anxious, but then the takeover didn't work out, because we're not going to let ourselves be taken over by a (…) company that's only out to make a profit. That's not what we stand for” (Interview A1, 2023, p. 1). Throughout the interviews of Company A, there is a strong focus on the corporate culture, and its focus on values beyond profit-making (i.e., sustainability and brands with purpose), which can be seen as a success factor:

> *We follow the motto "Brands with Purpose." We want to connect brands with something good, a good deed. Through our brands, we want to make the world a better place. We firmly believe in this and (...) For example, we are trying to make the products healthier. In the food sector, for example, we have now added the Nutri Score everywhere.” (Interview A2, 2023, p. 2f).*
>
> *“To be future-fit, we need strong, sustainable brands with purpose. That's where we need to go step by step (...) to continue to grow in the future, we need new brands.” (Interview A1, 2023, p. 9).*

In line with that, the business model of Company A is centered around offering a slightly better choice of everyday products for the mass market:

> *“I would define our business model as making products for everyday use purchasable everywhere in the most sustainable way possible, always with the ulterior motive that we get listed. (...) we want to provide consumers with a little better choice for products that they would buy anyway.” (Interview A1, 2023, p. 2).*

To provide a little better choice for commodity products, Company A follows a customer-centric approach, “It's always consumer first anyway, so everything revolves around the consumer, 1000 studies are done (…)” (A2, 2023, p. 2). As Company A is an incumbent that wants to target younger generations with newly acquired brands, it faces the co-existence of traditional and new brands. One possible strategy is the revitalization of traditional brands as the company is “trying to digitalize all our brands – even the ones where you would not expect it, the ones who have an old customer base and are perceived as a bit dusty. We try to transform them and attract a younger customer base now." (Interview A2, 2023, p. 7). Another strategy is to keep traditional brands in the portfolio and use them as cash cows to acquire new brands instead of building new brands from scratch:

> *Sure, we still have traditional brands (...) as big cash cows in our portfolio, (...). But to continue to grow in the future, we need new brands. Building a new brand from one day to the next is difficult, which is why I think the acquisition strategy makes sense." (Interview A1, 2023, p. 9)*

Even though e-commerce and digital retail channels are growing, Company A acknowledges that it is still dependent on the traditional retail. As some online customers are collaborating with the traditional retail, the bargaining power of traditional retail might even be stronger. "Many of our online customers procure their goods through the classic retailers in Germany. So, we are still or even more dependent on the traditional retailers." (Interview A2, 2023, p. 11) One way to design the organization for the growing importance of online channels and new players is to form a global team and adapt its organizational structure to selling online: "Everything that happens online (…) will be led on by the new DMC team, which stands for Digital, Media and Commerce." (Interview A2, 2023, p. 5) or try to gain profit from upcoming players and business models: "One new business model we must react on is also Hello Fresh. We made the company to one of our customers" (Interview A2, 2023, p. 10). Other than that, Company A is keen on experimenting with new digital marketing techniques or the adoption of new tools like Power BI: "In the future, it will become more important to be able to use Power BI" (Interview A1, 2023, p. 6) or also Chat GPT, as Interviewee A2 describes: "I'm already working with Chat GPT in my day-to-day work" (Interview A2, 2023, p. 7). Even though some retailers are lacking behind in terms of digitalization, Company A sees itself as an initiator:

> *"We work with the traditional retailers from Germany. Some of them are still not well positioned digitally. I think it's a bit of our job, and we do it very well, to take them along on this journey and to show them what is actually possible and how they can profit from it." (Interview A2, 2023, p. 11).*

Interviewee A1 highlights that Company A is in the end "clearly a marketing company." (Interview A1, 2023, p. 2) and Interviewee A1 "would (…) like to see more acquisitions. There are so many great brands out there that are worth scaling." (Interview A1, 2023, p. 10). That underlines that the main strategy for Company A's own business model innovation is tied to the acquisition of new brands.

4.2.1.2 Case Company B

Company B is mainly concerned to tackle the competition with private label commodity products and work on its brand differentiation. As a result of COVID-19 and the inflation in 2023, consumers became more price sensitive:

> *"What is now the biggest challenge is that people in the commodities sector make a downgrade, (...) they no longer buy the premium product but rather the mid-tier product or perhaps even switch completely to the price entry private label product." (Interview B1, 2023, p. 1) and "Some of our products are produced on the same production line as private label products. (…) And in that case, (…) the branded product and the private label product are pretty much the same thing." (Interview B1, 2023, p. 1)*

Additionally, Company B is concerned with internal restructuring efforts and the subsequent installation of new internal digital and corporate incubator units that eventually have led to the temporary adoption of a Direct-to-Consumer (DTC) business model:

> *"We are now in the process of building up new corporate divisions. And we see them virtually as an entire corporate division, just like our Beauty Care division, it's just completely focused on digitalization" (Interview B2, 2023, p. 1) and "Being an incubator for startups was also a big step for Company B, (…) because it addressed both the whole issue of digitalization and innovation, (...) it gave us a DTC business for the first time." (Interview B2, 2023, p. 1)*

The current business model of Company B relies mainly on its internal processes and employees as Interviewee B1 indicates: "The employees are very important stakeholders (…), especially in production (Interview B1, 2023, p. 2). When it comes to experimenting with new business models, "Supply chain is of course a huge issue, (…) production, but also the whole question of warehouses and this whole process of logistics." (Interview B2, 2023, p. 2). Company B mainly generates profit through selling established and well-known brands to the retail mass market: "In retail, the price is great, it is a product for the whole family, everyone knows it" (Interview A2, 2023, p. 3). The decision for a DTC business model was influenced by the trend of upcoming, competing DTC brands and the rise of e-commerce. The COVID-19 crisis with consumers switching to private label products which was mentioned earlier, may also have increased the willingness to experiment with a DTC business model.

> *"DTC was a huge topic about (..) 3-4 years ago (…) where there were suddenly a lot of DTC brands and somehow it worked out really well, especially with performance marketing, influencer marketing on Instagram and other social media channels, and as silly as that sounds, Company B wanted to get involved (…). We saw relatively early on what potential it had, that it could potentially be a completely new channel, and then Corona came along (…) and I had the feeling that the whole thing was very hyped up." (Interview B2, 2023, p. 7).*

Despite the strategic focus on innovation, it was not easy to transform processes. The culture from the day-to-day business created barriers:

> *“We had a lot of roadblocks in the incubator (...) when we (...) went to teams that are used to day-to-day business (...). Within Company B, the processes and everything else seemed less and less flexible to us. Company B already has a huge strategic focus on innovation. I don't always see that in the execution” (Interview B2, 2023, p. 8f) and “Especially when you're talking about DTC and the first time you're really delivering directly to customers, then you really need good logistics.” (Interview B2, 2023, p. 8).*

After one year, the DTC business model experimentation had to be terminated because of vanishing profitability, in part due to regulatory external barriers:

> *“this one regulation came from Facebook and Instagram, that all of a sudden the cookies are no longer passed on (...). And that really blocked very, very many DTCs (...) at some point you can't break even anymore because you have to pay so much more to get the purchase. (Interview B2, 2023, p. 11).*

Furthermore, there were many internal barriers: “A lot of things came together that changed our DTC business a bit in the end. On the one hand (…) there was the restructuring (…) where the entire company was reorganized (…) if that hadn't happened, there's a chance that the brands would definitely still be online.” (Interview B2, 2023, p. 10). There were also “just (…) too many brands online at the same time for a very small team.” (Interview B2, 2023, p. 10). Additionally, there were “changes in top management (…) who (…) had different strategic focuses” (Interview B2, 2023, p. 10). Interviewee B1 and B2 highlight mainly the internal restructuring and its consequences on the organization. “Beauty Care and Laundry Home care were merged. (…) The headcount has been reduced considerably to save on personnel costs. In the long term, that makes sense, but in the short term, it involves a lot of changes, because there are still quite different areas.” (Interview B1, 2023, p. 8f). All in all, even though company B was initially able to build up and adopt a DTC brand to its existing business model, Interviewee B2 highlights that it was not able to be sustainably profitable and replace mass retail yet:

> *“I do believe that the aim of consumer goods manufacturers is always to win over a mass market first. (...) I know that Company B is always trying to get more into the premium segment, because that is of course super interesting. Higher margins but fewer customers - that's definitely an area of tension.” (Interview A2, 2023, p. 4) and “main point of sale is really retail. DTC has worked, hasn't worked well enough to replace mass retail now.” (Interview B2, 2023, p. 4).*

All in all, “Company B is very much an innovator” (Inverview B1, 2023, p. 3) which can be regarded as a success factor, but still “perhaps very corporate” (Interview B2, 2023, p. 9) which led to an unprofitable co-existence of a traditional retail and a direct-to-customer business model.

4.2.1.3 Case Company C

Company C used to have a challenging time where it lost market share to the competition during and after 2015 but was able to recover through a strengthened positioning of innovation and superior quality:

> *“It was around 2015 where we lost a lot of market share to our competition (...). We were able to reclaim that (...) by positioning ourselves as the company that has the most innovative (...) products with the best performance. Recently, we try to be more sustainable, too, even though our competition might be a bit stronger regarding that.” (Interview C2, 2023, p. 1)*

Interviewee C2 indicates that they initiated a long-term and strong collaboration with retail partners which can be seen as a success factor as it made it easier to navigate through the COVID-19 crisis as well as the inflation:

> *“I think we were able to establish a competitive edge over time (...) we invested in long-term initiatives with our retail partners and focused on their profiles. I always tell the example of baby care where one drug store customer is really focused on. We have the perfect brand portfolio (...) and establishing a long-term and trusted partnership proved to be the right thing here. (...) Now we notice that our brands grew with our retailers. (...) Of course, there was the COVID-19 crisis, and the inflation is there now as well, but I can say that we are able to navigate through quite well.” (Interview C2, 2023, p. 1).*

In line with that, Interviewee C1 indicates that the IT division did not have to face any layoffs because of the crisis in 2022 since “especially for IT, (…) everybody was holding tight because there were a lot of layoffs. We didn't have them though. (…) we continue employing” (Interview C1, 2023, p. 1).

The current business model of Company C revolves around the strategic imperatives of offering innovative commodities with a superior quality to a broad range of consumers: “I know we offer commodities and distinguish ourselves through innovation and superior performance.” (Interview C1, 2023, p. 2) and “Our business model is based on offering high-quality and innovative products for everyday needs. We attach great importance to quality, customer benefits and for some products sustainability. We have a broad brand portfolio to cover different shopper types.” (Interview C2, 2023, p. 2). Important functions are “marketing and sales” (Interview C2, 2023, p. 2) and the investment in research and development” (Interview C2, 2023, p. 2). The dependence on the retail is acknowledged but seems less intense since Interviewee 2 stated “of course, we are dependent on the retail, but the retail is also dependent on us since consumers want to buy especially our products in their stores.” (Interview C2, 2023, p. 3). However, Company C “is growing mainly through retail. (Interview C2, 2023, p. 4). The company sees the “potential of e-commerce (…) for some brands or categories more, for some less.” (Interview C2, 2023, p. 4).

In terms of digitalization, the company undertook internal transitions to the cloud: “We've been doing a big transition to Azure. So particularly in data and analytics. (…) We were moving from Oracle reporting tools and storage to Azure. We do all of the reporting now in Power BI.” (Interview C1, 2023, p. 4). The transition can be ascribed to market trends because “that's what the market is doing, so we are also doing it (…) even if it doesn't make any economic sense” (Interview C1, 2023, p. 5). Amongst exploring new possibilities for e-commerce like “exploring personal couponing through (…) online channels and mobile applications” (Interview C2, 2023, p. 5), “Nowadays, it’s all about AI.” (Interview C1, 2023, p. 5) as well as big data “because that's the enabler.” (Interview C1, 2023, p. 5) for AI. Insights are according to Interviewee C2 mainly generated by the “data and analytics team that gets the data from our retailers and partners, analyzes it and turns it into insights for us and also our partners.” (Interview C2, 2023, p. 5f). Regarding its business model innovation, a focus on sustainability as well as being the first FMCG company to commercialize of the multiverse space is mentioned:

> *“From the business perspective, what I'm hearing a lot nowadays is the shift to sustainability. (...) From what I know Company C does the compensation tied to sustainability goals.” and “It's all about the commercialization of the multiverse space, whatever that might be. But if it exists, Company C has to be there first” (Interview C1, 2023, p. 6f).*

Regarding marketing, the company uses “digital channels and social media, like Instagram, to interact directly with consumers.” (Interview C2, 2023, p. 6). They “expanded options with online retailers and marketplaces like Amazon further by building recurring subscription models for some of our products.” (Interview C2, 2023, p. 6). Even if it is not new, Company C mentioned selling IoT products as it launched “toothbrushes that can be connected to smartphone apps (…) to engage more with the consumer and his oral care routine.” (Interview C2, 2023, p. 7). One crucial success factor is the management-oriented organizational culture as well as the recruitment of very skilled talent: “Company C is known for being a school for managers (…) There is this laughter about the recruiting process, there is very limited amount of technical interviews for technical roles here. The most important part of the recruitment process (...) is the cultural fit.” (Interview C1, 2023, p. 7). And even if there are no technical interviews in the recruiting process, Interviewee C1 indicates that “in the future we will have definitely more technical talent in the (…) company” (Interview C1, 2023, p. 8) and that “building IT internally should provide better operational excellence.” (Interview C1, 2023, p. 8) as well. Interviewee C2 adds that the company has “this unique culture of challenging the status quo (…), we have employees that are keen on learning something new every day.” (Interview C2, 2023, p. 7). Furthermore, “employees are encouraged to contribute new ideas and take smart risks” (Interview C2, 2023, p. 7).

4.2.2 Cross-case analysis

Based on the intended design of the case study, similarities and differences can be found between the three case companies. However, not just the intended similarity and differentiating factors have been identified. The further identified aspects will be examined in the following subchapter. Table 11 will show a comparative overview of the synthesized key statements (i.e., first-order codes) of interviewee 1 and interviewee 2 per each case. Due to the interconnected nature of the topics discussed with the interviewees, as well as the strong connections between various interview areas, the categorization is based on the researcher’s understanding of the interviewee’s intention from the conducted interview.

4.2.2.1 Competition landscape and recent areas of growth or decline

While Company A and B had to deal with increased production costs and supply chain disruptions due to COVID-19 and the recent inflation, Company C was able to navigate these crises quite well. While Company A faces difficulties to pass through price increases to the traditional retail, Company B is struggling to stay competitive against private label products. In contrast, Company C lost market share in 2015 but could recover and is now able to differentiate itself successfully through innovation, and recently also through sustainability. It is also remarkable that Company A engages a lot in mergers and acquisitions and was even endangered to be taken over from a competitor in the past while Company B and C rather seem to focus on its internal processes.

4.2.2.2 Current business model

Key Partners

One key partner mentioned by all three companies is the retail (i.e., distributors), including traditional retail as well as online retail. This is because Company A, B and C are all dependent on the retail to sell their products, therefore “retail is the most important channel (…)

also in the future.” (Interview A1, 2023, p. 5). It can be added that “e-commerce is also extremely important” (Interview A1, 2023, p. 5). Company B also mentioned suppliers as key partners, and the other companies mentioned the suppliers’ importance in combination with supply chain unsteadiness due to COVID-19 and the inflation.

Key Activities

All companies mention that the “most important activities and processes are Marketing, Sales, Supply Chain.” (Interview B1, 2023, p. 2). While Company A states “the most important thing for us is marketing, (…) we are clearly a marketing company.” (Interview A1, 2023, p. 2), Company B complements that “Finance is also (…) very important.” (Interview B1, 2023, p. 2) as well as „warehouses and this whole process of logistics” (Interview B2, 2023, p. 3). Company C adds that “R&D is big (…) and also the IT department is getting more and more important now.” (Interview C1, 2023, p. 2) as well as that they “invest continuously in research and development.” (Interview C2, 2023, p. 2). All three company interviewees mention throughout how important it is to continuously innovate. Company A has a “very large innovation center in Europe. There are a lot of food technologists working there” (Interview A2, 2023, p. 4). Company B highlights that “being an incubator for startups was also a big step for Company B, (…) because it addressed both the whole issue of digitalization and innovation” (Interview B2, 2023, p. 1).

Key Resources

Company B states “the employees are very important stakeholders (…), especially in production” (Interview B1, 2023, p. 6) which includes the manufacturing facilities. Company B reveals that it has an own “in-house production and Co-pack.” (Interview B1, 2023, p. 1) and explains that “there are Co-packers who produce private labels and Company B products at the same time. The thing is, when the whole thing becomes public, you give the consumer even less reason to buy the brand product.” (Interview B1, 2023, p. 8) so they produce “by far the largest part (…) in-house” (Interview B1, 2023, p. 1). Especially important for Company A is their brand reputation, they “need strong, sustainable brands with purpose” (Interview A1, 2023, p. 9). Company C emphasizes tight connections to their distribution network of retailers and how they “were able to establish a competitive edge over time” (Interview C2, 2023, p. 1) as they have started to invest in long-term initiatives with their “retail partners and focused on their profiles” (Interview C2, 2023, p. 1).

Value Propositions

All three companies offer commodities. Company A explains that they are “making products for everyday use purchasable everywhere in the most sustainable way possible” (Interview A1, 2023, p. 2). They want to “provide consumers with a little better choice for products that they would buy anyway” (Interview A1, 2023, p. 2) in terms of sustainability, product quality, and product innovation. Company C is positioned similar as their “business model is based on offering high-quality and innovative products for everyday needs. We attach great importance to quality, customer benefits and for some products sustainability. We have a broad brand portfolio to cover different shopper types.” (Interview C2, 2023, p. 2). For Company B, the value proposition is a bit more nuanced, depending on the channel:

> *It's incredibly complex, a purchase decision like that, and it totally depends on the positioning, so that's very difficult to say in general, (...) if a customer buys in traditional retail she has a completely different reason for doing so than if, for example, she shops (...) online with us at DTC (...) a luxury brand. In retail, the price is great, it is a product for the whole family, everyone knows it.” (Interview A2, 2023, p. 3).*

Customer Relationships

Regarding the end consumer, all three companies strive to deliver a standardized and qualitative product that can be bought in as many retailers as possible. In addition to the availability at the point of sale, Company A seems to be keen on building a strong relationship with consumers as “it's always consumer first anyway, so everything revolves around the consumer, 1000 studies are done (…), so consumer first is always the first priority.” (Interview A2, 2023, p. 2) as well as seeing the consumer as “the most important stakeholder” (Interview A1, 2023, p. 3). Company C names the consumer as one of their most important stakeholders, too (Interview C2, 2023, p. 3). Company B actively invests in its customer relationship through loyalty programs as they “created an Instagram channel where we answered questions (…) and gave away samples, but (…) didn't make any money directly from that.” (Interview B2, 2023, p. 7).

Channels

As already mentioned in the key partners section, retail is the most important channel, now and in the future. E-commerce is also mentioned of all companies and is realized through online retailers and marketplaces like Amazon. Company A also collaborates with delivery services and offers some of their consumer “products not only in retail stores, but also in fast food chains" (Interview A1, 2023, p. 8) and Company B was able to run "a DTC business for the first time" (Interview B2, 2023, p. 1).

Cost Structure

Company A states they mainly "spend a lot of money on marketing and communication measures" (Interview A2, 2023, p. 3). Regarding Company B, "production and R&D are particularly important cost categories" (Interview B1, 2023, p. 4). For Company A, „production costs have simply increased enormously" (Interview A2, 2023, p. 1) because of the inflation and COVID-19 crisis. Company C explains that their "main cost categories include production, distribution, marketing and research and development" (Interview C2, 2023, p. 4).

Revenue Streams

As Interviewee A2 states, they are mainly "dependent on the retailers, without the retailers we can't really do anything, because we don't have a direct business where we sell to the customers." (Interview A2, 2023, p. 4). In line with that, Company C states that their "company is growing mainly through retail" (Interview C2, 2023, p. 4). Even though Company B tried to establish a DTC business model, for now their "main point of sale is really retail. DTC has worked, hasn't worked well enough to replace mass retail now." (Interview B2, 2023 p. 4). Therefore, consumers can purchase the companies' goods mainly via traditional retailers. However, this is expected to change slowly in the future. Regarding Interviewee A1, "in 2030 the number of online grocery shopping (…) will increase to 12%. Currently we are at 2%. In the countryside it will certainly be different, these 12% also stand together and represent the city, and there you will also notice it." (Interview A1, 2023, p. 6). Therefore, digital channels and e-commerce are expected to be important revenue streams in the future. Especially marketplaces like Amazon are ready and waiting for consumers to shift more and more to online purchases as Interviewee A2 indicates "Amazon is also very, very far" (Interview A2, 2023, p. 12).

4.2.2.3 Digitalization

Regarding digitalization, it can be mentioned that there have been evaluated different transformation options by the companies. It has been mentioned before that traditional retail will be the strongest source of revenue for now and also in the near future. Nevertheless, all companies are also selling more and more in online channels and therefore actively try to adapt their organizational structure to the changing retailer landscape as it is “particularly important (…) to grow digitally together.” (Interview A1, 2023, p. 6).

> *“Company A recently did a restructuring and has set up a new global department to move towards digitalization. Everything that happens online (...) will be led on by the new DMC team, which stands for Digital, Media and Commerce. That means there is the digital team. There is the media team. There is the commerce team. (...) And, of course, there is still the Brand Team, and there is the Category and Channel Development Team” (Interview A2, 2023, p. 6) and “There are also functions beyond DMC that accompany this entire digital transformation for the teams who need it. There is one person for Personal Care who supports this entire digital transformation and has a bit of a lead.” (Interview A2, 2023, p. 6).*

Company B, too, also actively designs its organization according to digitalization as well as for incubating digital startups:

> *“We are now in the process of building up new corporate divisions. And we see them virtually as an entire corporate division, just like our Beauty Care division, it’s just completely focused on digitalization and making the entire company more digital in all the areas that we have.” (Interview B2, 2023, p. 1) and “Being an incubator for startups was also a big step for Company B, (...) because it addressed both the whole issue of digitalization and innovation” (Interview B2, 2023, p. 1).*

For Company C neither a restructuring nor a new company setup is mentioned. However, hiring more and more people in IT to be in charge of the implementation and the tailoring of its IT technologies is highlighted during the interview:

> *„we are going to ramp up our employment even more because the tools that were developed by tech companies need people for implementation now. That is a different kind of work than they are doing in Google, for example. We don't create stuff, we have to implement it, tailor it for our purposes. “ (Interview C1, 2023, p. 1)*

Main technologies

As main technologies, it is regarded from all companies that “the whole topic of artificial intelligence and copyrighting and Chat GPT and the like will be interesting” (Interview B2, 2023, p. 6). Company A mentions that usage of Chat GPT and AI might evolve “especially in the marketing area, (…). We work with many agencies that actually do this work for us, I'm also curious if we can replace them in the future” (Interview A2, 2023, p. 7). Company A also sees “huge potentials regarding AI-generated marketing videos for our brands.” (Interview A2, 2023, p. 8). Company B considers Chat GPT as “a tool for simply moving certain things forward more quickly. (…) analytics, tools, and data tools will continue to be a huge topic (…). In the end, of course, it's the art of interpreting the data, which is what our digital division is already doing.” (Interview B2, 2023, p. 6) Other than marketing, “Artificial intelligence is used in production planning. Some of the models are enormously precise, especially in terms of seasonality.” (Interview B1, 2023, p. 6). Company C has “been doing a big transition to Azure.

So particularly in data and analytics. (…) We were moving from Oracle reporting tools and storage to Azure. We do all of the reporting now in Power BI.” (Interview C1, 2023, p. 4). Reasons for the move to the cloud are market driven. It is “what the market is doing, so we are also doing it (…) even if it doesn't make any economic sense.” (Interview C1, 2023, p. 5). Interviewee C1 stresses that requirements for the use of AI still need to be worked on because Big Data is its “enabler. And from there, we can talk about doing AI. (…) So (…) data is the biggest technology out there.” (Interview C1, 2023, p. 4).

4.2.2.4 Strategies for business model innovation

Regarding the companies’ business model innovation, main projects and plans have been mentioned earlier. This section will mainly try to grasp a dominant scheme how the companies try and/or plan to innovate their business models.

Company A

It became evident that Company A has a very strong focus on marketing and is consequently planning to acquire and scale existing brands: “To continue to grow in the future, we need new brands. Building a new brand from one day to the next is difficult, which is why I think the acquisition strategy makes sense.” (Interview A1, 2023, p. 9). This could also lead to the acquisition of brands that enable or even require a business model innovation. One example is a mentioned acquisition of an initial consumer product that enabled the company to widen its partners and channels as they offered the product “not only in retail stores, but also in fast food chains” (Interview A1, 2023, p. 8). As “there are so many great brands out there that are worth scaling.” (Interview A1, 2023, p. 11) it becomes evident that Company A is likely to continue its strategy of buying, integrating, and scaling. Furthermore, the company seems to try to ally with upcoming new business models on the market, as they made one new player “to one of our customers” (Interview A2, 2023, p. 10).

Company B

Company B takes a very active approach in experimenting with new business models through its startup incubator. This led to the experiment of introducing a DTC business model. Even though the project had to be terminated after its integration because it “can't replace retail just yet, it's not that big, there's not that big a target group that uses it yet” (Interview B2, 2023, p. 7), it can be considered as a success that the company was able to operate in a co-existence of the conventional and the new business model. It is mentioned that the new business model's value proposition led to challenges in the adaption of key activities and key resources because when "delivering directly to customers, then you really need good logistics" (Interview B2, 2023, p. 8). It becomes evident that Company B first scouts and allies with new startups through its incubator and acquires them if an integration seems possible.

Company C

For Company C, business model innovation is not new and mainly evolves incrementally. Amongst the recent shift to sustainability, the past adoption of "subscription models for some of our products" (Interview C2, 2023, p. 7) with marketplaces and online channels as well as "toothbrushes that can be connected to smartphone apps." (Interview C2, 2023, p. 8) are mentioned. In the future, business model innovation could be "about the commercialization of the multiverse space, whatever that might be. But if it exists, Company C has to be there first (…), definitely there is a focus on UX / UI, digital customer relations is also something that is big." (Interview C1, 2023, p. 7). Company C is keen on being the first mover, and at the same time, business model innovation is perceived as a constant effort that grows organically and goes along with the day-to-day business. Therefore, Company C places "a high value on innovation. (…) employees are encouraged to contribute new ideas and take smart risks." (Interview C2, 2023, p. 8) Moreover, Company C values strong partnerships with its retailers and establishes "subscription models for some (…) products." (Interview C2, 2023, p. 6).

Reflection on pre-assigned strategies

Confronting the pre-assigned strategy clusters with the observed strategies for business model innovation, it becomes evident that for some part, the strategies for business model innovation could be pre-assigned correctly through available online sources. In the end, it is rather a combination of strategies for each company. For Company A and C, *ally strategies* can be added. For company B, the *buy strategy* must be added since it partly reached the DTC business model integration through an acquisition.

Table 10: Observed strategies for business model innovation

	Company A	**Company B**	**Company C**
Pre-assigned strategy	Buy	Ally	Make

Observed strategy	Buy and ally	Ally first, then buy	Make and ally

Source: Own work

4.2.2.5 Enablers, obstacles, and consequences

In the end, all interviewees stated that the company culture and employees mainly act as enablers for business model innovation. Mentioned obstacles and consequences differ in its characteristics and specification.

The company culture as enabler

For Company A and B, permanent restructuring and adaption seems part of the daily business. For some processes and employees, this poses an obstacle, and it requires an open culture towards change and commitment:

> *"I think we are all curious. But there are also many colleagues who are a bit hesitant. There's always a lot of restructuring going on anyway, and there's a bit of fear of moving forward. That's why it's important to take people with you (...). I assume that it might be possible to focus a bit more in the future. (...), the FMCG industry is very dynamic and you have to live with the fact that things change and develop. (...) After all, you decide anew every day to work for this company." (Interview A1, 2023, p. 11)*

To enable restructurings towards a more digital organization for example, reskilling is also mentioned as an important enabler as "There are different digital programs that everyone should take part in (…). Not only the people who work in the digital area at Company A should have a clue about it, but really everyone" (Interview A2, 2023, p. 11). For Company C, employees that are eager to learn are mainly seen as a success factor for its business: "We have this unique culture of challenging the status quo (…), we have the right learning contents and infrastructure and, more important (…), we have employees that are keen on learning something new every day" (Interview C2, 2023, p. 7f). It is also stated that "a stronger focus on agile working methods and increased collaboration with our retailers could help (…) to implement innovations (…) more quickly." (Interview C2, 2023, p. 7f). Consequently, Company C is mainly trying to hire "more technical talent" (Interview C1, 2023, p. 8).

Obstacles in the adoption of new business models

Despite all the restructuring efforts, Company B had to face obstacles when they innovated their business model: "If it goes in the direction where a business model is totally innovative, either for the company itself or for the entire market (…) very often some new processes and activities have to be established somehow, and I think that's especially difficult in large companies, and that's a lot of fast-moving consumer goods companies.” (Interview B2, 2023, p. 9). Especially Company B faced internal challenges in the realm of its DTC business model. Obstacles were the restructuring, execution challenges and roadblocks from day-to-day business, too many brands for the team size, influence of changes in top management with different strategic focus and the challenge in adapting standardized processes to fit the unique needs of the DTC brands. Mentioned external challenges were cookie regulations of social media channels. The assessment of the effect of the DTC business model experimentation on the company culture is relatively low, as “in the end, we were (…) a small part of a very short period (…) at Company B, which I don't think has the ability to have such a big impact on culture right now. I think, for example, something like the restructuring is now somehow a bigger factor.” (Interview C2, 2023, p. 14).

One risk of digital channels is a higher bargaining power for traditional retailers as some online retailers procure their goods through classic retailers. On the other hand, very traditional retailers pose an obstacle in themselves due to their low degree of digitalization. Company A sees itself as an advocate for digitalization: “Many of our online customers procure their goods through the classic retailers in Germany. So, we are still or even more dependent on the traditional retailers. (…) Some of them are still not well positioned digitally. I think it's a bit of our job (…) to take them along on this journey and to show them what is actually possible and how they can profit from it. (…) We try to collect best practices and case studies from our Dutch colleagues (…) to show the German retailers what benefit we could reach together.” (Interview A2, 2023, p. 11)

Table 11: Cross-case analysis based on first order codes

Interview Area	**Company A**	**Company B**	**Company C**
Competition landscape and recent areas of growth or decline	→ Attempted takeover of competitor which did not work out because of internal resistance → Great culture within the organization, focus on values beyond profit-making → Growth through acquisition of startups and innovative, sustainable brands (certifications against animal testing and strategic commitments towards sustainability → Evaluating profitability and marketing investments → Impact of COVID-19 pandemic on operations and supply chain (Increased production costs, particularly in food and personal care) → Difficulty to pass through price increases because of the strong market position of retail partners → Unstable supply chain leads to a disadvantage in price negotiations with retail partners	→ Planning uncertainty during the COVID-19 pandemic, supply chain difficulties and hoarding → Products mostly made in In-house production, difficulties in Co-pack productions → Competition with private label products, differentiation from private label copycats, for some products similarities between branded and private label products → Challenges in securing shelf space with major drug store customers → Crisis in 2022 with inflation and cost of living challenges: Risk of downgrading from premium products to mid-tier or private label products → Building Digital Transformation Division, focus on digitalization across all areas → Restructuring and implementation of new processes, merger of Laundry and Home Care and Beauty divisions → Being an incubator for startups and introduction of DTC (Direct-to-Consumer) business	→ No layoffs due to the crisis which was unusual, even employment ramp-up in the implementation of existing technologies → Digital tools are implemented and tailored to the purpose of the company → Loss of market share in 2015 in Beauty and Personal Care segment, now differentiation through innovation and recently sustainability → Starting long-term cooperation with retailers in order to grow together → Impacted by COVID-19 crisis and inflation, but able to navigate through
Current business model	→ Offering products for everyday use, purchasable everywhere, motive to be listed by retailers, diverse portfolio	→ Most important activities and processes are Marketing, Sales, Supply Chain and Finance	→ Offering wide range of commodities with a differentiation in

	→ Providing consumers with better product choices, new technologies, sustainable approach, and continuous pioneering innovation through prioritizing R&D → Continuous improvement in product healthiness and sustainability (e.g., adoption of Nutri Score and efforts toward plastic-free packaging) → Company identity as a marketing company, focus on brand visibility and prominence → Content creation on social media platforms, collaborations with influencers or artists → Consumer as the most important stakeholder, consumer orientation and improvement → Consumer-first approach with extensive studies and consumer-centric focus → Growing importance and size of the Empty Nesters segment → Perception of neglect from both own Company and competitors towards Empty Nesters but recognition of substantial purchasing power within the Empty Nesters market → Consumer segments: particularly young target group, brands attracting young shoppers	→ Most important stakeholders are employees, suppliers, supply chain, marketing and R&D and the top management as decision makers → Production costs and R&D as most important cost categories → Innovation-driven, high percentage of sales from innovations, strong focus on new product development → Locality and regional production for differentiation → Product-specific competitive advantage (e.g., unique features, benefits, or positioning) and differentiated positioning based on channels (e.g., luxury for DTC brand, budget-friendly and familiar brands for retail) → Interest in expanding into the premium segment for higher margins, despite having fewer customers, e.g., meeting specific customer needs with DTC brands → Balancing the tension between the mass market and the premium segment: DTC (Direct-to-Consumer) channels have been explored but have not yet reached a level to replace mass retail → The core business for Company B primarily revolves around retail channels, targeting the mass market as primary focus for consumer goods manufacturers.	innovation, quality, and recently sustainability → Product portfolio has different price ranges, target group reaches from young adults to seniors → Marketing, Sales as well as R&D and IT as the most important activities → Most important Stakeholders are retail partners and end consumers (i.e., retail partners list products of Company C and consumers buy their products) → Competitive advantage because of strong brands and therefore retailers want to list products (→ Retail collaboration) → Cost categories encompass production, distribution, marketing and R&D, most important is production → E-commerce exploration for some categories

	→ Expansion into online channels and targeting of the younger demographic online, potential for online-exclusive brands → Retail dependency and pricing pressure		
Digitalization	→ Retail as the primary channel for Company A in Germany, also in the future. → Recognition of e-commerce as an important and growing channel, reskilling of personnel will be necessary → Transformation of brands to align with digital trends, leveraging digital channels to revitalize and modernize traditional brands → Focus on creating a seamless consumer journey from awareness to purchase → Leveraging e-commerce for business growth due to increasing trend of online grocery shopping with regional variations, particularly in rural and urban areas (importance of targeting the urban market and digital-savvy consumers) → Desired mutual growth and collaboration with retailers in the digital areas → Establishment of the global DMC (Digital, Media and Commerce) department focused on digitalization, therein dedicated teams focusing on digital and e-commerce	→ Focus on retail sales over online sales, but consideration of digital sales channels → Point of sale activation with digital devices, evaluation if the use of digital tools with products makes sense because they are "just" commodities → Centralized digital organization with local adaptations, "Digital champion" in marketing → Digital transformation challenges: Initial implementation of digitalization at Company B's digital division faced challenges due to the young age of the department → Digital division as an internal agency, providing digital project management and development services to other departments within Company B. → Evolution of corporate venturing: Corporate venturing is undergoing changes and restructuring → The use of artificial intelligence, including tools like Chat GPT, is seen as a way to enhance certain processes and accelerate progress → Analytics and data tools play a significant role in driving insights and decision-making, with a focus on interpreting data effectively	→ Personalized offers are possible through digital channels, goal is a seamless shopper journey → Special department for digitalization, including an e-commerce and digital marketing team → Power BI for the day-to-day business → Data and analytics team analyzes the data and generates insights → Shift to the cloud because of market trends (transition to Azure from Oracle) → Reporting via Power BI, also affected the sales team → AI will be able to generate forecasts and is an opportunity which could be exploited if the data it is

	→ Punctual management support units for dedicated categories that help with digital transformation → Power BI for real-time data visualization → Chat GPT for generating marketing slogans and content, possibility to replace jobs with Chat GPT → AI for video creation and automation	→ Utilization of artificial intelligence in production planning (precision of AI models in capturing seasonality)	based on is available and appropriate → As big data enables AI, big data is the most important technology
Business model innovation	→ Offering consumer products also business-to-business in fast food chains (successful collaboration) → Proactive initiative from company in proposing collaboration with fast-food chains with mutual benefit → Focus on acquiring strong, sustainable brands with purpose, aiming to make the world a better place → Gradual approach to building a portfolio of future-fit brands, importance of traditional brands as cash cows but need for new brands to drive future growth, leveraging marketing capabilities for rapid scaling of acquired brands → Embracing digitalization and its impact on traditional retail and online platforms → Focus on e-commerce: Leveraging influencer marketing and personalized advertising and targeting, shift from	→ Company B's focus on producing its own products, but Co-packers produce both private labels and few of Company B's products → Different price tiers within Company B's product portfolio to also compete with private label → Business model innovation in response to external challenges (COVID-19 and inflation) → COVID-19 impact: Acceleration of online shopping and DTC growth during the pandemic → Importance of social media for customer engagement, investment in social media channels and digital loyalty programs → Shift from traditional TV advertising to targeted digital channels (e-commerce) → Younger generations as target customer segments, mostly found in digital channels → DTC trend: Rise of direct-to-consumer brands from 2019, DTC as an option for Company B to engage in performance and influencer marketing	→ Use of IoT in toothbrush products (connected with the smartphone) for enhanced consumer satisfaction → Shift towards sustainability as a focus in response to market trends, tying the compensation of staff to sustainability goals → Exploration of digital channels and social media to interact with consumers → Expansion of options with online retailers, experimenting with subscription models → Ambitious focus on commercializing the multiverse space, emphasis

	traditional TV advertising to targeted digital channels → Different expertise required to sell different categories online → Increased online food ordering due to COVID-19, adaptation to new business models and players in the market. Provides source of data generation for insights	→ Retail complementarity: Acknowledging that DTC doesn't replace traditional retail channels entirely because of limited target audience in DTC, DTC demands mainly logistics → Centralization and streamlining of business processes (merger of Beauty Care and Laundry Home Care divisions)	on UX/UI and digital customer relations
Obstacles, enablers and consequences	→ Recognition of the importance of acquisitions to scale great brands → Multinational with diverse departments, desire for focus and potential restructuring → Inclusivity and taking people along during changes, need for effective change management and communication → Providing support and resources for employees to acquire new digital skills due to changing job requirements and skill sets in the digital era → Embracing a culture of openness, agility, and adaptability to change → Traditional retailers cooperate with online retailers which decreases bargaining power for Company A → Engaging traditional retailers with limited digital capabilities as obstacle → Challenges in obtaining desired insights and cooperation from customers, Amazon	→ Streamlining of organizational structure and job roles, adjustments in job roles and job cuts (short-term challenges in managing the integration of different areas but long-term strategic benefits of the merger) → Integration and mindset shift required due to merging of departments → Management support for innovation and its importance for employees' belief in it → Internal challenges for DTC business: Restructuring, execution challenges and roadblocks from day-to-day business, too many brands for the team size, influence of changes in top management with different strategic focuses, challenge in adapting standardized processes to fit the unique needs of the DTC brands → Strategic focus on innovation, but variations in innovation across departments (execution of strategic focus is not always present)	→ Building tools internally allows for improved operational processes and efficiency → Company C is bringing in more technical talent to enhance its capabilities in the future → Emphasis on cultural fit in the recruitment process → Diversity is present but there is a strong sense of understanding, values and common goals create a unified culture → Risk-taking mindset and idea contribution of employees, encouragement of experimentation

	as the most advanced channel for online retailing	→ DTC-building unit was more agile than the rest of the company, difficulty to integrate new processes and activities into mostly standardized FMCG companies → External challenges for DTC business: premium pricing needs prior, long-term brand investment (importance of having patience), regulatory changes for data tracking and cookies led to higher marketing spendings to get a purchase → Balancing short-term results with long-term strategies and the need for speed with maintaining quality and compliance → Coordinating with R&D, packaging, and supply chain for faster approval processes → Incorporating learnings from the incubator process into the standard processes, introduction of new processes due to DTC business (e.g., SAP) → Introduction of a new way of working and mindset with a focus on direct-to-consumer (DTC) approach, but not a big impact on the company culture because of a small team and short amount of having a DTC business model	→ Culture of curiosity, being eager for knowledge and challenging the status quo (Company C is known for being a school for managers) → Available internal infrastructure with study content → Balancing continuity and change, traditional retail is still the strategic focus (agile working methods and increased collaboration with retailers could enable innovations even quicker)

5. Discussion of research findings

This part strives to answer the stated research questions by confronting the insights from the literature review with the results from the multiple case study. The chapter will be structured by the order of the research question and combine the findings from the literature review with the evidence from the multiple case study.

5.1 External and internal determinants of business model innovation

(1) Which external and internal determinants have affected business model innovation performed by fast-moving consumer goods companies?

External determinants

External determinants for business model innovation are mainly the *competition and evolving market trends*. Interviewee C1 describes the motives for the adaption of reporting tools and moving to the clouds as “that's what the market is doing, so we are also doing it (…) even if it doesn't make any economic sense” (Interview C1, 2023, p. 5). Another example is the DTC business model as “DTC was a huge topic about (..) 3-4 years ago (…) where there were suddenly a lot of DTC brands” (Interview B2, 2023, p. 7). This goes in line with the most common examples for external antecedents which are (market) disruption and changes in competition (Snihur & Eisenhardt, 2022, p. 759; Teece, 2010, p. 187f; Zott, Amit & Massa, 2011, p. 1032f). The kind of disruption that mainly affects consumer goods companies is mostly technical and cultural (e.g., preference to stream videos on the internet) (Snihur & Eisenhardt, 2022, p. 759). The notion of cultural disruption goes in line with the general rise of e-commerce and results in “performance marketing, influencer marketing on Instagram and other social media channels” (Interview B2, 2023, p. 7). It is furthermore stated that “everything revolves around the consumer” (Interview A2, 2023, p. 2) and especially the targeting of younger generations leads to the further deployment of e-commerce. It is indicated that “in the future, we could also increasingly offer brands for the younger target group online or even only online.” (Interview A1, 2023, p. 5). As a result, companies recognize the need to better serve the requirements of all stakeholders, including customers (Amit & Zott, 2020, p. 8). Also, major global events like the COVID-19 crisis can trigger business model innovation. Interviewee B2 explains that COVID-19 impacted the decision to try out a DTC business model. When “Corona came along (…) the whole thing was very hyped up.” (Interview B2, 2023, p. 7).

Internal determinants

Internal drivers can comprise a change in strategy, dynamic capabilities (i.e., the ability to reconfigure an enterprise’s tangible and intangible assets) as well as open innovation capabilities (Foss & Saebi, 2017, p. 215, 218). Specifically, a culture of “challenging the status quo” (Interview C2, 2023, p. 7) and statements like “we are all curious” (Interview A1, 2023, p. 11) indicate that having an open organizational culture is connected to business model innovation. To stay competitive, incumbents need to align their organizational structures (Chandy & Tellis, 1997, p. 5, 8) as well which is also mentioned by all company cases.

5.2 Business model innovation due to digitalization

(2) How have the digitalization-related determinants affected (existing) business models and the usage of digital technologies of fast-moving consumer goods companies?

Not only as antecedent but also as enabler of business model innovation, technology plays a significant role (Dymitrowski & Mielcarek, 2021, p. 2118). Particularly e-commerce enhances customer engagement and online marketing methods and allows selling consumer goods online as well. When adding online retailing as a new business model (Kim & Min, 2015, p. 34), it is noticeable that FMCG companies also depend on retailers here and rather focus on digital marketing, precise targeting and a seamless „consumer journey (…) from awareness, consideration and then purchase” (Interview A2, 2023, p. 6). Advanced data analysis possibilities are explored within the new channel as well with this new channel because „especially for FMCG companies, data-driven decisions.” (Interview A1, 2023, p. 6) are important.

Impact on (existing) business models

New digital business models can be reached mainly through corporate venturing. Company A and B engage in outside-in innovation as they actively acquire and integrate startups with the goal to commercialize them (Chesbrough & Bogers, 2014, p. 14). The focus differs from acquiring a specific brand to rejuvenate the own portfolio (Futterer et al., 2018, p. 12) or acquiring a digital business model that is new to the company (Foss & Saebi, 2017, p. 216f). Impacts on the existing business models are the contribution of "learning into the normal standardized processes" (Interview B2, 2023, p. 13) as well as the urge to transform existing traditional brands "who have an old customer base and are perceived as a bit dusty" (Interview A2, 2023, p. 7).

Usage of digital technologies

In the context of digital transformation, especially combinations of digital technologies are of relevance and offer the potential to create new products, services, and business models (Rachinger et al., 2018, p. 1144). Main technologies are currently AI which is "used in production planning." (Interview B1, 2023, p. 6). In that case, also "Chat GPT and the like will be interesting" (Interview B2, 2023, p. 6), especially for marketing purposes. Apart from that, "it's the art of interpreting the data" (Interview B2, 2023, p. 6). There are also shifts to cloud technologies that affect the reporting which is done "now in Power BI." (Interview C1, 2023, p. 4). Requirements for the use of AI still need to be worked on because it highly depends on data quality. Therefore, "data is the biggest technology out there." (Interview C1, 2023, p. 4). At last, the IoT technology which combines the physical and digital world (Sousa & Rocha, 2019, p. 258f) is used for consumer products of Company C. It consists of "toothbrushes that can be connected to smartphone apps" (Interview C2, 2023, p. 7).

5.3 The barriers and success factors of business model changes

(3) What are the barriers and success factors of business model innovation among fast-moving consumer goods companies?

Barriers

When incumbents engage in business model innovation, they will likely face the dilemma of managing their old business model as well as the new business model simultaneously. In that regards, incumbent firms have complementary assets, but also, and on the contrary to new entrants, must struggle with existing conflicting assets.

Conflicting assets are the incumbent's current resources that, when paired with a new business model, will create friction, or even hinder the new business model to function properly (Kim & Min, 2015, p. 35). Accordingly, they diminish the incumbent's performance and highlight the obstructive liability of incumbency (Kim & Min, 2015, p. 39). This phenomenon can be found in the past attempt to establish a DTC business model. Company B had to face the liability of incumbency as "new processes and activities have to be established somehow, and (…) that's especially difficult in large companies" (Interview B2, 2023, p. 9). The challenges in integrating and aligning all components as well as a changing legal landscape resulted in failed experimentation (Sabaruddin et al., 2023, p. 135). Another barrier is the outdated IT and a lack of digital skills of key partners who are "not well positioned digitally" (Interview A2, 2023, p. 11).

Success Factors

Innovative business models are not only resulting in a performance-enhancement for entrepreneurial firms, but also established firms can experience positive performance effects due to business model innovation (Foss & Saebi, 2017, p. 202). Even though every company case has a different strategy to innovate its business model(s), common success factors are the company culture, employee skills, the focus on innovation, a strong brand portfolio as well as the ability to cooperate with and adapt to suppliers and distributors. Especially adaptability can be seen as an "competitive edge" (Interview C2, 2023, p. 1). In the end, incumbent companies are still "very corporate" (Interview B2, 2023, p. 9) and may rely on their dynamic capabilities (Foss & Saebi, 2017, p. 215, 218). It can be supported that "novelty alone is not enough" (Leppänen et al., 2023, p. 40) as it may be challenging to combine existing and new ways of doing business (Bouncken et al., 2021, p. 4). While it was shown that *adaptive* business model innovation is likely to create friction, *evolutionary* business model innovation can be integrated more easily and is enabled by an innovative company culture (Foss & Saebi, 2017, p. 216f).

Conclusion

External determinants for business model innovation in the FMCG industry are mainly competition, disruption, changes in consumer preferences and market trends. Major global events like the COVID-19 crisis are also likely to trigger business model innovation and the need to implement digitalization. Internal drivers mainly comprise of the company culture, including management and the enablement of the workforce to learn and experiment with new skills. Particularly for the German FMCG industry, e-commerce is now a widespread phenomenon. However, the interviewed FMCG companies do not seem to be very successful in deploying their own retail functions yet. They rather strive to build capabilities in the areas of digital marketing and data analysis and plan to continue to grow together with retailers, also in online channels. To innovate their business models, companies deploy an individual combination of make, buy, and ally strategies. In that realm, corporate venturing, incubation as well as incremental innovation are mainly used strategies among the three interviewed companies. The most important technologies for internal processes are cloud technologies, artificial intelligence, and big data – however combined with the skill of implementing those technologies and interpreting data accordingly. It needs to be added that especially the use of artificial intelligence requires a high data quality.

Managing an old business model and a new business model that require different assets at the same time can pose a barrier. As suppliers and distributors are highly interdependent, the (un-)readiness of key partners depicts a further barrier that cannot be directly influenced. Especially in the German FMCG market with a few big players, companies engage in very different strategies and degrees of business model innovation efforts. Especially adaptability and collaboration seem to be the common strategies to sustainable success. In the end, winning in the German FMCG industry is not about disrupting with innovations that are new to the industry, but rather focusing on business model innovations and digital technologies that match the inherent strategy and are a bit different from the competition. In the end, FMCG companies still produce commodities, intended for everyday use, and must continuously balance the two directions of mass production and differentiation.

Limitations

Even though the methodological approach used for this dissertation served to extract pertinent insights to meet the stated study purpose, several constraints must be considered. First, this study was designed to analyze the business models of carefully selected case companies and to gain certain tendencies which might apply to more incumbent companies within the fast-moving consumer goods industry in Germany. Therefore, the scope of this study is limited to those examined cases and restricts the ability to generalize the results. Secondly, the main data sources were two interviews that have been conducted for each case. As the interview partners were employees by the case companies, the content of the interviews may portray the opinion and experiences of these specific employees. They furthermore cannot necessarily indicate the whole business model (innovation) of the company. Due to the interview conduction that was solely with managers on a similar hierarchical level, the perception of other hierarchical levels might not be represented. Furthermore, varying tenure might have led to a great variance in opinion and knowledge about the firm's development. It was also noted that every interviewee had different personal perceptions and priorities of aspects worth describing. Additionally, the precondition of anonymity limited the use of secondary data. A more extensive use of secondary data could have led to a strengthened data triangulation due to a deeper understanding for the companies' business models. Another limitation for the generalization of the findings is the focus on the German market. For some company cases, the company's headquarters were not located in Germany and consequently employees of German subsidiaries have been interviewed. It is possible that business model innovation efforts in headquarters as well as other subsidiaries are very different. Lastly, any academic study's general research constraints need to be acknowledged. The research was performed by the best of the researcher's knowledge, nevertheless humans' work tends to be not completely free of errors that can arise when processing various data formats, interpreting literature, or interpreting interview statements.

Future Research

The results gained from this thesis could be deepened, strengthened, and refined by further research. A more intense case study work with an increased number of interviews per case, additional data sources and an increased number of case companies can help to understand the business model phenomenon in the fast-moving consumer goods industry more thoroughly. Adding to that, other countries than the German market could be examined, too. To generate generalizable insights, additional quantitative research, based on the qualitative findings, would be necessary.

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Appendix – Interview guide and within-case analysis

Interview guide

Interview Area	Interview questions
Competition landscape and recent areas of growth or decline	- Brief history of the company, highlighting the most important decisions (markets, products, technologies, turning points). - Important stages in the company's growth, development and/or decline. What were the milestones. Why? Examples?
Current business model	- What are the main assumptions of your company's business model? → What are the key activities, and processes that need to be performed to create the offerings to the customer? → Who are the main business model stakeholders who carry out these activities to create value? → Why would a customer choose the products of your company? What is your competitive advantage (lower price, availability, quality, brand recognition, etc.) → What are they key revenue (in terms of customer segments, product categories…) and cost categories (production, distribution, marketing, R&D)? → What are the key strategic assumptions for your company's growth? → What are the main channels responsible for your company's growth?
Digitalization	- How does digitalization affect your business and industry? - How do you implement digitalization in your business? How it is organized in your organization? (a separate organizational unit/team)? Could you provide examples? (divisions, functions, processes, …) - Which technologies do you believe will have the greatest impact on your business in the future? Why? - Why did your company introduced digitization/digitalization? What were the main reasons and initiators? Examples? (external: industry, customer trends, …; internal: culture, cost efficiency, …)
Strategies for business model innovation	- What kind of business model innovations have your company experimented with? Did you use digital tools and technologies? Why? Examples? (e.g., new distribution channel/e-commerce, offering linking physical and digital world, new suppliers or organization of suppliers and other stakeholders,…). → Which were successful? → Which were not so successful? Why? (Examples) - How have you performed these innovations?
Enablers, obstacles, and consequences	- What are the lessons learnt from the company's experiences with BMI? What would you change? - What have been the main challenges and what has been helpful in overcoming them? What are the key success factors? - What do you consider most difficult during the business model innovation process? - What impact have the changes in the business model had on your company? How do you evaluate these changes? And why? - How would you assess your company culture in terms of business model experimentation as well as digitalization? How do you assess your management in that regards?

Within-case analysis

Interview Area	A1 – Exemplary interview quotes	A1 – First-order codes	A2 – Exemplary interview quotes	A2 – First-order codes
Competition landscape and recent areas of growth or decline	- “Roughly 6 years ago, there was an attempted takeover, I would almost say encroachment, of a competitor. It was at a point where we had built ourselves up with great brands and a sustainability profile and a great culture. And we were all very anxious, but then the takeover didn't work out, because we're not going to let ourselves be taken over by a (…) company that's only out to make a profit. That's not what we stand for.” - “For me personally, our acquisition of an innovative food startup in 2018 was a big success.” - “I am also proud we got certified by PETA recently to fight against animal testing.”	→ Attempted takeover of competitor which did not work out because of internal resistance → Great culture within the organization → Focus on values beyond profit-making → Growth through acquisition of startups and innovative, sustainable brands → Certifications against animal testing and strategic commitments towards sustainability	- “You might have to part with some business areas that aren't so profitable, and we've often done that in the past.” - “We really noticed the effects of the COVID-19 pandemic. It was a big roadblock for our operations and supply chain.” - “Now we have to pass through price increases, because of course the prices have risen extremely in this actual situation. Production costs have simply increased enormously, so food has become much, much more expensive, but also in the personal care area, simply the ingredients have become more expensive. (…) . Transport routes are becoming more and more expensive. However, we are dependent on our retailers so we have to see what price increases we can pass through and what margin is left for us.” - “Being out of stock because of supply chain disruptions makes it even harder to bargain with our retail partners for price increases.”	→ Evaluating profitability and marketing investments → Impact of COVID-19 pandemic on operations and supply chain → Increased production costs, particularly in food and personal care → Difficulty to pass through price increases because of the strong market position of retail partners → Unstable supply chain leads to a disadvantage in price negotiations with retail partners

Current business model	- "I would define our business model as making products for everyday use purchasable everywhere in the most sustainable way possible, always with the ulterior motive that we get listed. (…) we want to provide consumers with a little better choice for products that they would buy anyway." - "The most important thing for us is marketing, (…) we are clearly a marketing company." - "Our brands are our asset, that's why it's so important that we optimize our products along the lines of the 6P and continuously launch innovations, even if they don't always become top sellers. Nevertheless, this is important for our retail partners and our consumers." - "I would say the consumer is the most important stakeholder. We have to understand their needs, orient ourselves to them, and through them we continue to improve. That is also the core of our brands: what do we want to stand for, what do we want to differentiate ourselves from, and what do we want to communicate to the consumer." - "Our brand development is very good at picking up on what our markets want, and we are also very	→ Offering products for everyday use, purchasable everywhere → Motive to be listed by retailers → Providing consumers with better product choices → Sustainable approach → Company identity as a marketing company → Brand visibility and prominence → Continuous innovation → Importance of retail partners → Consumer as the most important stakeholder → Consumer orientation and improvement → Core values and brand identity	- "Especially important for us are digital marketing, our sales team, also its influence on retail. - "I work a lot with the internal employees, such as the people from marketing or sales. I wouldn't say that one is more important than the other, but it's important that they are all on board. (…) Beyond that, it's always consumer first anyway, so everything revolves around the consumer, 1000 studies are done (…), so consumer first is always the first priority." - "We follow the motto "Brands with Purpose." We want to connect brands with something good, a good deed. Through our brands, we want to make the world a better place. We firmly believe in this and, of course, try to knit all our campaigns accordingly. And that's always a very difficult question, how we want to show that to the customer. Why are our products better now? For example, we are trying to make the products healthier. In the food sector, for example, we have now added the Nutri Score everywhere." - "There is also an area that is trying to convert everything to plastic-free."	→ Focus on digitalization, digital marketing, sales, and its influence on retail → Consumer-first approach with extensive studies and consumer-centric focus → "Brands with Purpose" strategy, aiming to make the world a better place → Continuous improvement in product healthiness and sustainability → Examples include the adoption of Nutri Score and efforts toward plastic-free packaging → Younger generations as target customer segments

	good at making sure that we are pioneers, for example, in terms of new technologies such as 0% aluminum in deodorants." - "In terms of consumers, there are certain segments that are particularly important for Company A. Important age groups are primarily the young target group, who are in their twenties. We also have to show their trends to retailers. Because it takes our brands to attract young shoppers to retail. We also create content on social media, such as TikTok, where we bring rappers on board, for example, in line with the target group." - "Another important target group is the Empty Nesters. It's already big, and it's going to get even bigger. That's why I'd like to try a little harder to focus on them. I think they are a bit neglected not only by us, but also by our competitors, even though there is actually a lot of money there. - "Retail is *the* channel, of course. Nevertheless, I think that with the diverse portfolio that we have, we could also take a look at how and where we want to place our brands. I think there are classic brands for retail (…). But in the future, we could also increasingly offer brands	→ Pioneering innovations, new technologies → Consumer segments, particularly young target group → Retailer appeal and engagement → Brands attracting young shoppers → Content creation on social media platforms, collaborations with influencers or artists → Growing importance and size of the Empty Nesters segment → Perception of neglect from both own Company And competitors towards Empty Nesters → Recognition of substantial purchasing power within the Empty Nesters market	- "In general the focus is already on the younger generations (…), now it's really this Gen Z." - "We spend a lot of money on marketing and communication measures. (…). In the past, much, much more was spent. To be honest, we also want to be profitable and not actually pay more at the end of the day, and you mustn't forget that we are also dependent on the retailers, without the retailers we can't really do anything, because we don't have a direct business where we sell to the customers." - "We have this very large innovation center in Europe. There are a lot of food technologists working there. (…). R&D is super, super important for us because we want to develop further."	→ Marketing and communication expenses → Retail dependency and pricing pressure → Significant investment in research and development → Prioritizing R&D for innovation and development

	for the younger target group online or even only online.”	→ Diverse portfolio and brand placement strategies → Classic brands for retail → Expansion into online channels and targeting of the younger demographic online → Potential for online-exclusive brands		
Digitalization	- “In my opinion, retail is the most important channel for Company A, also in the future. Of course, e-commerce is also extremely important, and the channel is also growing.” - “At my last congress, a professor from Mannheim brought the latest figures and said that according to his estimates, in 2030 the number of online grocery shopping, by grocery I mean the whole Company A basket, will increase to 12%. Currently we are at 2%. In the countryside it will certainly be different, these 12% also stand together and represent the city, and there you will also notice it.” - “We actually still have a relatively large team, we have 7 very different teams that deal with the topic of digital and e-commerce. The aim is also to be able to establish good partnerships with retailers, on whom we are very dependent and who	→ Retail as the primary channel for Company A, also in the future → Recognition of e-commerce as an important and growing channel → Leveraging e-commerce for business growth → Increasing trend of online grocery shopping → Estimated growth in online grocery shopping by 2030 → Regional variations, particularly in rural and urban areas → Importance of targeting the urban market and digital-savvy consumers → Dedicated teams focusing on digital and e-commerce	- “Company A recently did a restructuring and has set up a new global department to move towards digitalization. Everything that happens online, and Company A has a strong focus on this now, will be led on by the new DMC team, which stands for Digital, Media and Commerce. That means there is the digital team. There is the media team. There is the commerce team. (…) we want to create a whole consumer journey for shoppers from awareness, consideration and then purchase, and media is part of that, as well as digital, and that's why I think it's also super important that the departments are linked together even more. And, of course, there is still the Brand Team, and there is the Category and Channel Development Team”	→ Establishment of a global department focused on digitalization → Establishment of the DMC (Digital, Media and Commerce) department → Transformation of brands to align with digital trends → Focus on creating a seamless consumer journey from awareness to purchase

	have a fairly similar agenda (…). That's why it's particularly important here to grow digitally together." - "In the future, it will become more important to be able to use Power BI and visualize real-time data. Especially for FMCG companies, this provides a very important basis for data-driven decisions."	→ Desired mutual growth and collaboration with retailers in the digital areas → Power BI for real-time data visualization	- "There are also functions beyond DMC that accompany this entire digital transformation for the teams who need it. There is one person for Personal Care who supports this entire digital transformation and has a bit of a lead." - We are trying to digitalize all our brands – even the ones where you would not expect it, the ones who have an old customer base and are perceived as a bit dusty. We try to transform them and attract a younger customer base now." - "In any case, all these terms like KI, Chat, GPT, for example, I'm already working with Chat GPT in my day-to-day work, we had a campaign the other day, and then I need a few, clever marketing slogans, and then I just threw a few things in with Chat GPT, so you get really good things out of it somehow, I was really surprised. Especially in the marketing area, this whole texting. We work with many agencies that actually do this work for us, I'm also curious if we can replace them in the future." - "And of course AI is also a huge topic. It's not necessarily that we're already working together	→ Punctual management support units for dedicated categories that help with digital transformation → Leveraging digital channels to revitalize and modernize traditional brands → Chat GPT for generating marketing slogans and content → Possibility to replace jobs with Chat GPT

			with it so much but I see huge potentials regarding AI-generated marketing videos for our brands." - "I believe that in Germany in particular still a lot is bought in traditional retail. But you can already see this shift, that it's getting bigger and bigger, and then our jobs are also changing, because more and more jobs are required in the digital area and you need other skills."	→ AI (Artificial Intelligence) for video creation and automation → German market is still mostly driven by traditional retail → The shift towards online will continue → Reskilling will be necessary
Business model innovation	- "In the business-to-business area, there was the business model innovation that we offered one of our products not only in retail stores, but also in fast food chains. This is very successful. Now, we have a growing network of new partners. Our branding is shown in their advertising, it is the goal to place us there even bigger." - The initiative to work with food chains came proactively from us, we were the first and actively showed (…) what benefits would result from a collaboration." - "My personal opinion is that we could buy more startups. To be future-fit, we need strong, sustainable brands with purpose. That's where we need to go step by step. Sure, we still have traditional	→ Offering consumer products also business-to-business in fast food chains → Successful collaboration with fast food chains and other partners → Proactive initiative from company in proposing collaboration with fast-food chains → Addressing fast food chain's needs for mutual benefit → Focus on acquiring strong, sustainable brands with purpose → Gradual approach to building a portfolio of future-fit brands	- "Many companies didn't really believe that people really buy their food or their shampoo online and also that this whole thing, for example this whole influencer marketing, would become so big. (…) Large companies also belong to such a group and they were also so skeptical at the time. It actually was always about TV campaigns where you can reach most people with, that's still true, but you want to have reached a lot of target group and not just people." - "You can play out your campaigns much better via digital, so you're much more concrete on who you want to target first, and then you can analyze the results of who	→ Embracing digitalization and its impact on traditional retail and online platforms → Leveraging influencer marketing → Shift from traditional TV advertising to targeted digital channels → Personalized advertising and targeting → Focus on e-commerce

	brands (…) as big cash cows in our portfolio, (…). But to continue to grow in the future, we need new brands. Building a new brand from one day to the next is difficult, which is why I think the acquisition strategy makes sense.” - We can offer the brands rapid scaling through our marketing capabilities. In my opinion, this is also a sustainable success model for our company.	→ Importance of traditional brands as cash cows → Need for new brands to drive future growth → Leveraging marketing capabilities for rapid scaling of acquired brands	actually consumed your campaigns online. Who yes, can you also conduct surveys there. It's simply much more personalized advertising. I think it's nothing new that everything that's personalized simply leads to more revenue. So we said we just need such a team, which is specifically focused on it, really for each individual category. Of course, it's something else to sell food online than personal care products, so I think you need a different know-how and expertise and in the food sector. Many new players have come onto the market in recent years, such as Flink or Gorillas and Getir. - “One new business model we must react on is also Hello Fresh. We made the company to one of our customers. COVID-19 has also led to another total explosion in people ordering their food online (…), and the data that you can generate as a result is of course always very, very helpful for Company A. (…) Well, you can track that much better in the digital area than when someone buys something in the supermarket.”	→ Different expertise required to sell different categories online → Adaptation to new business models and players in the market → Increased online food ordering due to COVID-19 → Source of data generation for insights → Experimenting with new digital marketing techniques to drive brand growth and engagement.

Obstacles, enablers, and consequences	- "We are the last multinational that still really has so many different departments. I assume that there will be a focus, and then I would also like to see more acquisitions. There are so many great brands out there that are worth scaling." - "I think we are all curious. But there are also many colleagues who are a bit hesitant. There's always a lot of restructuring going on anyway, and there's a bit of fear of moving forward. That's why it's important to take people with you if something like this were to happen. I assume that it might be possible to focus a bit more in the future. As you say, the FMCG industry is very dynamic and you have to live with the fact that things change and develop. I think that requires a certain openness. After all, you decide anew every day to work for this company."	→ Multinational with diverse departments → Desire for focus and potential restructuring → Recognition of the importance of acquisitions to scale great brands → Inclusivity and taking people along during changes → Need for effective change management and communication → Cultivating openness and adaptability in the corporate culture	- "There are different digital programs that everyone should take part in, so these are a kind of workshops. Not only the people who work in the digital area at Company A should have a clue about it, but really everyone. (…) I also have the feeling that our managers are preaching that again and again." - "Many of our online customers procure their goods through the classic retailers in Germany. So, we are still or even more dependent on the traditional retailers." - We work with the traditional retailers from Germany. Some of them are still not well positioned digitally. I think it's a bit of our job, and we do it very well, to take them along on this journey and to show them what is actually possible and how they can profit from it. - "Another hurdle is that in part, our customers are unfortunately not yet technically advanced enough, to be able to deliver that data we need because they simply don't have the technology for it yet. We try to collect best practices and case studies from our Dutch colleagues for example to show the German retailers	→ Providing support and resources for employees to acquire new digital skills → Recognizing the changing job requirements and skill sets in the digital era → Traditional retailers cooperate with online retailers which decreases bargaining power for Company A → Engaging traditional retailers with limited digital capabilities as obstacle → Challenges in obtaining desired insights and cooperation from customers

			what benefit we could reach together in that regards." - "Except, of course, Amazon. Amazon is also very, very far, they want to sell us everything, we don't have the problem there." - "We at Company A are a very young team and also those who have been with us for longer are actually quite open. Those who are actually not so agile and not so open will not be happy at Company A.	→ Amazon as the most advanced channel for online retailing → Embracing a culture of openness, agility, and adaptability to change

Interview Area	B1 – Exemplary interview quotes	B1 – First-order codes	B2 – Exemplary interview quotes	B2 – First-order codes
Competition landscape and recent areas of growth or decline	- "I remember the first COVID-19 wave in 2020 (…). What was the biggest challenge at that time actually, (…) was the planning uncertainty, also the supply chain difficulties. There was a lot of hoarding (…) and the desired quantities were not available. Company B has in-house production and Co-pack. By far the largest part is in-house production, which we were able to maintain quite well by operating in shifts (…). However, this was relatively difficult with the Co-pack productions." - "At the same time, many small private label products come up and it becomes extremely difficult to	→ Planning uncertainty during the COVID-19 pandemic → Supply chain difficulties and hoarding → Products mostly made in In-house production → Difficulties in Copack productions	- "We are now in the process of building up new corporate divisions. And we see them virtually as an entire corporate division, just like our Beauty Care division, it's just completely focused on digitalization and making the entire company more digital in all the areas that we have. (…) Of course, that was one thing that had a lot to do with restructuring, of course, also because many new employees had a completely new structure, new processes." - "Being an incubator for startups was also a big step for Company B, (…) because it addressed both	→ Building Digital Transformation Division → Focus on digitalization across all areas → Restructuring and implementation of new processes

	secure shelf space. (…) A lot of drug store customers have an extremely large pool of private labels." - "Just when everything has returned to normal, so in 2022, we have slid into the crisis, now with inflation and cost of living crisis and what is now the biggest challenge is that people in the commodities sector make a downgrade, (...) they no longer buy the premium product but rather the mid-tier product or perhaps even switch completely to the price entry private label product." - "Some of our products are produced on the same production line as private label products. (…) And in that case, you really have to say that the branded product and the private label product are pretty much the same thing."	→ Competition with private label products → Challenges in securing shelf space with major drug store customers → Crisis in 2022 with inflation and cost of living challenges → Risk of downgrading from premium products to mid-tier or private label products → Similarities between branded and private label products	the whole issue of digitalization and innovation, (…) it gave us a DTC business for the first time." - "And there was the restructuring. We had a merger of our internal Laundry and Home Care and Beauty divisions."	→ Being an incubator for startups → Introduction of DTC (Direct-to-Consumer) business → Merger of Laundry and Home Care and Beauty divisions
Current business model	- "Most important activities and processes are Marketing, Sales, Supply Chain, very important, (…) and Finance is also a very important point." - "The employees are very important stakeholders (…), especially in production, also the suppliers, especially due to the current supply chain disruption, you can feel how visible the suppliers simply are."	→ Most important activities and processes are Marketing, Sales, Supply Chain and Finance → Most important stakeholders are employees and suppliers	- "Supply chain is of course a huge issue, (…) production, but also the whole question of warehouses and this whole process of logistics. (…) Marketing is always crucial in any case. - "I have the feeling that with us a lot of supply chain, (…) were indeed from the experience often marketeers (…). Supply chain was super involved (…) and	→ Most important activities and processes are supply chain and marketing → Most important stakeholders are supply chain, marketing and R&D

	- “Company B is very much an innovator (…). As a consumer, you also expect innovation from a brand, you expect something new. And Company B is very innovation driven, 45% of the sales in the last 2 years came from innovations.” - “And what the private labels are doing, that's just copying successful models, they're just copycats. It may take half a year before a similar private label product is launched on the market.” - “What's also very strong at Company B is the locality. Company B is a German company and produces a lot in the ASG area. I think it's precisely this regionality that also helps to combat private labels.” - Company B sees itself as a producer for the retailer (..) and then at the very end of the chain (…) is the consumer (…). When it comes to the consumer, we are addressing people with higher incomes who are also willing to pay the price premium for branded products.” - “Production and R&D are particularly important cost categories”	→ Innovation-driven → High percentage of sales from innovations → Strong focus on new product development → Differentiation from private label copycats → Locality and regional production for differentiation → Indirect sales through retailers → Focus on producing for retailers → Targeting consumers with higher incomes	R&D (…) and also top management.” - “It's incredibly complex, a purchase decision like that, and it totally depends on the positioning, so that's very difficult to say in general, (…) if a customer buys in traditional retail she has a completely different reason for doing so than if, for example, she shops (…) online with us at DTC (…) a luxury brand. In retail, the price is great, it is a product for the whole family, everyone knows it and (…) now there is the inflation, so a good price is also important.” - “I do believe that the aim of consumer goods manufacturers is always to win over a mass market first. Of course, there are now also large luxury mass brands, but it is still the mass market that is being targeted. I know that Company B is always trying to get more into the premium segment, because that is of course super interesting. Higher margins but fewer customers - that's definitely an area of tension.” - “(…) main point of sale is really retail. DTC has worked, hasn't worked well enough to replace mass retail now. (…) I don't think that's going to happen, especially	and the top management as decision makers → Product-specific competitive advantage (e.g., unique features, benefits, or positioning) → Differentiated positioning based on channels (e.g., luxury for DTC brand, budget-friendly and familiar brands for retail) → Meeting specific customer needs with DTC brands → Targeting the mass market as the primary focus for consumer goods manufacturers. → Interest in expanding into the premium segment for higher margins, despite having fewer customers.

		→ Production costs and R&D as most important cost categories	now that we're a bit post-pandemic again."	→ Balancing the tension between the mass market and the premium segment. → DTC (Direct-to-Consumer) channels have been explored but have not yet reached a level to replace mass retail → The core business for Company B primarily revolves around retail channels
Digitalization	- "In marketing, there is a person in charge who has the role of digital champion. This person also drives all local digitalization in the other subsidiaries. The rest is organized centrally by headquarters and adapted locally as needed." - "One example from my everyday life was a point of sale activation (…), we had a digital device at the point of sale that can play a sound. That means that when you approach the product, something happens. I don't know whether products are now directly accompanied by digital tools in any other way. I also ask myself whether that makes sense, because in the end they are commodities that tend to have a	→ "Digital champion" in marketing → Centralized digital organization with local adaptations → Point of sale activation with digital devices	- It was a bit chaotic at the beginning, simply because our digital division was still very, very young. (…) You can imagine our digital unit as an internal service provider. For example, we have our own developers, but we also have our own digital project managers. That means that when we have a brand, for example, we go to our digital unit and they are a bit like an agency" for us, so they take on the project management, take on the sprints, but also partly their own development, which they don't really outsource anymore, and we are then a bit more the	→ Digital transformation challenges: Initial implementation of digitalization at Company B's digital division faced challenges due to the young age of the department → Digital division as an internal agency, providing digital project management and development services to other departments within Company B.

	lower export price. Sure, we are partly represented in the premium category, but are the products so premium that you really invest in them and give them more value?" - "I think digital sales channels will become important, here I'm thinking for example of the competitor Airdrop, which is completely designed for online sales. We are observing this and have it in mind, but our products are really designed for retail." - Artificial intelligence is used in production planning. Some of the models are enormously precise, especially in terms of seasonality."	→ Evaluation if the use of digital tools with products makes sense because they are "just" commodities → Consideration of digital sales channels → Focus on retail sales over online sales → Utilization of artificial intelligence in production planning → Precision of AI models in capturing seasonality	business, which makes the demands on our digital unit." - Corporate venturing is also new. (…) I think it's also being revamped a little bit now with the with the restructuring. - "I do think that the whole topic of artificial intelligence and copyrighting and Chat GPT and the like will be interesting, even if Company B probably won't have Chat GPT write its blog posts in the future, I think it's a tool for simply moving certain things forward more quickly. I believe that analytics, tools, and data tools will continue to be a huge topic, as we have also seen in our company. In the end, of course, it's the art of interpreting the data, which is what our digital division is already doing."	→ Evolution of corporate venturing: Corporate venturing is undergoing changes and restructuring → The use of artificial intelligence, including tools like Chat GPT, is seen as a way to enhance certain processes and accelerate progress → Analytics and data tools play a significant role in driving insights and decision-making, with a focus on interpreting data effectively

Business model innovation	- "I think business model innovation is becoming more and more an option, simply because the external challenges are getting bigger. And right now is a very difficult time for FMCG manufacturers. First COVID-19, now inflation." - "We need to speak directly to the customer, which is why we invest in social media channels, for example. One example is digital loyalty programs. For example, we created an Instagram channel where we answered questions (…) and gave away samples, but we didn't make any money directly from that. This sets us apart from private labels, which is why we see it as a great success internally. In addition, we are gradually moving away from classic TV advertising, which allows little targeting and is also incredibly expensive. Particularly when you launch new products that may also appeal to a younger target group, you actually tend to go to digital channels." - "In addition, e-commerce is becoming more and more important as a sales channel, still on a small level, but growing strongly." - "Centralization is also a huge topic now. A lot of things have been done locally that can also be controlled	→ Business model innovation in response to external challenges (COVID-19 and inflation) → Importance of social media for customer engagement → Investment in social media channels and digital loyalty programs → Shift from traditional TV advertising to targeted digital channels → Younger generations as target customer segments, mostly found in digital channels → Focus on e-commerce	- "DTC was a huge topic about (..) 3-4 years ago, when a huge number of indie brands came out. It slowly spread from America, then to Europe and Germany, where there were suddenly a lot of DTC brands and somehow it worked out really well, especially with performance marketing, influencer marketing on Instagram and other social media channels, and as silly as that sounds, Company B wanted to get involved and of course wanted to understand what it was all about. We saw relatively early on what potential it had, that it could potentially be a completely new channel, and then Corona came along, where a lot of people really couldn't go to the shops for certain goods very often anymore, and I had the feeling that the whole thing was very hyped up." - "We then also noticed (…) that this can't replace retail just yet, it's not that big, there's not that big a target group that uses it yet" - "Especially when you're talking about DTC and the first time you're really delivering directly to customers, then you really need good logistics."	→ DTC trend: Rise of direct-to-consumer brands from 2019 → DTC as an option for Company B to engage in performance and influencer marketing → COVID-19 impact: Acceleration of online shopping and DTC growth during the pandemic → Retail complementarity: Acknowledging that DTC doesn't replace traditional retail channels entirely

	centrally, like the merging of our Beauty and Home Care divisions." - "There are Co-packers who produce private labels and Company B products at the same time. The thing is, when the whole thing becomes public, you give the consumer even less reason to buy the brand product. Company B tends to have several price tiers. In other words, there was the premium product (…) in the laundry detergent category. Then below that, the lower-priced variant with (…), then (…) the price entry, which competes with private labels.	→ Centralization and streamlining of business processes → Merger of Beauty Care and Laundry Home Care divisions → Company B's focus on producing its own products → Co-packers produce both private labels and few of Company B's products → Different price tiers within Company B's product portfolio to also compete with private label		→ Limited target audience in DTC → DTC demands mainly logistics
Obstacles, enablers and consequences	- "Beauty Care and Laundry Home care were merged. A lot of jobs have also been cut. For example, the General Manager - if you combine two areas, you only need one General Manager. The headcount has been reduced considerably to save on personnel costs. In the long term, that makes sense, but in the short term, it involves a lot of changes, because there are still quite different areas. (…) How do you get people to mentally form a unit and use synergies?	→ Streamlining of organizational structure and job roles → Adjustments in job roles and job cuts → Short-term challenges in managing the integration of different areas → Long-term strategic benefits of the merger	- "We had a lot of roadblocks in the incubator and of course we also ran into a lot of walls somewhere when we went to people and went to teams that are used to day-to-day business (…). Within Company B, the processes and everything else seemed less and less flexible to us. Company B already has a huge strategic focus on innovation. I don't always see that in the execution (…), maybe it's because we were part of something, we were very agile, which of course speaks for	→ Execution challenges and roadblocks from day-to-day business → Strategic focus on innovation, but variations in innovation across departments

	- “I think we are still very busy at the moment with internal efficiency improvements and restructuring.” - “I think this shift now is easier for some. For those who have been around a long time, 10 years or more, difficult. A lot of routines are just learned and innovation tends to be seen as something negative. If you're maybe 1-2 years in, you're more likely to change jobs or actively adapt. - The management was very open and transparent about the restructuring. (…) I mean, if the management doesn't support innovation, you don't believe in it yourself as an ordinary employee.	→ Focus on internal efficiency improvements and restructuring efforts → Integration and mindset shift required due to merging of departments → Management support for innovation and its importance for employees' belief in it.	it, but whenever we looked at the rest of the company, we sometimes saw that it was perhaps very corporate.” - “If it goes in the direction where a business model is totally innovative, either for the company itself or for the entire market (…) very often some new processes and activities have to be established somehow, and I think that's especially difficult in large companies, and that's a lot of fast moving consumer goods companies.” - “A lot of things came together that changed our DTC business a bit in the end. On the one hand (…) there was the restructuring (…) where the entire company was reorganized (…) if that hadn't happened, there's a chance that the brands would definitely still be online. That is, sometimes it's just internal circumstances (…) We actually also just had too many brands online at the same time for a very small team. So I don't think every brand could always get as much attention (…) We actually had a few changes in top management (…) we had new contacts from time to time, who also had different strategic focuses and therefore also had a	→ Execution of strategic focus is not always present → DTC-building unit was more agile than the rest of the company → Difficulty to integrate new processes and activities into mostly standardized FMCG companies → Restructuring as an internal obstacle for DTC business

			different opinion of us and our brands (…) and then of course a few things came externally, such as this one regulation came from Facebook and Instagram, that all of a sudden the cookies are no longer passed on, that the user can more or less choose whether he wants to be tracked or not. And that really blocked very, very many DTCs (…) at some point you can't break even anymore because you have to pay so much more to get the purchase in and that was one of the things that I think really triggered the whole (…) DTC industry. (…) and otherwise in terms of premium pricing (…) we noticed a lot more PR, a lot more things, some of which didn't fit in with DTC here, because you want to see relatively quickly what I spend and what I get back in return, and something like PR is of course a long-term strategy, which means it was also a bit difficult to assess sometimes it's worth it" - It was (…) the case that we worked together as a relatively small team in this incubator (…) launching the one DTC brand was never a single project, but was more or less one of the	→ Too many brands for the team size → Influence of changes in top management with different strategic focuses → External factors such as regulatory changes for data tracking and cookies led to higher marketing spendings to get a purchase

			projects in this incubator process and we spent the very first time, of course, setting up a strategic process to see where we could somehow reduce the normal standardized Company B process that we normally have, perhaps also adapt it somewhere and make it more flexible, so that it fits our needs and our brands because we had a completely different business model. (…) Normally it takes maybe 2, sometimes 3 years. We launched within 6 months. That means we had to coordinate a lot of things with R&D, packaging and supply chain to just make certain approval processes shorter. (…) I don't know how well that would have worked out, to (…) transfer that into a day-to-day business. (…) We also introduced some learning into the normal standardized processes, which is great, which was one of the goals." - "Overall, what was completely new for us, of course, to send directly to consumers, that was really something we had never done before, where no processes were established in SAP and Co (…) But in the end, we were already a small part of a very	→ Premium pricing needs prior, long-term brand investment → Importance of having patience in DTC initiatives → Challenge in adapting standardized processes to fit the unique needs of the DTC brands

			short period of time at Company B, which I don't think has the ability to have such a big impact on culture right now. I think, for example, something like the restructuring is now somehow a bigger factor."	→ Balancing the need for speed with maintaining quality and compliance → Coordinating with R&D, packaging, and supply chain for faster approval processes → Incorporating learnings from the incubator process into the standard processes → Introduction of a new way of working and mindset with a focus on direct-to-consumer (DTC) approach

				→ Introduction of new processes (e.g., SAP) → Not a big impact on the company culture because of a small team and short amount of having a DTC business model

Interview Area	C1 – Exemplary interview quotes	C1 – First-order codes	C2 – Exemplary interview quotes	C2 – First-order codes
Competition landscape and recent areas of growth or decline	- "There was a crisis last year, right? And especially for IT, it was like everybody was holding tight because there were a lot of layoffs. We didn't have them though. (…) we		- "During my time at Company C, I remember some strategically challenging times. It was around 2015 where we lost a lot of market share to our competition, especially in our Beauty and	→ Loss of market share in 2015 in Beauty and Personal Care segment

	continue employing the perspective of our CIO, that we are going to ramp up our employment even more because the tools that were developed by tech companies need people for implementation now. That is a different kind of work than they are doing in Google, for example. We don't create stuff, we have to implement it, tailor it for our purposes. “	→ No layoffs due to the crisis which was unusual → Employment ramp-up in the implementation of existing technologies → Digital tools are implemented and tailored to the purpose of the company	Personal Care segment. We were able to reclaim that (…) by positioning ourselves as the company that has the most innovative (…) products with the best performance. Recently, we try to be more sustainable, too, even though our competition might be a bit stronger regarding that.” - “I think we were able to establish a competitive edge over time (…) we invested in long-term initiatives with our retail partners and focused on their profiles. I always tell the example of baby care where one drug store customer is really focused on. We have the perfect brand portfolio (…) and establishing a long-term and trusted partnership proved to be the right thing here. (…) Now we notice that our brands grew with our retailers. (…) Of course, there was the COVID-19 crisis and the inflation is there now as well, but I can say that we are able to navigate through quite well.”	→ Differentiation through innovation and recently sustainability → Starting long-term cooperation with retailers in order to grow together → Impacted by COVID-19 crisis and inflation, but able to navigate through
Current business model	- “I know we offer commodities and distinguish ourselves through innovation and	→ Offering of commodities with a differentiation in innovation, quality and sustainability	- “Our business model is based on offering high-quality and innovative products for	→ Focus on offering high-quality and innovative products.

	superior performance. Probably also sustainability in the future because internally it is a big topic now." - "I think R&D is big (…) and also the IT department is getting more and more important now."	→ R&D and IT as fundamental activities	everyday needs. We attach great importance to quality, customer benefits and for some products sustainability. We have a broad brand portfolio to cover different shopper types." - "One of the most important activities for us are marketing and sales. (…) We also invest continuously in research and development." - "The most important stakeholders are our consumers and retail partners. We want to get listed by the retailers, and of course, to get listed we need to be bought by our consumers." - "Our competitive advantage lies in our partnership with retailers and goes in hand with our strong brands. (…) Other than some competitors, we can meet at eye level with our retail partners. This is because we have great brands that our consumers actually want to purchase. (…) So of course, we are dependent on the retail, but the retail is also dependent on us since consumers want to buy especially our products in their stores." - "Our revenue streams come from different customer segments and product	→ Wide range of products to meet customer needs and requirements. → Marketing and Sales as well as R&D as the most important activities → Most important Stakeholders are retail partners and end consumers (i.e., retail partners list products of Company C and consumers buy their products) → Competitive advantage because of strong brands and therefore, retailers want to list products of Company C

			categories. (…) But in general, we target the mass market with a balanced brand portfolio and strive to offer products for everyone, also in different price ranges (…) We serve different target groups, including families, young adults, and seniors." - "Our main cost categories include production, distribution, marketing and research and development. (…) Especially production is important to us, I mean (…) we are a consumer goods company." - "Our company is growing mainly through retail. (…) We also see the potential of e-commerce (…) for some brands or categories more, for some less."	→ Product portfolio is adjusted to the mass market with different price ranges → Target group reaches from young adults to seniors → Cost categories encompass production, distribution, marketing and R&D, most important is production → Retail partnership management and collaboration → E-commerce exploration for some categories
Digitalization	- "We've been doing a big transition to Azure. So particularly in data and analytics. (…) We were moving from Oracle reporting	→ Transition to Azure from Oracle	- "Yes, digitization is a very important topic for Company C. Especially in terms of personalized offers and marketing strategies. Since we	

	tools and storage to Azure. We do all of the reporting now in Power BI. That was a big transformation from our perspective. Sales had to switch their reporting tool, too. There was a lot of upskilling in this area." - "Sometimes companies go for outsourcing servers (…), especially (…) companies like Company C because it's almost 200 years old. (…) that's what the market is doing, so we are also doing it (…) even if it doesn't make any economic sense to move to the cloud." - "Nowadays, it's all about AI. There's a team that is doing research on how and when and what to implement from this AI shift that is that we are observing right now. They are not that eager about the technology, as the market is. It's always the problem with data, right? (…) So big data is much bigger technology than any other in the (…) space because that's the enabler. And from there, we can talk about doing AI. Well, watching, learning and trying different solutions that can be developed for like blockchains and	→ Reporting via Power BI, also affected the sales team → Shift to the cloud because of market trends → AI is an opportunity which could be exploited if the data it is based on is available and appropriate → As big data enables AI, big data is the most important technology	have valuable cooperation initiatives with retailers, we can be part of exploring personal couponing through their online channels and mobile applications (…), we can give them different discount amounts for different products, depending on their purchased brands and products." - "We recognized that digitalization offers new opportunities for efficiency gains and innovation. We want our consumers to have a seamless shopping experience and enable personalized offers even more (…) in the future." - "We have a dedicated department that deals with the implementation of digitalization. (…) We have an e-commerce and digital marketing team that is responsible for developing and implementing online marketing campaigns, social media strategies (…) and there is the data and analytics team that gets the data from our retailers and partners, analyzes it and turns it into insights for us and also our partners." - "I think mainly AI will make it possible to analyze data in real time and generate even more	→ Personalized offers are possible through digital channels → Goal is a seamless shopper journey → Special department for digitalization, including an e-commerce and digital marketing team → Data and analytics team analyzes the data and generates insights

	anything lies on data right? So data I will say data is the biggest technology out there."		accurate forecasts. (…) We already work with Power BI, but it's not me who creates the dashboards, it is our colleagues of the data analytics team who builds them."	→ AI will be able to generate forecasts → Power BI for the day-to-day business
Business model innovation	- "From the business perspective, what I'm hearing a lot nowadays is the shift to sustainability. One of our leaders released a statement saying that companies in their portfolio should focus on sustainability more (…) because it is going to shape the market of the next decade. (…) From what I know Company C does the compensation tied to sustainability goals." - "It's all about the commercialization of the multiverse space, whatever that might be. But if it exists, Company C has to be there first, right? (…), definitely there is a focus on UX / UI, digital customer relations is also something that is big. (…)	→ Shift towards sustainability as a focus in response to market trends → Shift to sustainability: tying the compensation of staff to sustainability goals → Ambitious focus on commercializing the multiverse space.	- "At Company C, we have implemented various business model innovations in recent years (…) needs of the market. We use digital channels and social media, like Instagram, to interact directly with consumers. We expanded options with online retailers and marketplaces like Amazon further by building recurring subscription models for some of our products with them together." - "This is not so new (…) but we have developed toothbrushes that can be connected to smartphone apps (…) to engage more with the consumer and his oral care routine."	→ Exploration of digital channels and social media to interact with consumers → Expansion of options with online retailers, experimenting with subscription models → Use of IoT in toothbrush products (connected with the smartphone) for enhanced consumer satisfaction

		→ Emphasis on UX/UI and digital customer relations		
Obstacles, enablers and consequences	- "Company C is known for being a school for managers, right? It definitely is. (…) There is this laughter about the recruiting process, there is very limited amount of technical interviews for technical roles here. The most important part of the recruitment process in Company C is the cultural fit. They are testing what are the values that you run on (…) and even though it sounds absurd, it actually works for us (…), people are able to understand each other across the globe on the similar level." - "Well, in the future we will have definitely more technical talent (…) in the company (…), building IT internally should provide better operational excellence."	→ Company C is known for being a school for managers → Emphasis on cultural fit in the recruitment process → Values and common goals create a unified culture → Diversity is present but there is a strong sense of understanding → Company C is bringing in more technical talent to enhance its capabilities in the future → Building tools internally allows for improved operational processes and efficiency	- "I would say we take a holistic approach in reaching our (…) goals, we have this unique culture of challenging the status quo (…), we have the right learning contents and infrastructure and, more important (…), we have employees that are keen on learning something new every day." - "A stronger focus on agile working methods and increased collaboration with our retailers could help us to implement innovations (…) more quickly." - "It is important (…) to find the balance between continuity and change. We still need to invest into our traditional retailers, it is still the most important channel." - "We place a high value on innovation. (…) There is an open and collaborative culture where employees are encouraged to contribute new ideas and take smart risks."	→ Culture of curiosity, being eager for knowledge and challenging the status quo → Available internal infrastructure with study content → Agile working methods and increased collaboration with retailers could enable innovations even quicker → Balancing continuity and change, traditional retail is still the strategic focus → Risk-taking mindset and idea contribution of employees, encouragement of experimentation