KANTAR CONSULTING | Microsoft

SWITCH ON GROWTH

Accelerating Digital and Business Transformation in the Consumer Good Industry

CHICAGO 2018

ZERO-BASED GROWTH

BRAVE NEW COMMERCE FOR A BRAVE NEW WORLD

Bryan Gildenberg
Chief Knowledge Officer
Kantar Consulting

TOP BUSINESS PRIORITY

2016 Gartner global survey of CEOs
and senior executives (one of top three)

58% 1. Growth

31% 2. IT transformation

https://www.pwc.com/gx/en/ceo-survey/2017/pwc-ceo-20th-survey-report-2017.pdf

Oil Refinery Metaphor/Slide: You Can't Fuel Growth Without Refining

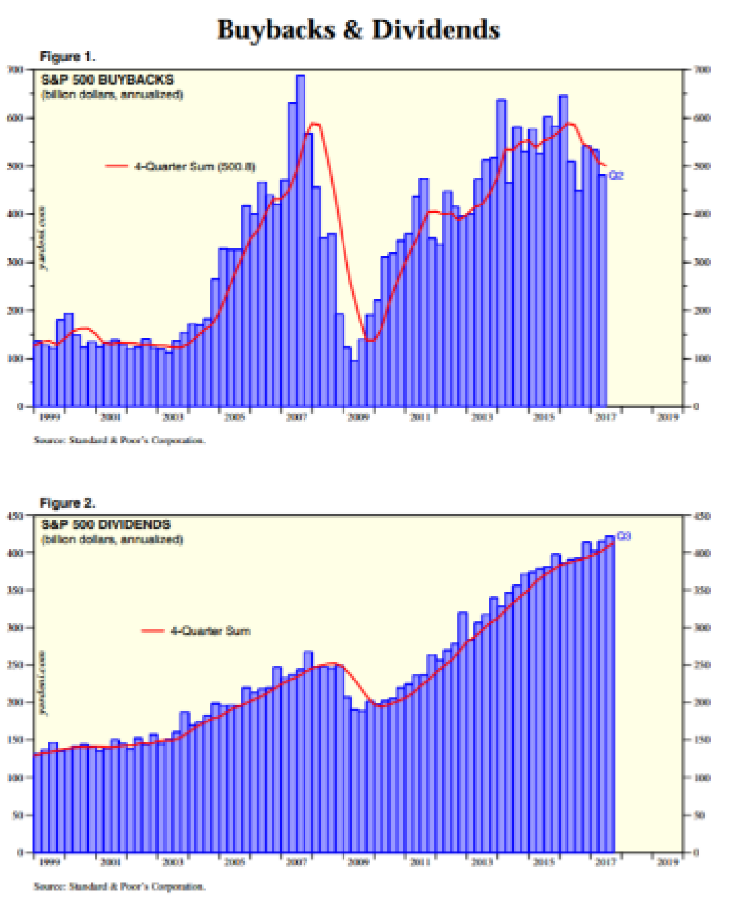
If "Data Is The New Oil" Optimization/Business Planning Is "The Refinery" – Oil Isn't Fuel, Refined Oil Is

- Each one of those siloes does something useful on its own – most of the plastics and other chemicals we use come from one of them

- But the principle objective is to turn oil into fuel – the siloes are a side benefit

- In today's business planning process, the siloes have become the point, not the end product – the key is to figure out how to tie the pipes together

When enough people start talking about slow growth, it moves from an external marketplace dynamic to an internal management reality




“
See the whole board.
PRESIDENT JED BARTLET
The West Wing

‘THE WHOLE IS GREATER THAN THE SUM OF ITS PARTS’

— Aristotle

See The Whole Market

See The Whole Person

See The Whole Category (Product And Experience)

See The Whole Basket’s Value

See How The Parts Make A Whole

See The Whole Organization

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Is Syndicated POS Data Failing to Capture Channel Shifts?

POS Syndicated
FMCG Retailers

Sales Declining

-0.9%

Source: InfoScout Omnichannel Panel validated against U.S. Census Monthly Retail Trade and Mastercard SpendingPulse

And I’m Sure Most of Us Have Seen a Category Chart From a Wall Street Firm That Looks Something Like This …

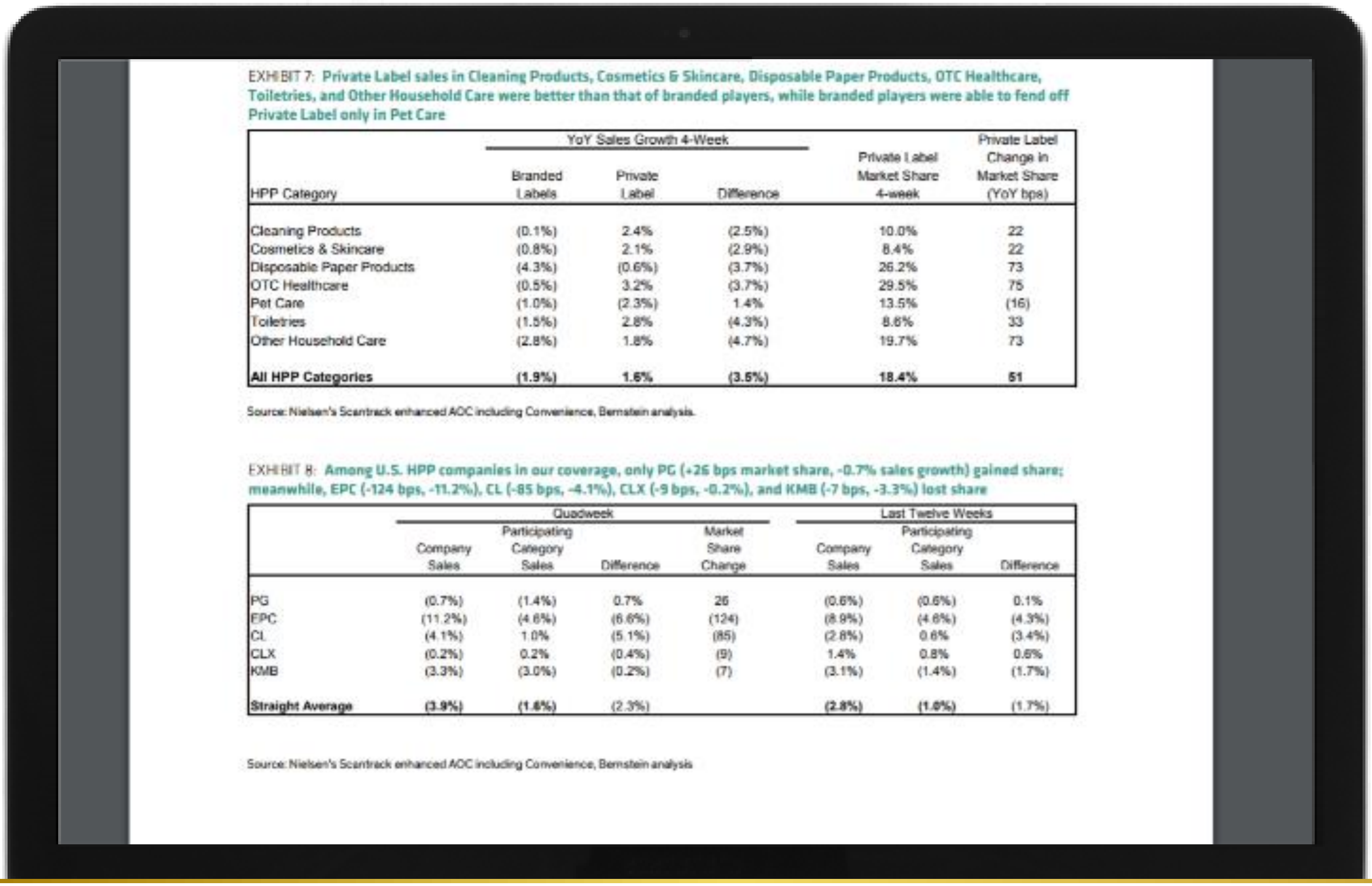

EXHIBIT 7: **Private Label sales in Cleaning Products, Cosmetics & Skincare, Disposable Paper Products, OTC Healthcare, Toiletries, and Other Household Care were better than that of branded players, while branded players were able to fend off Private Label only in Pet Care**

HPP Category	YoY Sales Growth 4-Week: Branded Labels	YoY Sales Growth 4-Week: Private Label	YoY Sales Growth 4-Week: Difference	Private Label Market Share 4-week	Private Label Change in Market Share (YoY bps)
Cleaning Products	(0.1%)	2.4%	(2.5%)	10.0%	22
Cosmetics & Skincare	(0.8%)	2.1%	(2.9%)	8.4%	22
Disposable Paper Products	(4.3%)	(0.6%)	(3.7%)	26.2%	73
OTC Healthcare	(0.5%)	3.2%	(3.7%)	29.5%	75
Pet Care	(1.0%)	(2.3%)	1.4%	13.5%	(16)
Toiletries	(1.5%)	2.8%	(4.3%)	8.6%	33
Other Household Care	(2.8%)	1.8%	(4.7%)	19.7%	73
All HPP Categories	**(1.9%)**	**1.6%**	**(3.5%)**	**18.4%**	**51**

Source: Nielsen's Scantrack enhanced AOC including Convenience, Bernstein analysis.

EXHIBIT 8: **Among U.S. HPP companies in our coverage, only PG (+26 bps market share, -0.7% sales growth) gained share; meanwhile, EPC (-124 bps, -11.2%), CL (-85 bps, -4.1%), CLX (-9 bps, -0.2%), and KMB (-7 bps, -3.3%) lost share**

	Quadweek				Last Twelve Weeks		
	Company Sales	Participating Category Sales	Difference	Market Share Change	Company Sales	Participating Category Sales	Difference
PG	(0.7%)	(1.4%)	0.7%	26	(0.6%)	(0.6%)	0.1%
EPC	(11.2%)	(4.6%)	(6.6%)	(124)	(8.9%)	(4.6%)	(4.3%)
CL	(4.1%)	1.0%	(5.1%)	(85)	(2.8%)	0.6%	(3.4%)
CLX	(0.2%)	0.2%	(0.4%)	(9)	1.4%	0.8%	0.6%
KMB	(3.3%)	(3.0%)	(0.2%)	(7)	(3.1%)	(1.4%)	(1.7%)
Straight Average	**(3.9%)**	**(1.6%)**	(2.3%)		**(2.8%)**	**(1.0%)**	(1.7%)

Source: Nielsen's Scantrack enhanced AOC including Convenience, Bernstein analysis

… Or This …

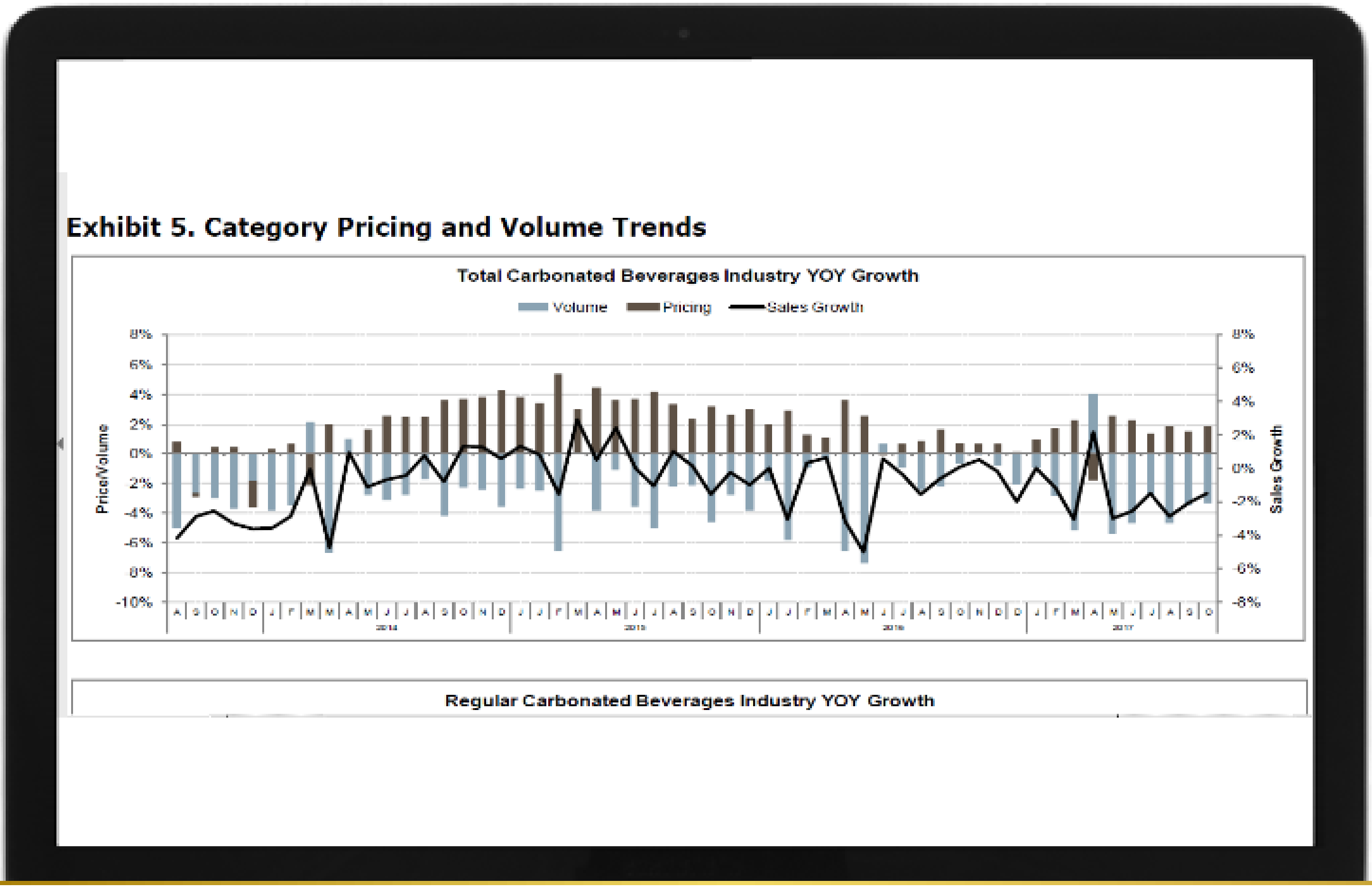
Exhibit 5. Category Pricing and Volume Trends
Total Carbonated Beverages Industry YOY Growth
Volume
Pricing
Sales Growth
Price/Volume
Sales Growth
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
Regular Carbonated Beverages Industry YOY Growth

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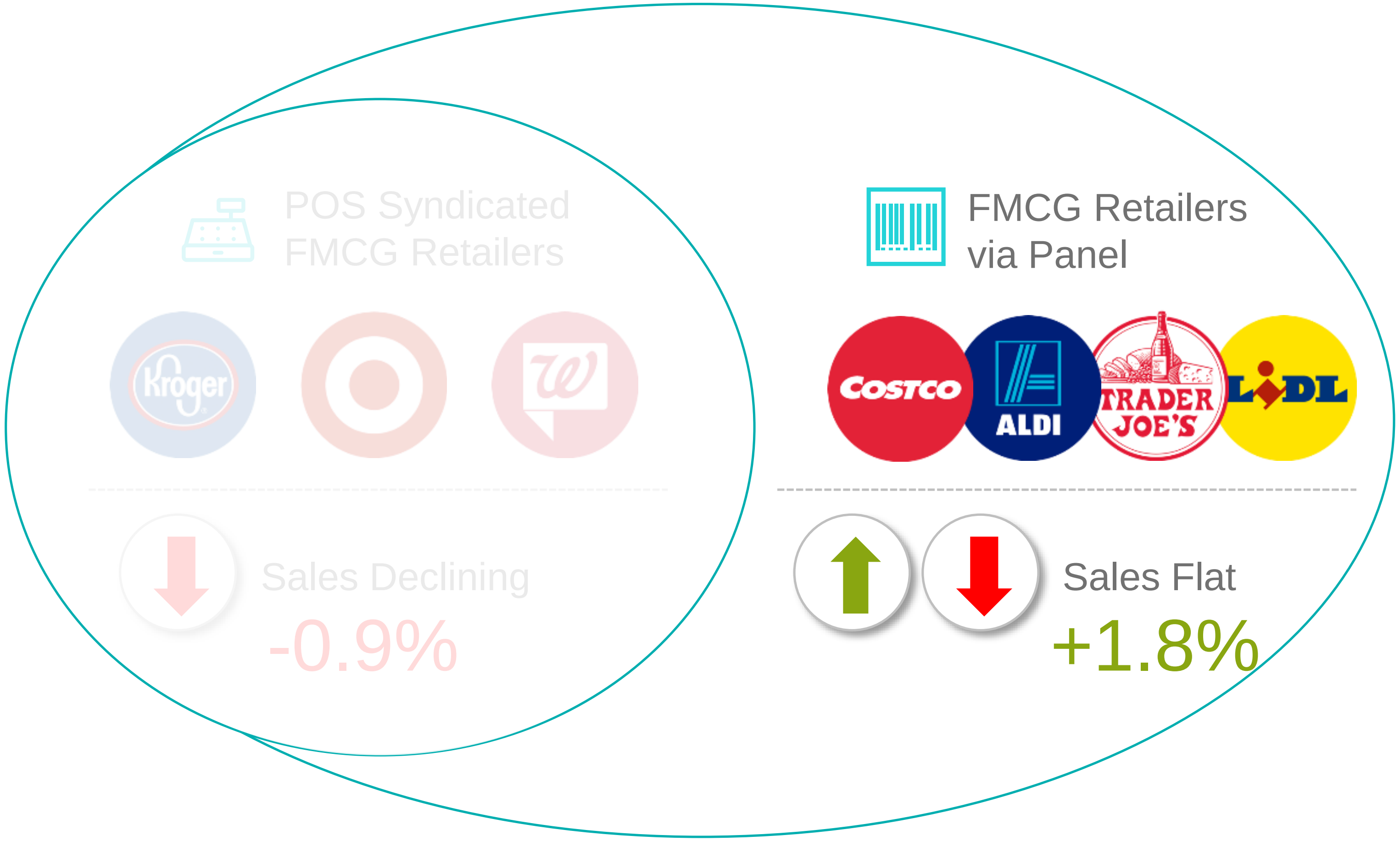
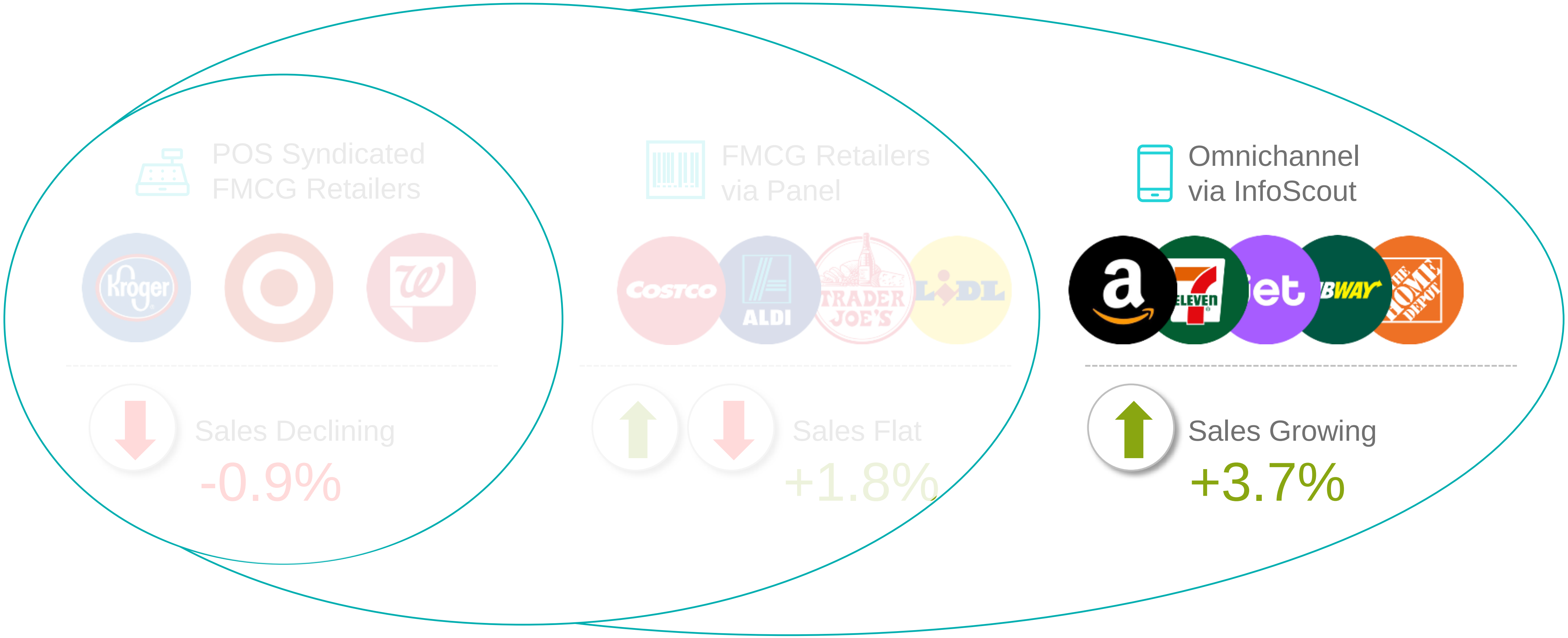


Is Syndicated POS Data Failing to Capture Channel Shifts?



The U.S. Food Industry in One Slide

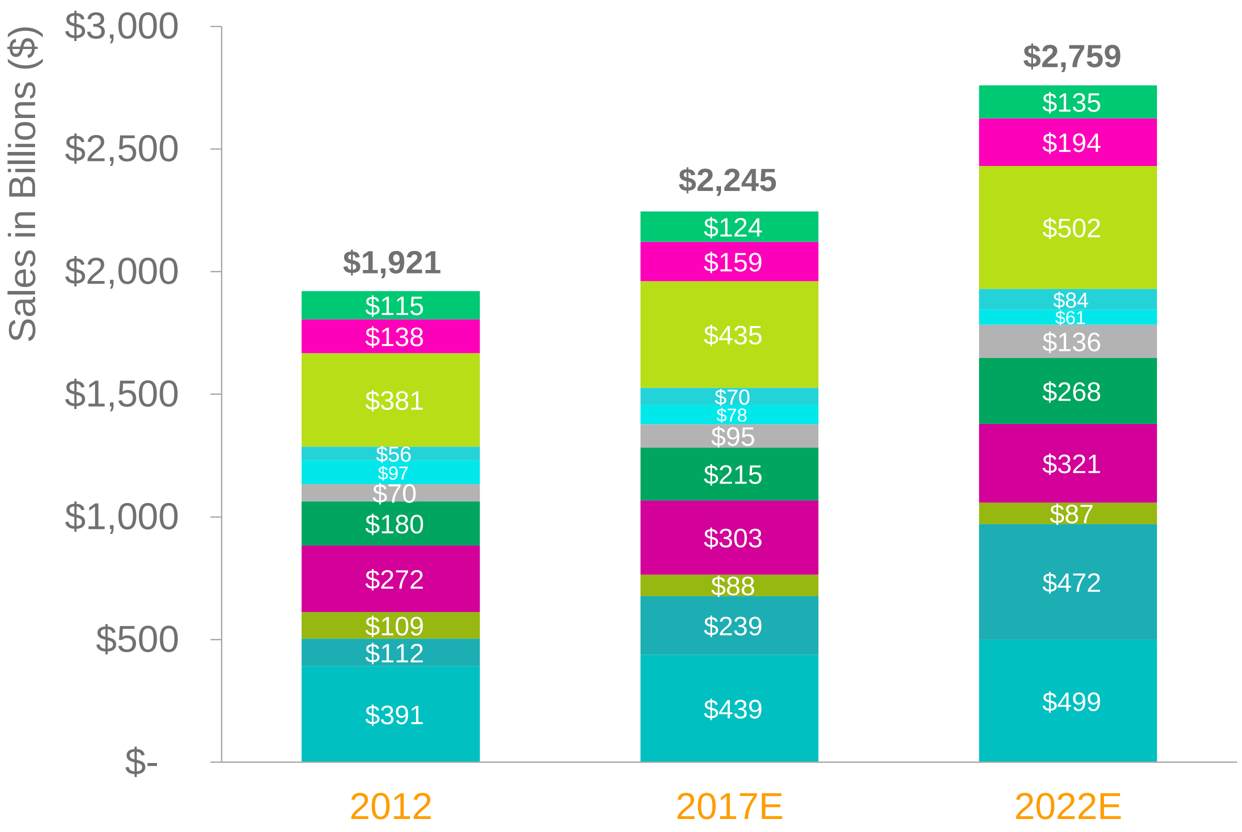
Over the last 10 years, the conventional universe has lost 250 bps of share in the $700 billion U.S. food-at-home market.

Between now and 2020, it will capture only half of the $80 billion in growth in the food-at-home market. Costco, discount, online, and the fragmented urban/ethnic trade all play a role.

	2017 Share	Change 2012-2017	Forecasted 2020 Share	2017-2020
Walmart/Target	21.4%	0.7%	20.2%	-1.2%
Kroger	12.2%	0.6%	12.3%	0.1%
Other multistate grocery	13.5%	-2.5%	12.8%	-0.7%
Power regionals	13.5%	0.7%	13.9%	0.3%
Other club	4.6%	-0.2%	4.5%	-0.1%
Total Core Channels	***65.2%***	***-0.7%***	***63.7%***	***-1.6%***
Organic	2.6%	0.6%	2.6%	0.1%
Costco	5.2%	0.4%	5.4%	0.2%
Discount	6.2%	1.1%	7.3%	1.1%
Online (major)	1.0%	0.7%	1.4%	0.4%
C-store	5.5%	1.0%	5.5%	0.0%
Total Alt. Channel	***20.5%***	***3.7%***	***22.3%***	***1.8%***
Other Chain Retail	14.3%	-3.0%	14.1%	-0.2%

KR Chain Sales: “The Whole Board”, Retail Style…

KR Channel Sales, US$ Billions



Channel	CAGR '12-'17E	CAGR '17E-'22E
Apparel	1.5%	1.7%
Clubs	2.9%	4.0%
Category Specialist	2.7%	2.9%
Convenience	4.7%	3.6%
Department	-4.3%	-4.7%
Discounter	6.2%	7.5%
Drug	3.7%	4.5%
Supercenter	2.2%	1.2%
Mass	-4.2%	-0.1%
Online	16.3%	14.6%
Supermarket	2.3%	2.6%
KR Channel Totals	3.2%	4.2%

Bar Trivia

45% of all U.S. growth coming from non-store retail

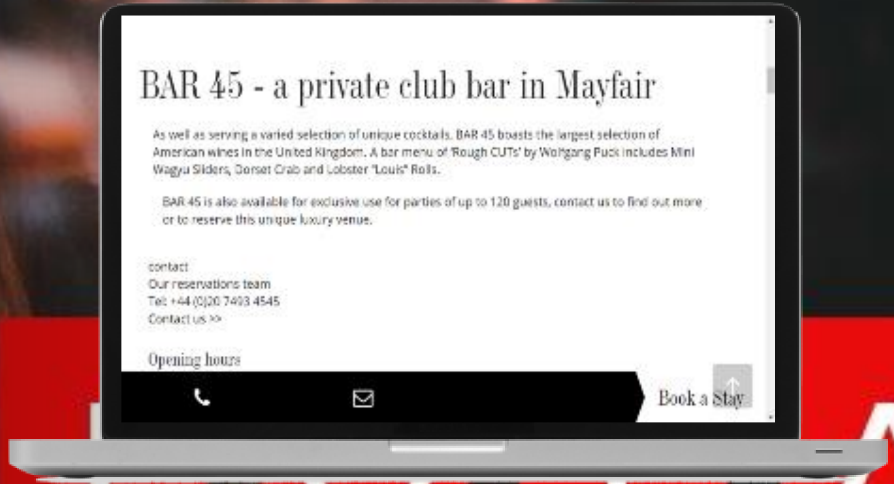
45% of all U.S. store-based retail growth is real (rest is inflation)

45% of all U.S. store-based retail growth is coming from four places

- Rx
- Club
- Discount
- C-store

Real growth in food, drug (non-Rx), and mass

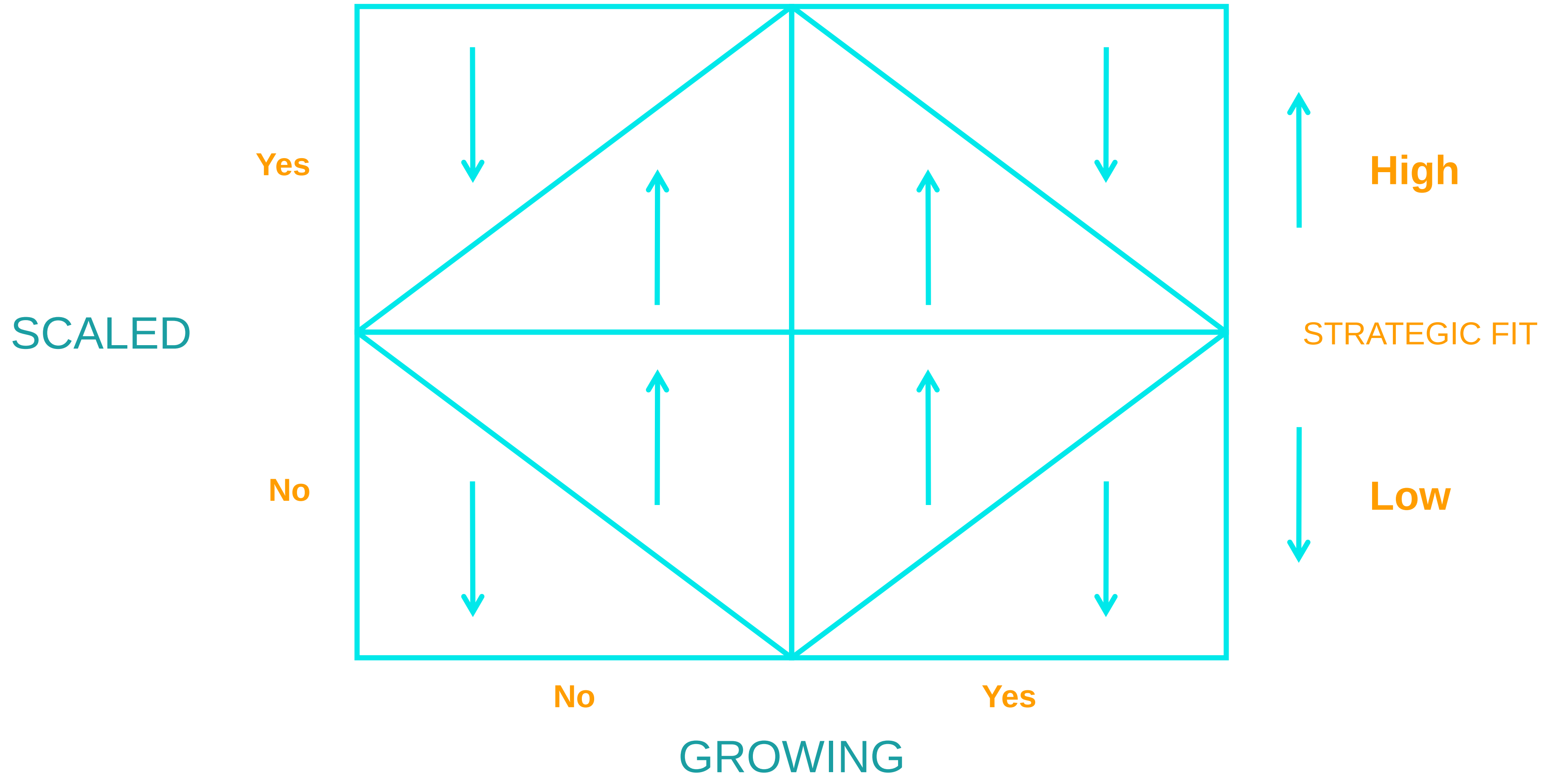
- Almost, oddly, -0.45% (it's really about -0.4%)



TRIVIA NIGHT

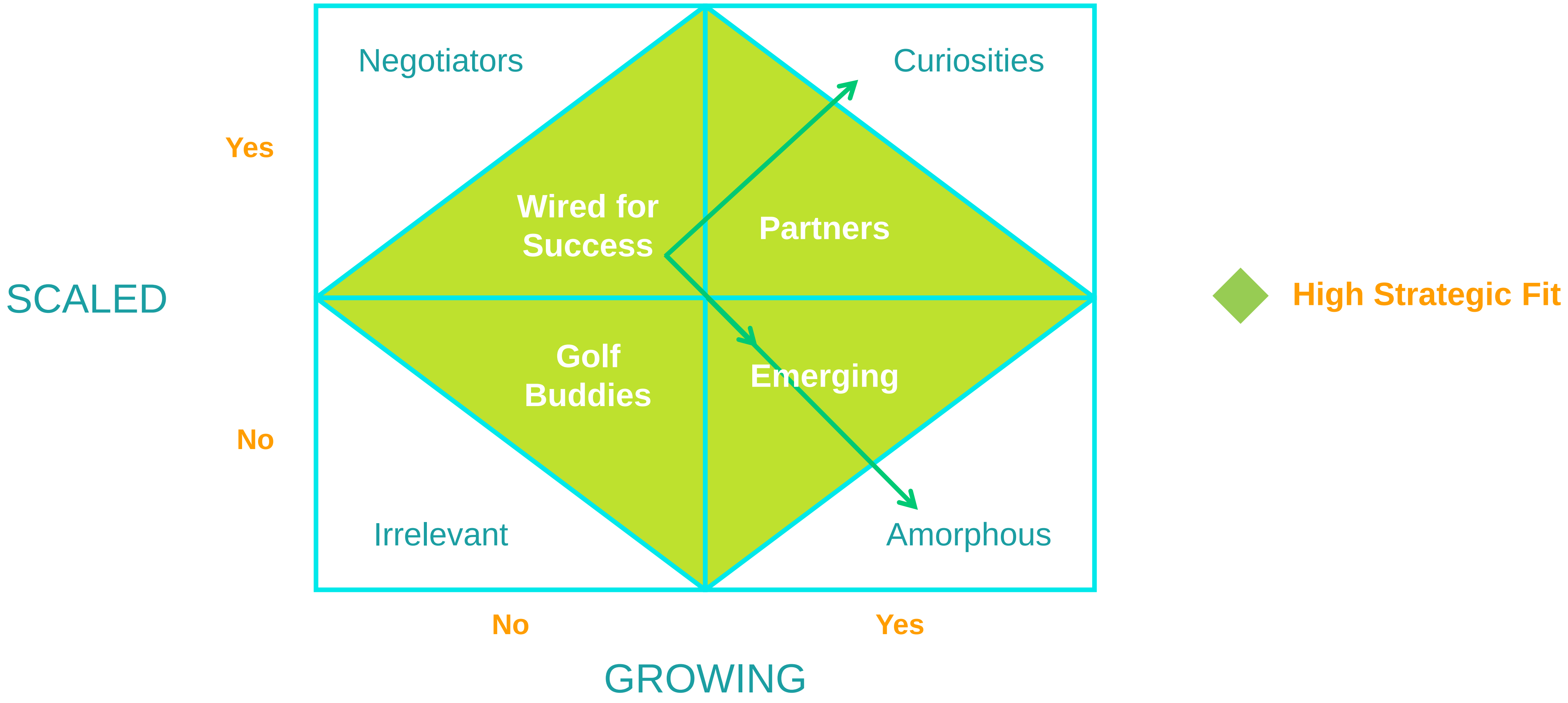
The Brutal Truth

No one is far enough along on customer segmentation in this new world



Share of Real Growth

Three arrows: 'Axes of bravery'



Implications

– As in many things, the key to growth lies in a more precise and granular understanding of the problem.

– Consistently challenge your base view of the market to be more inclusive than what your historic partners easily hand you here.

– Growth increasingly is coming from uncomfortable, less visible, and less (EASILY) scalable places than it used to.

– Customer resource mapping needs to reflect this reality not just in headcount or $, but in skills and success definition as well.

KANTAR CONSULTING

Source: Kantar Retail

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Five Key FragmentNation Retail Components

Digitization Mobilization: Half of U.S. digital time on a mobile app

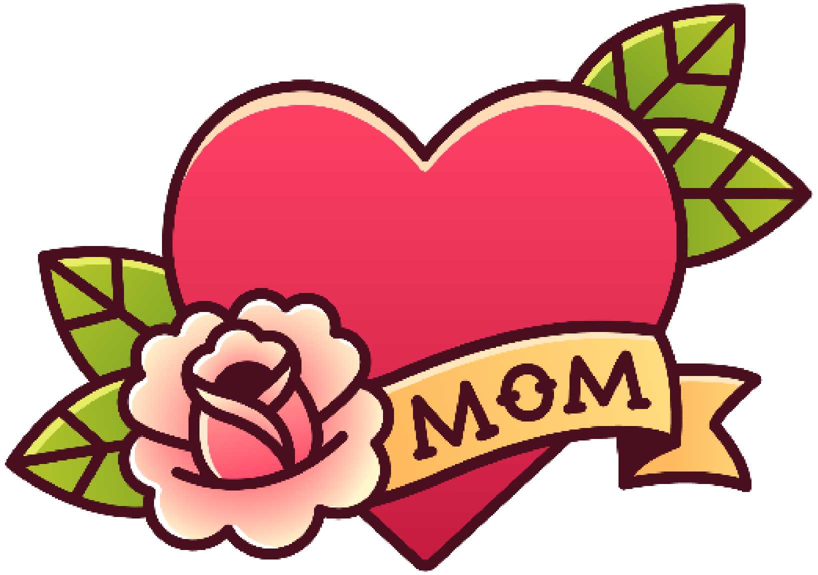
Urbanization: $4.5T GDP of densely populated U.S. cities — 4th-largest economy in the world

Age Polarization: From now to 2025, Americans over 65 will be over 100% of population growth

Income Polarization: U.S. GINI coefficient = Turkey

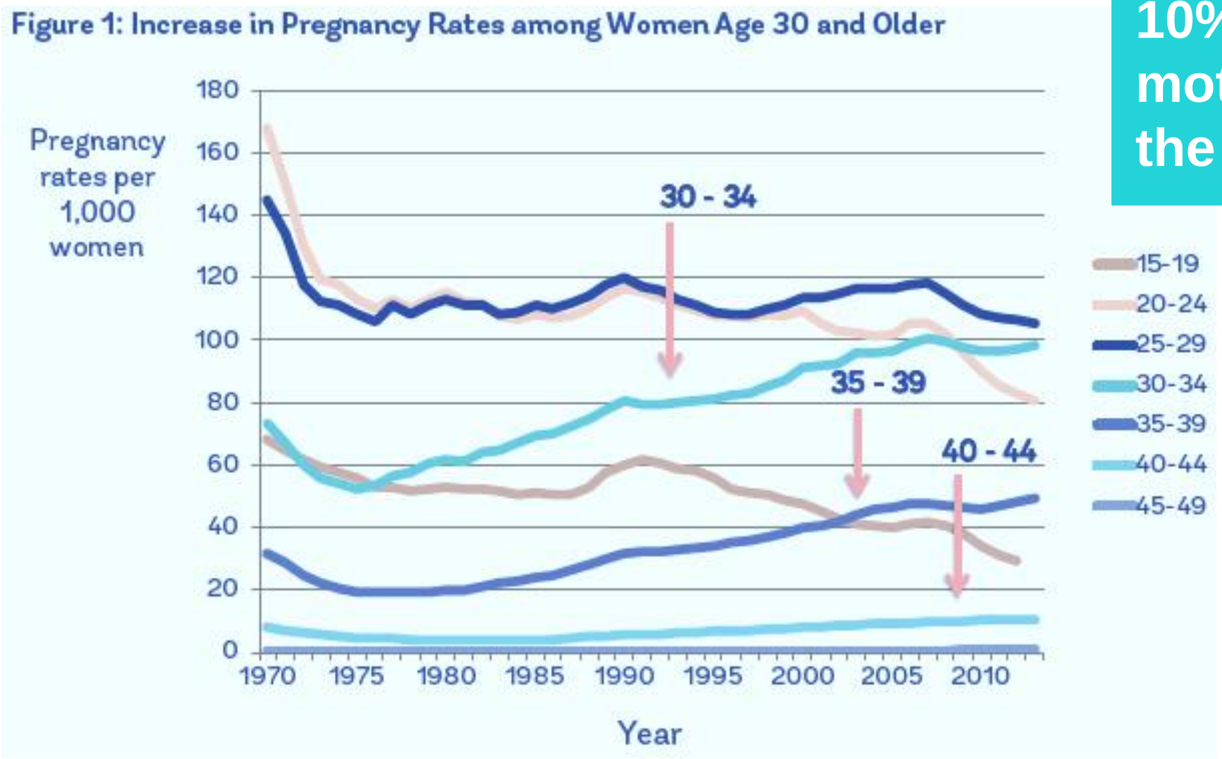
Ethnic Diversity: 78% over 50 U.S. Caucasian, 52% under 30

A Simple Example From the Oldest Segmentation Known to Man

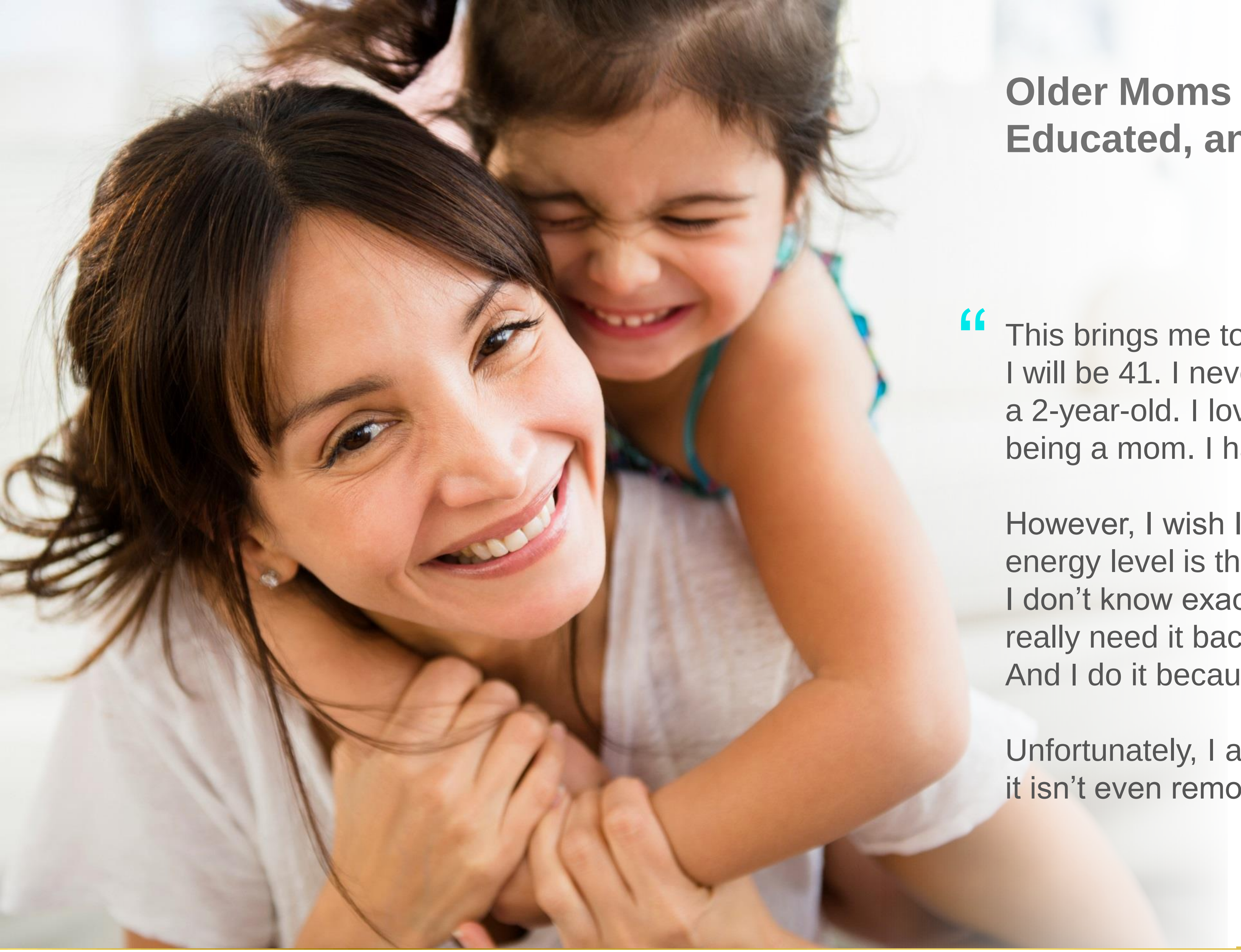


How Is Mom Changing? Well, She's a Heck of a Lot Older Than She Used to Be

(Note: Do NOT write this in a Mother's Day card)



10% of all first-time mothers are over the age of 35



Older Moms Are More Affluent, Better Educated, and F@#4*ng Tired

"This brings me to my next point. My birthday is tomorrow. I will be 41. I never thought I would be this damn old with a 2-year-old. I love my daughter beyond life itself. I love being a mom. I have so much fun with her.

However, I wish I was 10 years younger. A toddler's energy level is through the roof. Unlike my daughter, I don't know exactly how or why I lost my energy, I just really need it back. She wants me to run and play with her. And I do it because she likes to stay busy.

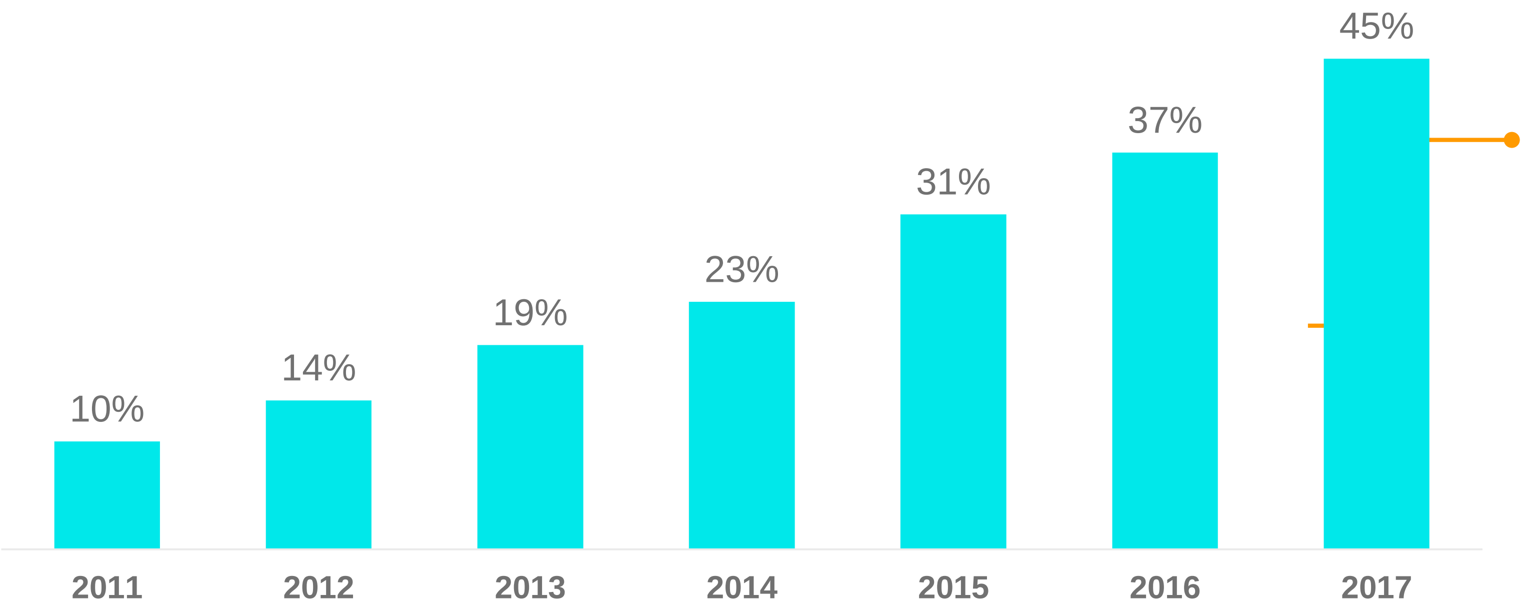
Unfortunately, I am so sore by the end of the weekend it isn't even remotely funny.

SARA R.
Chi-Town Mommy Mayhem

Chi-Town Mommy Mayhem, Meet Amazon Prime…

Amazon Prime's purchasing power in aggregate now 2nd largest economy in the world (behind China)

Percent of Households Who Are Prime Members
(among all primary HH shoppers)



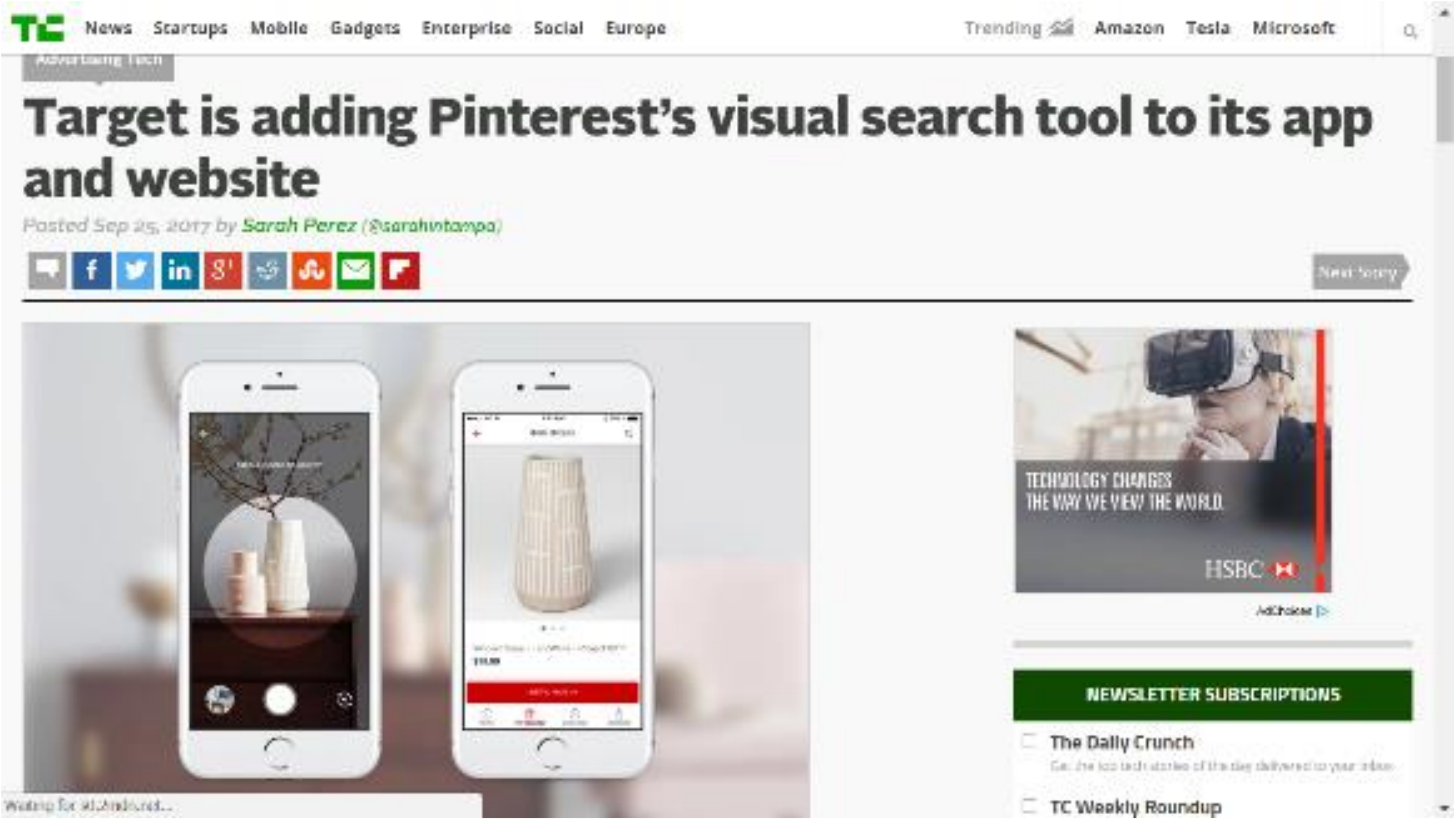
In Perspective: *Prime's penetration in the U.S. exceeds:*

- **The percent of households that shop Target (29%)[1]**
- The total number of households in Germany (40.8m)[2]
- **55% of US Product Searches now START on Amazon** (vs 26% Google and 19% EVERYTHING ELSE)

Source: Kantar Retail ShopperScape®, Kantar Retail estimates and research

[1] Kantar Retail ShopperScape®, December 2016 | 2Statistisches Bundesamt

Allowing Seamless Conversion Between 'PeopleWorld' and 'ShoppingWorld'



More Linkages Like This Will Turn a Lot of Mobile Marketing Into ‘Conversion Marketing’

Walmart, Google Partner to Make Shopping Even Easier – Here's How

ALL TOPICS

between all of that, there's shopping to do. Because of this, I believe our job at Walmart isn't only about saving our customers money, but also about making shopping faster and easier.

Today, we're announcing an exciting partnership with Google to do just that. Starting in late September, we'll be working with Google to offer hundreds of thousands of items for voice shopping via Google Assistant – the largest number of items currently offered by a retailer through the platform.

SHARE

READ IT NOW

1 Walmart, Google Partner to Make Shopping Even...

2 Competitive Edge: Fan Gear Scores Big for American Jobs

3 That's Smart: See the Tech Helping Us Serve You Better

4 12 Hours, 40 Miles and One Giant Heart for Kids

5 Affordable v. Eco-Friendly: You Shouldn't Have to...

What's The From/To Here?

Now To The "To"….from "Shopper" to "Conversion" Marketing

Most of you aren't responsible for restructuring your company's objectives and org charts, but there are practical things we can do today:

1 How do we link what we're doing in one retail ecosystem to our broader efforts in digital/mobile?

2 How do we make sure our customer/category teams understand the direction and messaging in the social/mobile world so they can leverage effectively?

3 How can we make our customers braver about joint efforts outside their ecosystem?

- Some of this is about strategy
- A lot of it is about rewards and incentives

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The From/To Here Is to Attack Category Management and Change It From a Rearview Mirror to a Windshield

Evolution of/Barriers To Category Management

a

The Idea: Driving Growth By Looking Beyond Individual Products

a

Contextual Categories:

Search Based Decision Trees And NPD Strategy

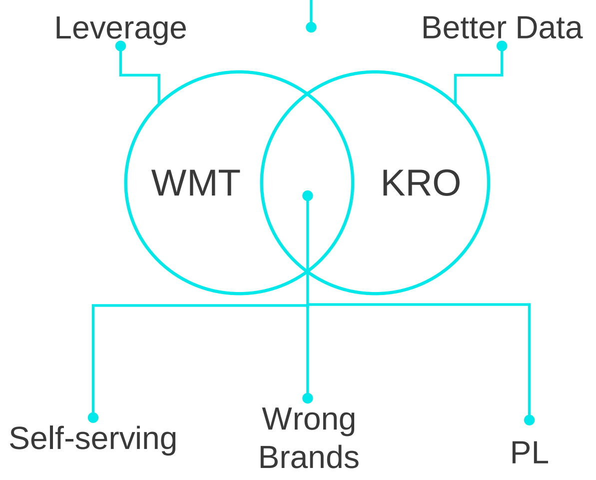
a

Hybrid Product and Service Categories:

The Category Is The Experience

a

The Work: Analytics To Support Category Captainship And Category Strategy



Where:
Changing outlet map

When:
Changing path to purchase

How Much:
Changing nature of price and promotion

The Goal of Category Management in This Era Is Partnership Redefined … ‘Collabagotiation’

Collaba-gotiation: \ ka-la-bə-gō-shē-ā-shən\ *noun*

A permanent state of creative tension between trading partners characterized by simultaneously deep collaborative and integrated problem-solving and intense, zero-sum debates

Synonyms: “coop-etition,” “frenemies”

Source: Kantar Retail analysis

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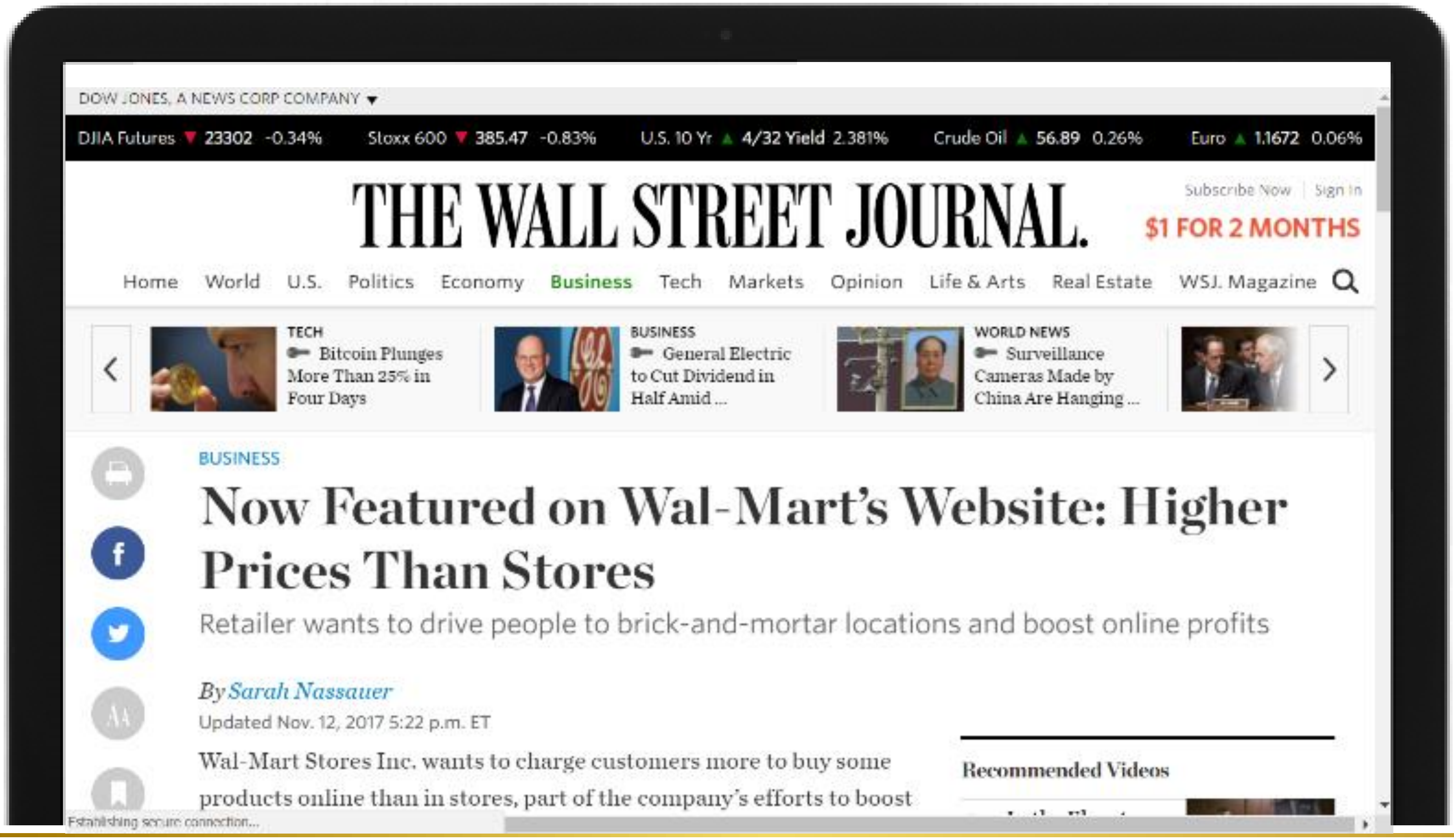
Source: Kantar Retail

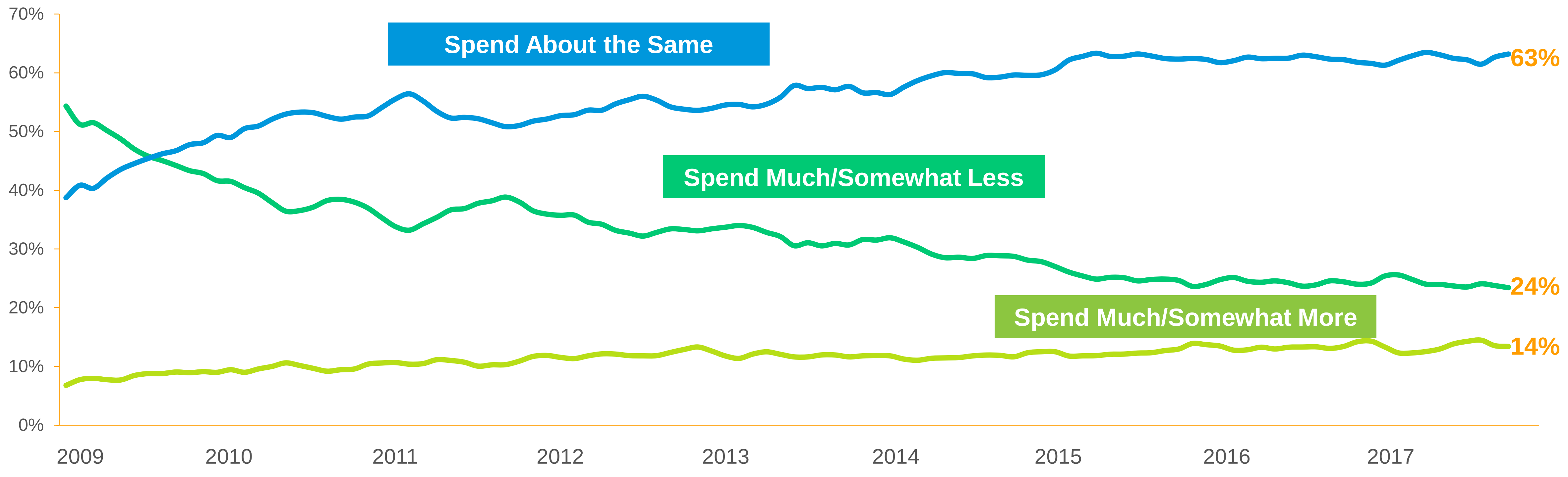
#21stCenturyGoals: Avoid Headlines Like This One …



Retailers Need to Win 'Share of Samers'

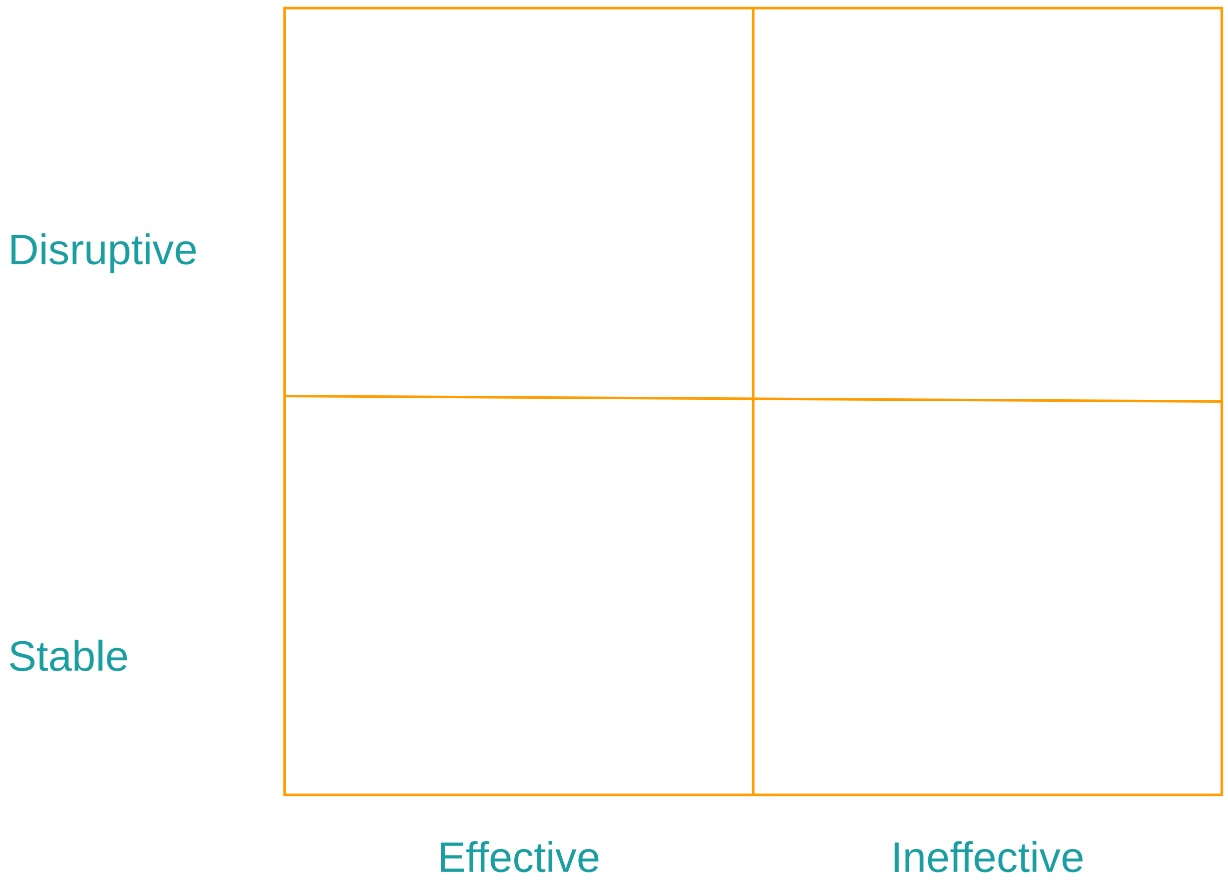
Retail Spending Intentions in Coming Month, Compared With Same Period Last Year

(three-month moving average)
Source: Kantar Retail ShopperScape®, January 2009-October 2017

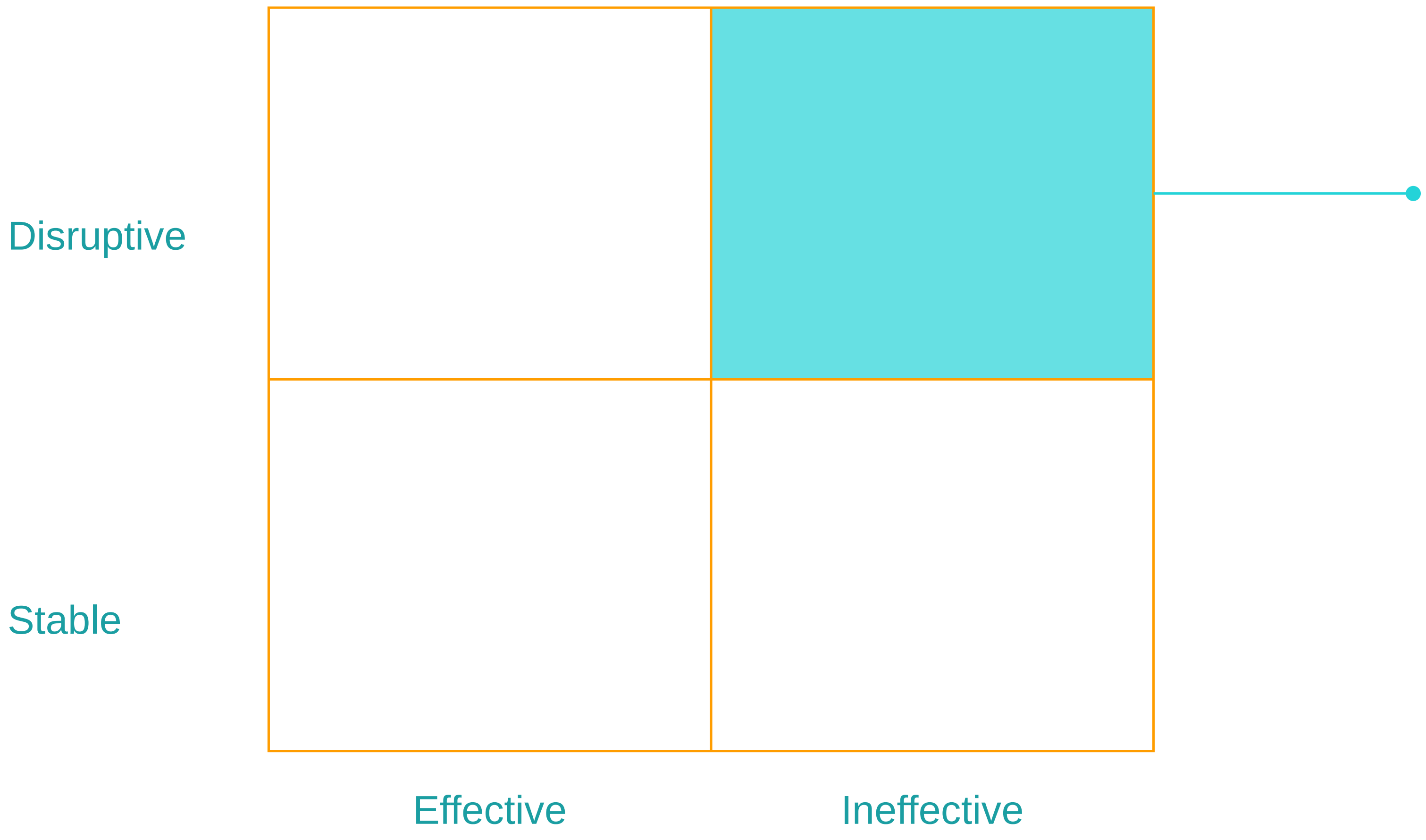


Very few people are looking to spend more OR less

Online Pricing … a Simpler ‘MAP’



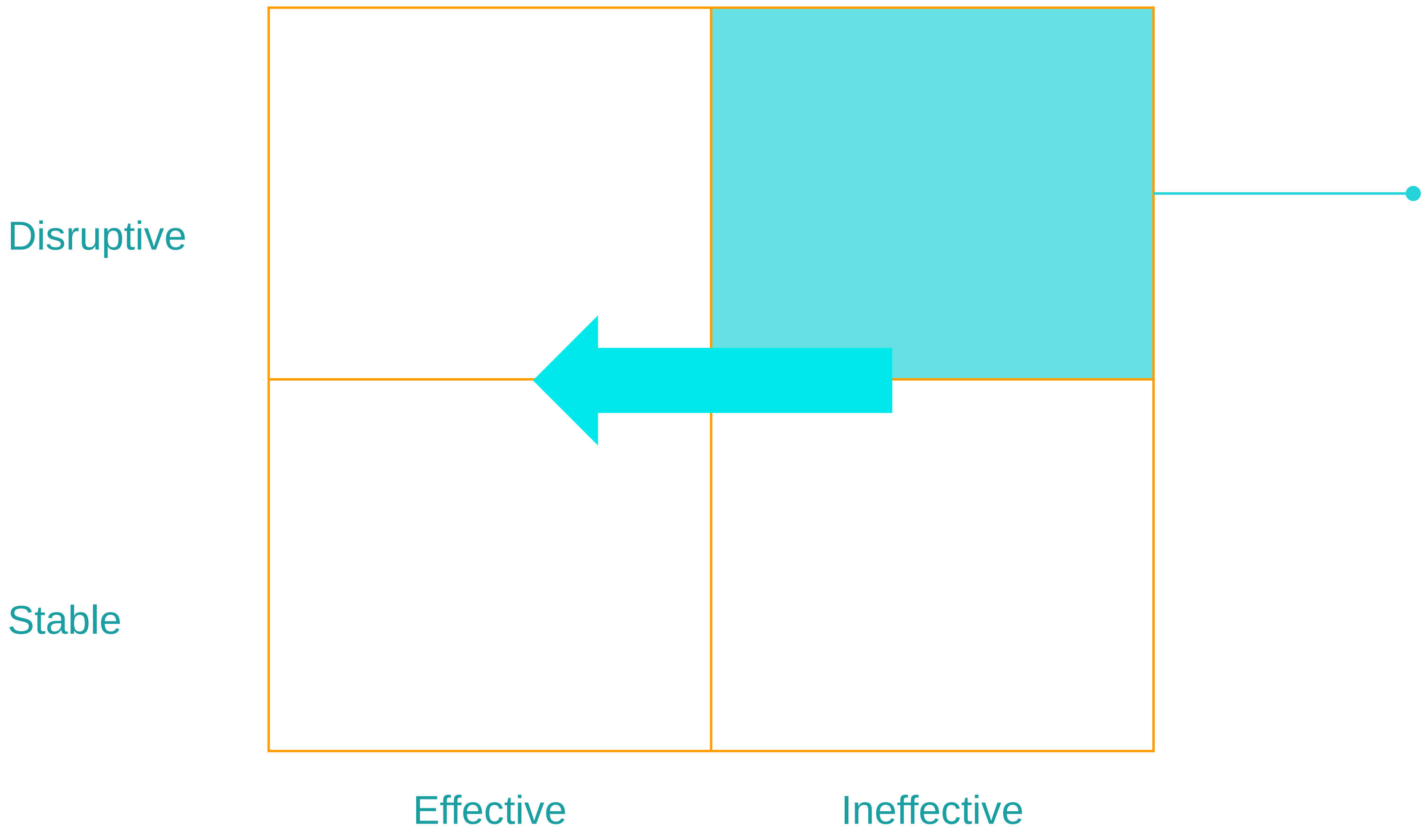
Online Pricing … a Simpler ‘MAP’



Over a period of multiple years, take all these programs and gradually kill them off

Online Pricing … a Simpler ‘MAP’

…and ‘swipe left’ on the ineffective stuff in general — knowing this is the first step!



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Source: Kantar Retail

The Upside — I don’t have to guess anymore,
The Downside - the prize isn’t as big for every success

Old Marketing	New Marketing
	

Free-Range Marketing

Retail is just another pile of corn

FAT CHICKENS	HAPPY CHICKENS
Other directed	Self-directed with parameters
Single point of consumption	Multiple consumption points
Timing static, planned, controlled	Timing static, encouraged, and framed

Gra(i)nulytics: More Than Just Chickens

The only pathway between granular opportunities and scale is math.

Companies that can’t do this will spend the rest of their not-very long lives complaining that opportunities their competitors are winning with “aren’t scalable” or “don’t generate enough ROI” or “don’t grow enough brand penetration” or some other related thesis.

So, what do we need to do?

- Reverse segmentation: Rather than start top down, cluster bottom up.
- Being able to combine data sources here to figure out what to cluster is critical.
- Be more comfortable with more problem-specific segmentations.
- Tie consumer/shopper behavior more closely to other predictive modeling. We can all do trade promotion optimization, but how many of us know how to tie this to building a segmented promotional strategy?

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The OGSM vs. the Roadmap … What's the difference?

OBJECTIVE: Jeep is de meest succesvolle auto in het 4-wheel premium segment door het Jeep- gevoel terug te brengen

GOALS	STRATEGIES	MEASURES: DASHBOARD	MEASURES: ACTION PLAN
Meest succesvolle: • Hoogste marktaandeel 4-wheel auto's > € 50K (ACN) • Aantal verkochte Jeeps > 5.000 • Gemiddelde marge Jeep > 20% Jeep gevoel: • Jeep heeft de hoogste merkvoorkeur van 'avontuurlijke' auto's • 75% Jeep rijders beveelt Jeep aan (NPS =)	1. Jeep wordt gezien als een onderscheidende auto door een op het authentieke merk gerichte campagne	• Score op onderscheidend > 7.5 (Censydiam) • Reclame waardering >7.5 (STER) • > 25.000 bezoekers op site • > 12.500 unieke bezoekers bij dealers	• Relevant reclame concept door als uitgangspunt te nemen dat Jeep een segment is geworden ipv een merk ('het is pas echt een Jeep als er Jeep op staat') • Concept breed neergezet door het uit te werken in atl en btl executies • Concept komt tot zijn recht door plaatsing in Jeep umfeld (lifestyle) • Authenticiteit is belangrijkste take away van klant door bedenken en realiseren relevante Guerilla acties
	2. Het Jeep merk leeft op de winkelvloer door de uitstraling en het gedrag van de verkoper echt Jeep te maken	• Merkvoorkeur klant stijgt met 12% door dealerbezoek • 80% van klanten ervaart Jeep merk-(waarden) bij de dealer • 80% verkopers gedraagt zich merk-waardig • 100% executie Jeep POS	• Jeep merk is gedefinieerd in gedrag en uitstraling door intern en extern onderzoek • Uitrolplan per dealer door need/gap situatie scan bij dealers • Medewerkers weten wat merk-waardig Jeep gedrag is door organiseren van workshops • Jeep dealers hebben merk-waardige showroom door organiseren aankleed wedstrijd met Jeep-waardige prijzen • Jeep dealers blijven zich merk-waardig gedragen door inzetten mystery shopper programma op Jeepgedrag en -uitstraling
	3. Jeep modellen zijn gewild door lancering van nieuwe modellen met authentieke uitstraling in state of the art uitvoering	• Klantwaardering Jeep modellen + 0.5pt. tov klantwaardering andere auto's in segment • Thought leader feedback • > 1500 verkochte nieuwe modellen	• Top 3 bekend waarmee klanten/prospects unieke Jeep gevoel krijgen door dit te onderzoeken • Weten welk gemak klanten/prospects in hun auto willen door te onderzoeken • Relevante nieuwe modellen beschikbaar door voor klant/prospect belangrijke authentieke look elementen te combineren met voor hen belangrijke state of the art uitvoering • Dealers verkopen graag nieuwe modellen door uitrollen aantrekkelijke en op Jeep merk ontwikkeld incentive constructie voor dealers • Onderscheid van nieuwe modellen duidelijk door uitvoeren PR stunts met Jeeps op moeilijk bereikbare plaatsen
	4. Jeep rijders en prospects zijn trots op hun Jeep door het organiseren van echte Jeep safari's en rij-experiences	• 80% Jeep rijders en 40% prospects voelt zich 'Trots' • 70% klanten en 50% prospects is bekend met safari's/ rij experiences • > 1500 deelnemers aan safari's • >10.000 deelnemers rij experiences	• Aantrekkelijke Jeep waardige safari door jaarlijkse ontdekkingstocht te organiseren in bijzondere landen • Aantrekkelijke Jeep waardige rij experience die door heel Nederland gedaan kunnen worden door i.sm rijvaardigheidstraining bureau te ontwikkelen en met Jeep medewerkers uit te voeren • Iedere Jeep rijder is benaderd voor safari's door merk-waardige direct mail met gimmick • Relevante prospects voor safari door Jeep contest en karaktertest • Jeep gevoel breed uitgedragen door realiseren TV coverage Jeep safari's

Tomorrow's Skillset

- The ability to tie analytics to activity, requires both a higher fluency in analytics but also real understanding of their operational implications
- Storytelling — turning data into a compelling narrative
- The ability to manage people when you don't understand what they do
- The ability to act uncertainly — comfortable with knowing that forward progress will be accompanied by constant recalibration
- Turning plans into roadmaps — focus on the outcome, not on the tactics

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Only the newbies didn’t know WHOLE was going to be a mnemonic device

SEE THE WHOLE MARKET	Worldview That Is Future-Centric
SEE THE WHOLE PERSON	Human-Centric Understanding
SEE THE WHOLE BASKET’S VALUE	Optimize Paid Value Everywhere
SEE HOW THE PARTS MAKE A WHOLE / SEE THE WHOLE ORGANIZATION	Learning People/Machines
SEE THE WHOLE CATEGORY (PRODUCT AND EXPERIENCE)	Experience-Centric Categories

Source: Kantar Retail

“In any given moment we have two options: **To step forward into growth or to step back into safety.**

ABRAHAM MASLOW

KANTAR CONSULTING

THANK YOU

SWITCH ON GROWTH

Switch on Growth in 2018

Experts in brand, marketing, retail, sales and shopper align

Kantar Added Value, Kantar Futures, Kantar Retail, and Kantar Vermeer have joined forces to form Kantar Consulting