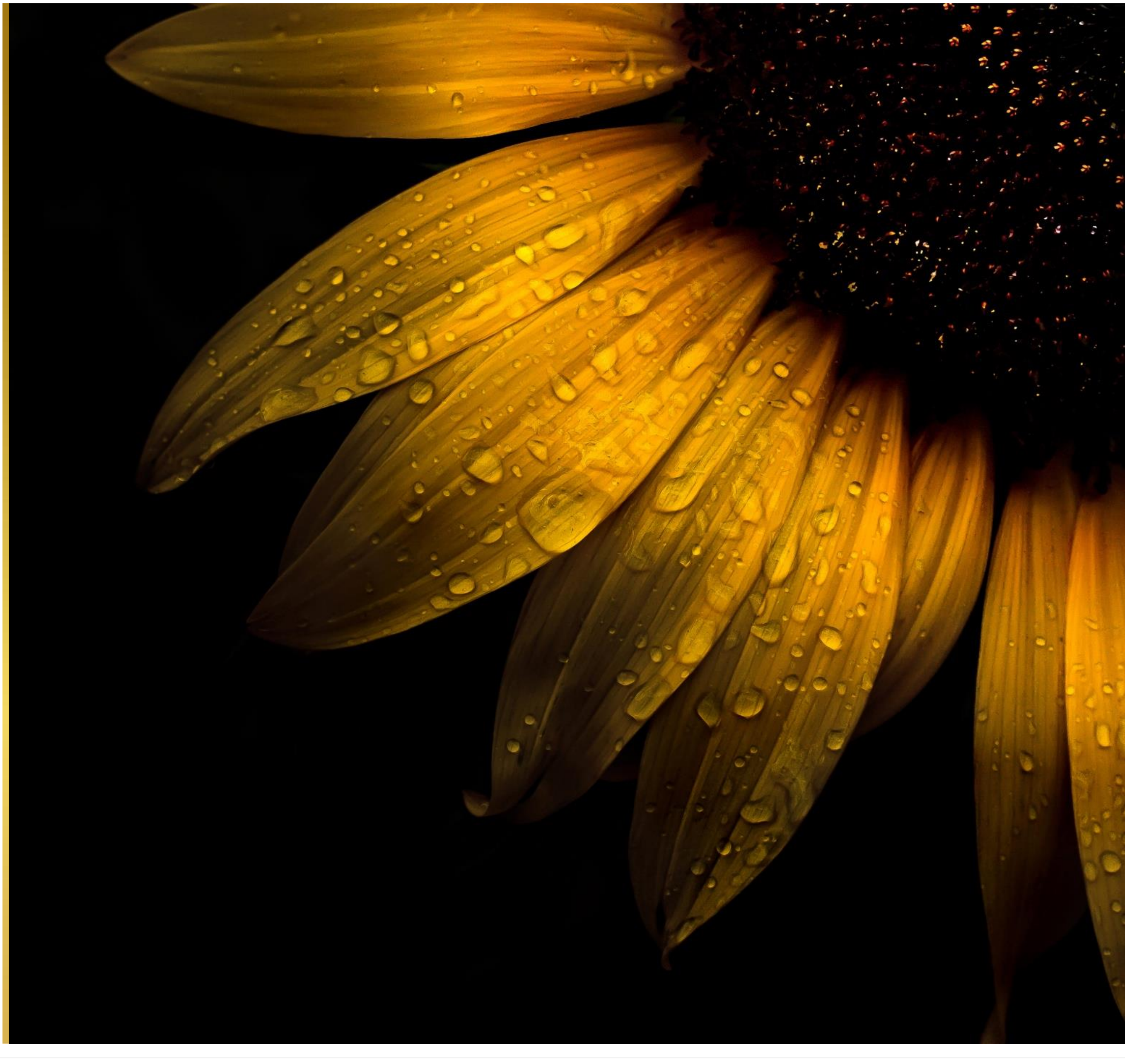
The Courage to Grow

March 2021



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About Kantar

Kantar is the world's leading evidence-based insights and consulting company. We have a complete, unique and rounded understanding of how people think, feel and act; globally and locally in over 90 markets. By combining the deep expertise of our people, our data resources and benchmarks, our innovative analytics and technology, we help our clients **understand people** and **inspire growth**.

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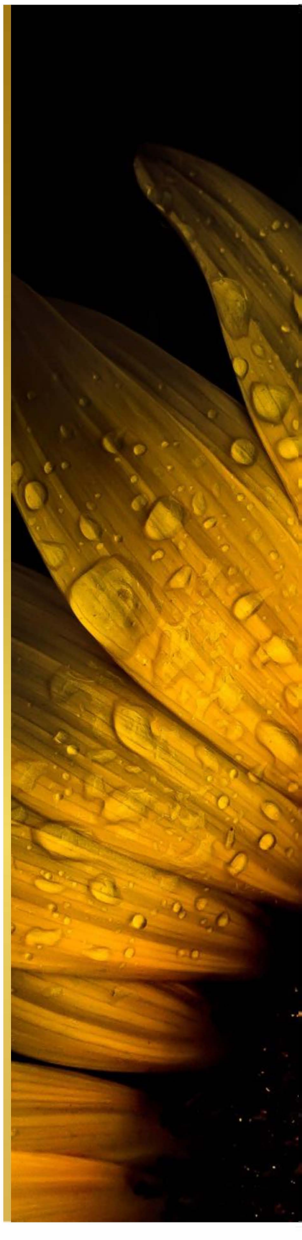

The Courage to Grow

Look In the Mirror, Not Out the Window

Growth is not a matter of the marketplace. It is all about the company. The impediments to growth sit within a company itself not in the marketplace. The first place to look for growth is internally not externally. Companies must be ready and able to capture growth.

The companies that are fit for growth dominate the marketplace, which is reflected in growing concentration both within sectors and in the stock market. The success enjoyed by these companies is confirmation for all companies that growth is available no matter the market, good or bad. There is a wide-open opportunity for every business to gain ground and grow. Growth is rarely hostage to the marketplace.

Even in sectors hardest hit by the pandemic, not all businesses fared the same. Not all airlines. Not all restaurants. Not all automobile manufacturers. Not all hotels. What differentiated companies that struggled—many went under—from companies that did better—some thrived—was not the marketplace, which was the same for every company. It was the company itself.

Kantar's work with companies worldwide has shown time and again that even the biggest opportunities are out of reach if a company lacks the structure, skills and competencies it takes to grow. Yannis Kavounis, a growth expert in our Consulting UK team, summed up this wealth of applied learning as the foundational prerequisite that growth begins with "the courage to grow."

Courage is needed more than ever. While growth is always on the agenda, the coronavirus pandemic has made growth the only thing on the agenda. Kantar's decades of experience and success helping companies grow rests on ten proven actions across five critical imperatives that will deliver growth for every company for every kind of future.

Kantar Plan for Future Growth

5 Critical Imperatives	10 Key Actions to Undertake	Immediate Next Step	Illustrative Impact
1. Focus on doing the right things rather than waiting for the marketplace to right itself.	1) Full-blown commitment to customer-centricity. 2) Structurally embedded competency in organizational learning.	Internal benchmarking audit to identify and fix organizational capabilities gaps.	Recurring $50M bottom-line improvement by Kantar client
2. Grow the category not just the brand.	3) Broaden category boundaries. 4) Create and command a shared, decision-centric category vision.	Frequently updated understanding of the underlying drivers of demand.	Brands in growing categories 5X more likely to be growing, as proven by Kantar research
3. Resecure the core and target loyalty softness among competitors.	5) Remap the structure of demand. 6) Invest behind fewer yet bigger brands.	Real-time, reactive systems for tracking and improving 'meaningful difference.'	45 percent faster growth for big brands prioritizing loyalty, as proven by Kantar research
4. Find profit through purpose rather than making profit the only purpose.	7) Embrace a credible, differentiated purpose strategy. 8) Embed inclusivity in company culture and brand strategy.	Continuous tracking to gauge corporate and brand relevance to social issues and purpose.	Brand value at purpose-led companies grew 175 percent, or 2.5X, as shown in Kantar research—and could unlock $12 trillion-plus more
5. Plan against scenarios not certainties.	9) Bring together top-down and bottom-up trendspotting and futures assessment. 10) Utilize 'futures thinking' for strategic forecasting.	Sharpen focus and capabilities for growth in 'uncomfortable places' that will require new business models.	Performance by a Kantar client business unit grew from slightly declining to 33% growth

01 | Focus on doing the right things rather than waiting for the marketplace to right itself.

Growth-oriented companies say, “We will grow now by doing the right things.” Growth-challenged companies say, “We will wait to grow when the marketplace is right again,” which blinds them to growth because they see only what’s weak about the marketplace not what’s weak about themselves.

Growth opportunities are never absent. The topline stagnation true of global consumer goods companies in the years leading up to the pandemic was paralleled by rapid growth among start-ups and more agile local and national brands. Even during the pandemic, brands that pivoted to delivery, e-commerce, privacy safeguards, home-centered solutions, hygiene signaling and virtual experiences turned this disruption into growth. Numerous iconic brands and companies have been introduced during past recessions — FedEx, the iPhone, Microsoft, Uber, Airbnb, Trader Joe’s, Revlon, Warby Parker and Disney, just to name a few.

Companies get in their own way. Reflecting on his global consulting experience, Robert Jan d’Hond, who leads Kantar’s Consulting team in North America, observes that, too often, companies cannot meet the growth challenge of “what to leave behind and what to carry forward” because they lack “mindful, self-aware leadership able to keep egos in check.” Many companies find themselves further encumbered by deficient skills, capabilities, systems and KPIs, along with cultures aligned against fact-based decision-making, agile experimentation, and a clear purpose linked to consumers’ everyday lives.

The fundamentals of growth need to be revisited. The turmoil of the last several years, particularly the pandemic, and the uncertainty of what lies ahead has many marketers looking at the long-term and saying, “I don’t know.” E-commerce is an obvious and vital step to take, but such a step must be part of bigger organizational change. Pete Rose, a Consulting expert in Kantar’s LA office, believes that companies must “get back to fundamentals, things like net revenue management and the fundamental laws of growth—mental availability, physical availability, and distinctive assets.” Even the design of brand logos is going back to basics.

Assortment simplification and supply chain reliability are putting extra pressure on physical availability—specifically, staying on-shelf and being in-stock. This is a fundamental issue that marketers have not thought about as deeply in the past as they will have to in the future. Marketing and sales must come together around a shared view of the marketplace. The natural bridge between marketing and sales is assortment and availability, which makes it essential for marketing and sales to align behind a common, collaborative effort to ensure that the right shopper-centric assortment is always available, both offline and online.

All of these changes and challenges add up to the need for “systemic change,” in the experience of Mark Kennedy, in Kantar’s Australian Consulting team. Companies must do more of the right things, and two in particular.

- **First, a full-blown commitment to customer-centricity.**
  - Customer-centricity has been trending down in recent years, creating a growth barrier within many companies. Kantar pioneered the Insights Engine framework to orient and empower companies in consumer-centric ways sure to ignite growth—for example, the recurring gain of roughly $50 million realized by one Kantar client.
- **Second, a structurally embedded competency in organizational learning.**
  - The disruptions of the pandemic forced companies to re-learn everything. Insights became ‘mission control.’ the critical foundation for growth, both during the pandemic and beyond, underscored by the insights industry-wide surge in capital investment during 2020. That is the cornerstone of Kantar’s Blueprint for Recovery for accelerating a return to growth. But the growth opportunity from embedding organizational learning goes beyond the pandemic. Mark Visser, who leads Kantar's Consulting team in Amsterdam and is the global lead for the Organizational Performance Practice, explained in this podcast interview that organizational learning is the most important of the few remaining sources of competitive advantage for growth.

Next step: Growth-oriented companies begin with an internal benchmarking audit, which enables Kantar to assess organizational and capabilities gaps in customer-centricity and organizational learning. Priorities are identified and then organized into an impact plan to close these gaps.

02 | Grow the category not just the brand.

Strong brands enjoy disproportionate growth, even in slow-growing categories. Kantar BrandZ tracking finds that during disruptions, as well as in the ensuing recovery, brands with strong equity always outperform the market.

But strong brands defying the odds of weak or disrupted categories does not mean that growth is only about brands. Analysis of Kantar Worldpanel data on 29,000-plus brands across 52 countries found that brands are five times more likely to grow if their categories are growing. Kantar shopper research shows that 90 percent of shopping is spent navigating categories and only 10 percent selecting brands. Category growth is the catalyst for above average brand growth.

Categories also pose risks to brand growth. Sectoral disruption from the pandemic pushed a number of brands into decline that had been growing strongly pre-pandemic. These sorts of risks are impossible to avert entirely, but the impact of disruption is worse for brands that have marginalized category considerations in their strategies, contingency planning and financial management.

Even brands helped by disruptions face category risks. Two-thirds of FMCG categories grew faster during the pandemic than before, but that peaked quickly, so future growth won't have the benefit of these pandemic tailwinds. Growth-oriented companies look for ways to take control of their categories. Principally, in two ways.

- **First, broaden category boundaries.**
    - Categories with more reach capture more occasions and appeal to more people. The Kantar approach in our Consulting team is to recast category growth opportunities by "The Rule of 3%." The idea is that a brand should not be content with, say, a 30 percent share as the big fish in a small pond with little room to grow. Instead, a brand should look to deeper waters in which it holds just a three percent share amidst a surfeit of additional consumption moments that provide a wealth of opportunities to grow. Kate Price of Kantar's New York Consulting team, has found in her global consulting that "disruptive opportunities are found in-between traditional category lines—snacks that blur popcorn, chips and diet food or fitness equipment that blurs software, content and social media." There are many ways to fast-track growth by redefining category boundaries, but the superior, time-tested way underlying Kantar's growth consulting is to broaden categories in terms of benefits—a consumer perspective—and move away from the narrow confines of functionality—a product perspective. Or to put it another way, categories must be defined with "culture as the lens," says Dennis Wong, who leads Kantar's Consulting team in Australia. In this way, pet food becomes pet care, automotive becomes smart mobility, alcohol beverages become social beverages, cleaning becomes public health, dairy becomes protein, and the local pharmacy becomes local health care.
- **Second, create and command a shared, decision-centric category vision.**
    - A category vision should steer innovation in the direction of three- to five-year growth drivers. But unless this vision is a shared platform, it will not engage the ecosystem of retail partners needed for success. Tanya Copeland, with Kantar, South Africa, emphasizes that a meaningful and impactful shared vision takes "beautiful storytelling, without the noise that gets in the way of focused thinking." Kantar's Consulting Division developed the Perfect Category system for FMCG as an integrated, dynamic combination of an AR-enhanced GUI, algorithmic predictive rigor, and one-click access to all relevant data. The Perfect Category system augments decisions about brand portfolios and retail assortment with growth-building analytics and storytelling insights. By boosting category growth, Perfect Category demonstrably increases brand growth. Kantar research finds that nearly half of new products succeed by attracting and growing additional category purchase occasions. And every brand loses growth opportunities from the 30 percent of consumers at point-of-sale who walk away from under-optimized, poorly planned categories.

Next step: Growth-oriented companies constantly refresh their understanding of the underlying drivers of demand. What gives shape to the strategic scaffolding of market structures and consumer segmentations is a core set of underlying drivers or category dimensions that govern the trade-offs consumers use to make decisions. Misunderstanding what competes for consumers' share of wallet has long been the Achilles' heel of growth. As drivers change, brands must keep value propositions and categories current in order to reflect the new ways in which consumers are making decisions. The Kantar NeedScope approach enables brands to identify the exact mix of evolving functional, social and emotional drivers that motivate consumer behavior—which enabled one Kantar client to boost customers by 10 percent and loyalty by 50 percent.

03 | Resecure the core and target loyalty softness among competitors.

The immediate aftermath of the pandemic has brought the marketplace to a loyalty moment. Penetration has been the singular focus of most brands for decades, but loyalty matters now like never before. Past analyses by Kantar's Worldpanel division have shown that, in normal markets, building penetration—more customers—is much better for growth than strengthening loyalty—more committed customers. But this moment is different. Penetration is as important as ever, but loyalty strategies provide an additional near-term growth opportunity.

During the pandemic, Kantar Worldpanel tracked a weakening of loyalty along with fewer penetration-building shopping occasions. This was telling because promotional spending was down and, almost always, higher promotional spending is what accounts for weaker loyalty. Failure to resecure loyalty will mean a leaky customer base handicapping long-term growth. All brands have been affected, so there is a favorable opportunity in this moment to target the softness in consumer loyalty to competitive brands.

Too much has changed for consumers to return completely to pre-pandemic loyalties. Some things will pick up as before, but everything will sit in the context of a changed environment. Lifestyles have been upended by new ways of living and shopping. The comfort provided by big, familiar brands has revitalized their position against smaller upstarts. Assortment simplification has untethered consumers from preferred brands, packs and even outlets. Channel changes, like the pandemic surge in e-commerce, always weaken loyalty. Experience-based brands have found it challenging to replicate in-person experiences with an online equivalent. Not to mention that brands able to grow their customer bases during the pandemic and brands that benefitted from greater loyalty, such as wireless and streaming brands, now face the happy yet unexpected challenge of retaining the loyalty of these new or newly steadfast customers, as a number of Kantar's consulting clients have reported.

Looking ahead, the permanent shift of a critical mass of workers and workdays from office to home will break previous routines, creating an opening for new solutions and new brands. Loyalty will also come under added pressure as the growing use of algorithms and automated replenishment systems shift repeat buying decisions from shoppers to shopping algorithms.

This loyalty moment will not be around forever, but everything about loyalty points to a growth opportunity now.
Two things should be done.

- **First, remap the structure of demand.**
  - With home and office trading places, online and offline coming together, and immersive experiences becoming central to every category, the structure of demand is changing. For example, during the pandemic, Kantar Worldpanel tracked not only a shift from out-of-home to in-home meal and snacking occasions, but a greater number of such occasions as well. Total time cooking increased even though time per meal remained the same. Various foods found their way into different and novel times of day. In short, much of what was known about demand pre-pandemic must be refreshed. For growth strategies to have full impact, Nico Stouthart, with Kantar, N.Y., points out that "people must be the foundation of growth," which means that strategies "must be tied to people-based objectives," and the first requirement of that is to "clearly define what business a company is in" so that employees understand the strategy in ways that tie directly to the structure and character of demand. The market-validated Kantar' Consulting GrowthFinder system (AKA: GrowthMultiplier in the U.S.) remaps demand by remodeling the context of lifestyles, behaviors and aspirations that are giving rise to new needs in want of new solutions.
- **Second, invest behind fewer yet bigger brands.**
  - Supply chain breakdowns during pandemic have steered the future away from large portfolios of micro-brands to condensed portfolios of macro-brands, which favors the biggest brands. Bigger brands are also better suited for what will be a continuing need for comfort and familiarity. Innovation must shift from small ideas like line extensions and flavors to transformative ideas worth the risks of logistical complexity. Big brands must find ways to resonate across consumer groups while, at the same time, delivering personalization. All of this entails a shift of strategic priorities from breadth to scale, which makes loyalty more critical. A multi-year Kantar analysis of brands worldwide found that big brands putting priority on loyalty in addition to penetration grew 45 percent faster than big brands focused on penetration alone. Fewer yet bigger brands will pay dividends in other ways. Kantar BrandZ data show that brand size is the biggest multiplier of ad effectiveness—50 percent more than quality of creative.

Next step: Growth-oriented companies install real-time, reactive systems to track and continuously improve brands and marketing communications in terms of the 'meaningful difference' that secures loyalty. A Kantar analysis of growth brands globally found only one-quarter were able to grow from salience alone, or a penetration-only strategy (and 'meaningful difference' was already in place). The other three-quarters grew from value and loyalty strategies focused on 'meaningful difference.' Yet Kantar data have tracked declining perceptions of 'meaningful difference,' which means a need to reevaluate brand portfolios and resecure the core as well as a competitive opportunity to exploit and target loyalty softness among competitors.

04 | Find profit through purpose rather than making profit the only purpose.

The pandemic brought purpose into sharper focus, especially social justice and sustainability. The ongoing shift of consumer expectations that brands and companies should play a bigger public and societal role on behalf of stakeholders, not just a commercial role on behalf of shareholders, was intensified dramatically. Kantar BrandZ data show that the importance of responsibility to corporate reputation is three times what it was a decade ago. BrandZ tracking from 2006 from 2018 also finds that brands highly committed to purpose grew brand value 175 percent, which was 2.5 times more than brands with little or no purpose. If nothing else, competition for the talent it takes to grow will force the hand of companies. The next generation of employees is demanding more accountability and engagement with purpose from their employers.

The Business & Sustainable Development Commission estimates that 'going green' could unlock $12 trillion in revenues and savings by the end of this decade, and potentially two to three times more. Investments in sustainable mutual funds continued to grow during the pandemic. A 2016 Harvard Business Review article that compiled and summarized existing research cited one study on the 2006-to-2010 performance of companies committed to sustainability. This study showed that across every financial metric, especially cost of debt, such companies outperformed competition and came out of the financial crisis with significantly improved market capitalizations.

Sustainability is more than the environment. The 17 U.N. Sustainable Development Goals also include social areas requisite to sustainability, such as poverty reduction, better health care, eliminating hunger, improved education, and gender equality. McKinsey estimates that gender equality alone could add up to $28 trillion in global growth. Other often overlooked and under-served consumer groups like LGBTQ+ consumers and people with disabilities control billions more.

Business leaders often shy away from purpose. But this posture walks away from growth for reasons that are overly circumspect. More than eight in ten consumers in Kantar U.S. MONITOR tracking agree that brands should at least try to operate with purpose and an equal percentage say they will "forgive" missteps as long as brands are making a sincere effort. Two steps are involved.

- **First, embrace a credible, differentiated purpose strategy.**
    - Sustainability is an entirely new way of doing business, not tweaks to business as usual, requiring a top-to-bottom overhaul of operations, logistics, design, marketing, manufacturing, finances, investor relations, recruiting, training, community-building, and more. The proven toolkits of Kantar's Sustainable Transformation Practice bring a sustainability lens to innovation, tracking and communications, particularly a pioneering four-part process for shaping meaningful interventions that break through frictions and close the value-action gap—the sustainability 'Holy Grail' of motivating desired category-specific behaviors.
- **Second, embed inclusivity in company culture and brand strategy.**
    - During last summer's 'do moment' of social justice protests, it became uncomfortably clear how poorly most companies stack up against the diversity of demographics and culture. Jonathan Hall, leader of Kantar's Sustainable Transformation Practice, counsels that "the mandate of diversity has reached a point where businesses really have no choice but to incorporate more inclusivity into brand strategy and company culture if they are to stay relevant." This begins by benchmarking organizational inclusivity with a thoroughgoing tool like the Kantar Inclusion Index. Then companies must fashion an authentic way of bringing inclusivity to the marketplace by following the 8-step process of Color Bravery developed by the Kantar Inclusion Practice.

***Next step*:** Growth-oriented companies continuously gauge the relevance of their corporate and brand positions relative to the evolving landscape of social issues and purpose. Kantar's Issue Radar, developed in partnership with the Saïd Business School at Oxford University, utilizes a prediction algorithm called Hypertrends to analyze billions of posts, articles and searches through 4,000-plus lenses across 900-plus issues in 210 categories inclusive of 2,500 brands. Results are sorted against the U.N. Sustainable Development Goals to track how purpose is evolving and what will matter next.

05 | Plan against scenarios not certainties.

Disruptions are the new normal—or the new abnormal, in the phraseology of the World Business Council for Sustainable Development. The volatility ahead is a reversal of the 'moderation' for which today's business and operating models, such as just-in-time manufacturing and micro-segmentation, were developed and optimized. Retail models are under pressure, too, particularly from the gains made by e-commerce and omnichannel during pandemic quarantines.

The pandemic has brought into focus that the disruptive events of this century, bad and good—terrorism, the financial crisis, the pandemic, political turmoil, the iPhone—are the prelude to a future in which discontinuities that upend business models will be a feature of the marketplace not the exception. From climate change to AI to job automation to more pandemics and political turmoil, along with breakthroughs in green energy, biomedical research and space exploration, disruptive volatility is returning to the everyday business environment. Business models must adapt.

The disruption of supply chains due to pandemic lockdowns exposed the future fragility of operations built on the past presumption of relative stability. The robustness to withstand disruptions and the resiliency to rebound quickly must be central to planning and logistics, including more spare capacity, greater diversity of suppliers, larger stockpiles of supplies and constituent parts, simplification of SKUs, and more hedging of resources and finances.

The global insights leader at one Kantar client expects that the new normal of disruptions will require his company to "migrate from certainties to scenarios," which means planning on the basis of contingencies rather than extrapolation alone, as well as operating with the expectation of abrupt changes rather than relative stability. Two things are critical.

- **First, bring together top-down and bottom-up trendspotting and futures assessment.**
    - Trends and futures tracking is typically a high-level, top-down view that overlooks the 'weak signals' of growth that can be seen only by a ground-level, bottom-up view. But both are needed. High-level, top-down dynamics remake economies and markets. Ground-level, bottom-up shifts remake categories and vogues. Kantar MONITOR—U.S., Canada, Global and Sports—provides a high-level view, as does the custom consulting of the Kantar Futures Practice and the shopper and retail tracking of Kantar RetailIQ. The Cultural Streetscapes and MONITOR Energies provide a ground-level view, which MONITOR Analytics delivers as a database service targeting individual consumers and which MONITOR Connect provides for brand-specific segments. Kantar's Future Brain also offers a bottom-up view using AI-powered analytics to track unstructured digital data. The unique array of top-to-bottom Kantar tools and perspectives delivers a complete picture of the future—a so-called wide-angle lens that is the cornerstone of Kantar's growth-amplifying 'W.H.O.L.E. demand' approach.
- **Second, utilize 'futures thinking' for strategic forecasting.**
    - The logic and math of today's best-in-class forecasting models rely on a linear approach unsuited for a future of disruptions. In this vein, the Commodity Futures Trading Commission has warned that climate change is pushing environmental parameters to extreme tipping points of non-linearity for which traditional models "will become increasingly unhelpful guides to the future." Futures thinking entails a shift in outlook that Amelia Gandar, in our UK Consulting team who leads the Global Strategy Practice, describes as "managing risk to scale opportunities instead of taking risks to chase opportunities." A different class of models is needed to turn the uncertainty of disruptions into what Don Abraham, a leading global authority on futures consulting with Kantar's New York team, refers to as "predictable surprises." For example, in 2015, well before the coronavirus pandemic, Kantar's Future Playbook approach identified the likely occurrence of a pandemic as a high-priority area for a global client. Product line investments made on the basis of Kantar's work turbocharged that product line's business unit, reversing a single-digit decline in Q1 FY20 with 33 percent growth in Q4 FY20 and 27 percent growth in H1 FY21.

Next step**:** Growth-oriented companies organize their focus and capabilities to capture growth from 'uncomfortable places' outside the comfort zone of business as usual. The pandemic was the ultimate test, but trends and futures are now ushering in an era of experiences in every category, people-to-people-driven social commerce, and algorithms populating consideration sets and making choices. What used to dominate the marketplace is behind the curve already. Future growth will require 'uncomfortable' business model innovation of the four sorts identified in a Kantar analysis—removing things, adding new value, wrapping in new things, and creating fresh demand. It's this uncomfortable future of extracting, bundling, upserving, and market-making for which Kantar's Consulting division can ready your business.

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For More Information

Visit the Kantar's Consulting Growth Strategy Hub for a comprehensive corpus of growth-related, action-oriented insights, frameworks, training materials, and tools, as well as the video series Getting Growing about big growth ideas for the future:

https://sites.kantar.com/marketing/campaigns/growth-strategy.html

For more information about Kantar's Consulting expertise and growth solutions:

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For more information about this white paper or for additional insights about growth:

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This thought-leadership on growth is based on the collective input of senior thought-leaders within Kantar's Consulting division as well as data, analyses and case studies from across Kantar, including Kantar MONITOR, Cultural Streetscapes, Kantar RetailIQ, MONITOR Energies, MONITOR Analytics, Kantar BrandZ, Kantar Marketplace, Kantar's specialist practices (Sustainable Transformation Practice, Integrated Inclusion Practice, Futures Practice, Analytics Practice), and our five other divisions (Worldpanel, Insights, Media, Kantar Public, Profiles).

Written by J. Walker Smith

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