OPTIMIZING GROWTH

PREDICTIVE AND PROFITABLE STRATEGIES TO UNDERSTAND DEMAND AND OUTSMART YOUR COMPETITORS

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Contents

Figure 1.1 Optimized business system insights and aligned activation.

	How	Who	What	Where	Why	How To
Key Questions	• How will demand shift, what will drive changes, and what are the implications?	• Who are the most attractive customers/ consumers to focus on and why?	• What are the most attractive customers' needs/ demands?	• Where do they go to learn about, shop for, and fulfill their needs/ demands?	• Why do they make the purchase decisions they make?	• How can we win with them? To win, how much should we invest and in which efforts?
Traditional Approach	• Traditional forecasting models to develop estimates of market demand	• Market segmentation is often based on demographics and/or behaviors, which is largely backward looking and static	• Often behaviorally based…assumes the product purchased yesterday will be purchased again tomorrow	• Using a broad brush to cover all relevant channels of distribution and media regardless of the actual opportunity **within** each channel	• Insights into the rational, emotional, and social drivers of purchase decisions	• Resources are spread "horizontally" like peanut butter with each BU/brand getting its fair share of increases
Optimized Approach	• An ongoing "Early Warning System" with demand signposts and "forces and factors" to track in real time	• Enhanced Demand Landscape segments on demand and adds demographics and behaviors for forward looking, dynamic view	• Insights into the specific problems customers are trying to solve ("Jobs to Be Done") identifies offer improvement and innovation options	• Focusing on specific stores, not just channels or retailers and specific "programs," not just traditional or social media types	• Developing insights into the rational, emotional, and social drivers of purchasing within the context of the purchase decision journey	• Specific "vertical" allocations are made based on roles BUs/brands play in the portfolio; fund the most attractive opportunities on a forward going basis
Big Data Options	• Leveraged to track signposts and sense market changes on an ongoing basis	• Ability to append additional data sets to the Enhanced Demand Landscape to enrich profiles and insights in real time	• Conduct ongoing A/B testing to continually improve and optimize offers by customer segment over time based on responses	• Predictive models to assign customers and their households to segments, map home locations, and store trading areas and assess media consumption data	• Build propensity models to determine the likelihood of purchase/response for an offer by customer and/or likelihood of retaining customer	• Real time results of resource allocation investments across critical metrics …not just sales, but sales with target segment A…ability to monitor and take action closer to real time

Figure 1.2 The optimized approach to growth goes beyond traditional approaches while leveraging Big Data capabilities.

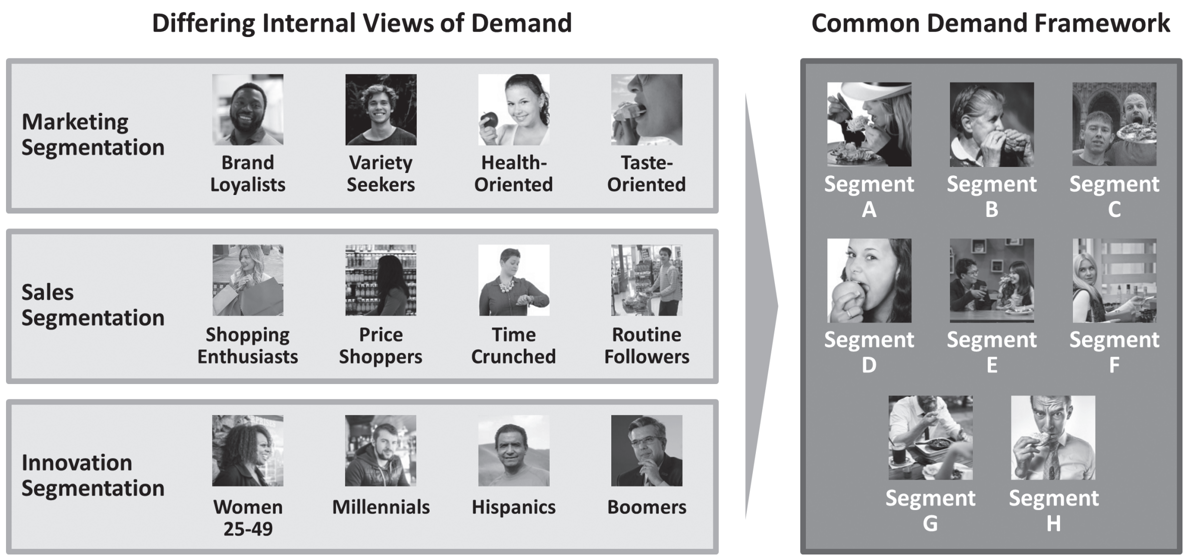


Figure 2.1 Differing internal views of demand.

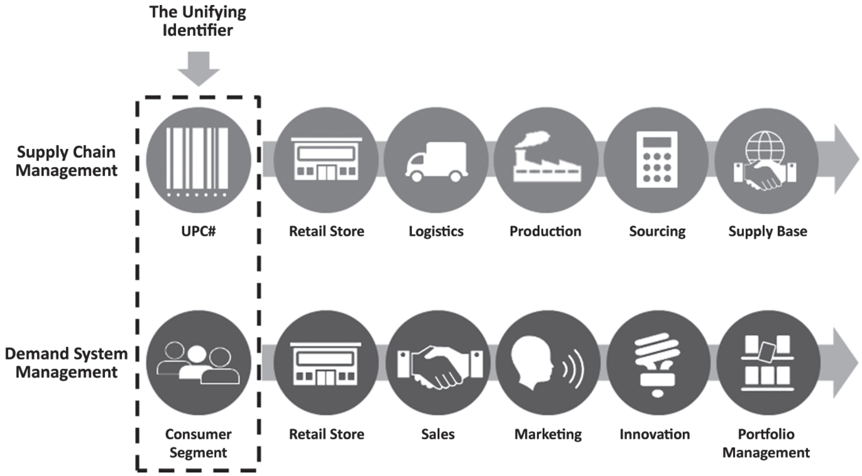


Figure 2.2 The demand system aligns activities.

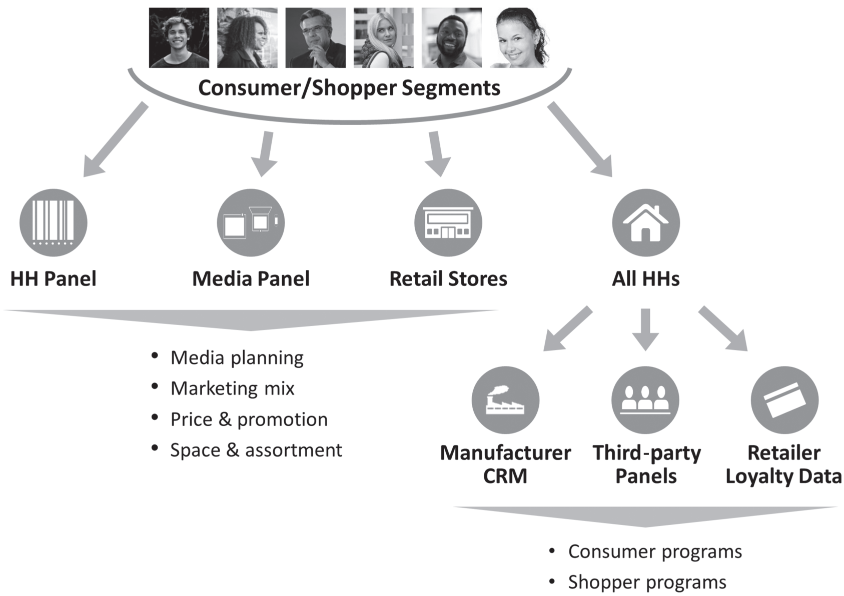


Figure 2.3 **The demand system aligns data.**

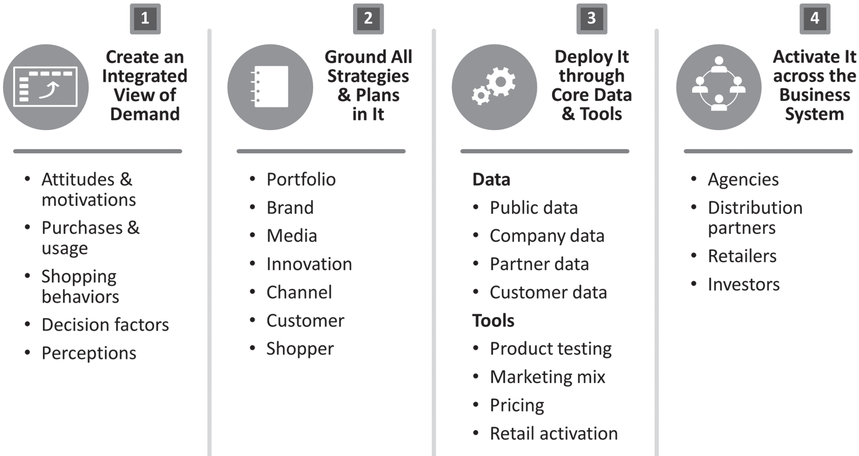


Figure 2.4 Building the demand business system.

Identify	Prioritize	Locate	Collaborate	Activate
• Who are the most profitable consumers/ end-customers? • What do they demand? • How do they decide what to buy and where to shop? • What is our share and performance with them?	• What is our offer to these consumers? • Where and how should we enhance our offerings? • Are we aligned on these priorities? • How should we allocate resources?	• Where do the most profitable consumers shop? • How can we best reach and serve them? • What is the consumer demand profile of our distribution & retail partners?	• How can we work with retailers to capture more demand? • What is our joint business plan for profit and growth? • How can we integrate our insights with distribution partners/ retailers?	• How should in-store activation vary by channel and retailer? • How can loyalty programs be more precisely targeted at the most profitable consumers?

Figure 2.5 A demand-based business system.

Identify	Prioritize	Locate	Collaborate	Activate
• Identify the most profitable consumers and shoppers • Profile in detail what they demand • Understand how they decide what to buy and where to shop • Measure how you are performing with them • Determine who you are competing against for their demand	• Decide what consumers you should target • Determine how you will win … what benefits must we own • Assign the role each function will play in delivering these benefits • Determine where and how you should enhance your offerings • Ensure that everyone is aligned on these priorities • Allocate resources across sales, marketing, and innovation based on strategy	• Identify where the most profitable consumers shop • Identify what the most profitable consumers watch • Assess how you can best reach and serve them • Profile the consumer demand profile of each retail partner	• Determine how you should work with retailers to capture more demand • Create a shared understanding of category demand & shopping missions • Determine the right category growth strategy for each retailer • Develop a joint business plan for profit and growth • Develop a joint learning plan	• Develop a total program to capture more of the most profitable demand • Optimize in-store assortment, promo, merchandising based on demand • Optimize media … TV, circular, DTC based on demand • Create loyalty program offers precisely targeted at demand • Measure & track business performance with the most profitable demand

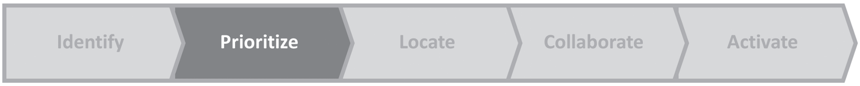
Figure 2.6 Action plan to build a demand business system.

Identify → Prioritize → Locate → Collaborate → Activate

Objective:
Fully Align Business Priorities, Actions, and Resource Allocation across Functions

Shared Understandings
• Do you have a fully integrated Demand Landscape that links consumer segments, need states, and product benefits/characteristics for your category in a way that is truly predictive of differential demand?
• Do you have a deep and quantified understanding of the factors and dynamics underlying category growth?
• Do you have clear insight into the five things that must be done to reignite category growth?
• Do you have line of sight into the profit leverage and profit erosion of your most important consumer segments?

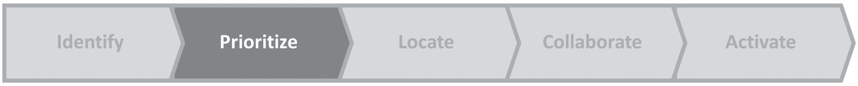
Figure 2.7 Demand chain business system: diagnostic questions.



Objective:
Fully Align Business Priorities, Actions, and Resource Allocation across Functions

Unifying Frameworks	Shared Understandings	Internal Processes
• Do you manage each business with a unifying framework in which every function sees its role? • Do your marketing, sales, innovation, and media organizations all use the same consumer segmentation? • Are brand, customer, and media plans based on the same consumer segmentation? • Do you have a clear portfolio management model for allocating resources across brands?	• What brands or products are most important to your targeted consumers? • Where and how should you enhance its offerings based on the demand of your targeted consumers? • What are the drivers to leverage and drags to address in order to capture more demand from targeted consumers? • What is the revenue and profit upside from addressing the drivers and drags? • What are the specific priorities required by function to capture more demand from your targeted consumers?	• Do you hold monthly meetings to discuss actions and progress through the lens of the unifying framework? • Does your entire company live into the unifying framework … is it actively applied beyond marketing & sales? • Do you use the unifying framework for management reporting? • Do you track P&L by consumer segment?

Figure 2.8 Demand chain business system: diagnostic questions.



Objective:
Fully Align Business Priorities, Actions, and Resource Allocation across Functions

Shared Understandings	Internal Processes
• What innovations can increase your share of the category missions important to your target consumers? • Which white space opportunities have the greatest, truly incremental upside for each brand and each consumer segment? • What level of spending against specific marketing and sales levers will grow your share among your targeted consumers?	• Are resource allocation decisions across brands and organizations informed by your consumer segmentation? • Do your resource levels and plans distinguish between high profit and low profit consumers?

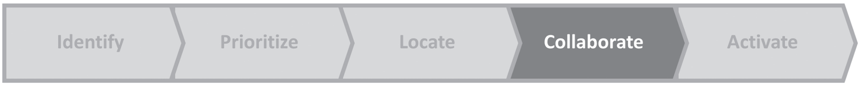
Figure 2.9 Demand chain business system: diagnostic questions.

Objective:

Identify the Demand Profile of Every Retailer, Store and Household to Enable Precise Activation of Your Demand Framework

Analytic Techniques	Activation Databases	Activation Insights
• Do you build proprietary econometric models to type 400k retail stores and 120mm households by your consumer segments? • Do the econometric models include multiple demand indices beyond basket purchase profile and demographics? • Do you link typed households to typed stores using channel-specific trading areas?	• Do you create a matrix of consumer segments and missions to provide unique IC for each retailer? • Do you measure and track retailer performance across the segment-mission matrix? • Do you profile all 400k stores by your consumer segments? • Do you profile all 120mm households by your consumer segments? • Do you cluster stores by your consumer segmentation for retail activation?	• Where and how can you best participate with the fastest growing channels and retailers? • Where do your targeted consumers live? Where do they shop? • Where across the segment-mission matrix does each retailer have the greatest growth opportunity? • Which retailers have the greatest potential to grow your brands based on their alignment with your target consumer demand?

Figure 2.10 Demand chain business system: diagnostic questions.

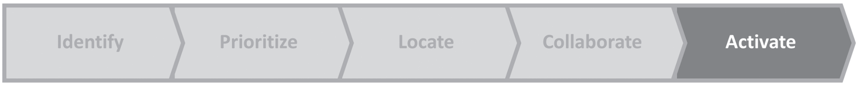


Objective:

Create a Shared Understanding of Category Demand and Opportunities with Each Retailer to Grow the Category and Your Share

Collaborative Databases	Activation Insights	Recommended Strategies
• Do you provide retailers with banner, local market, and store cluster-level insights into category demand based on your consumer segmentation? • Do you align your consumer segmentation with retailers' own shopper segmentations? • Have you typed your consumer segmentation into retailers' own loyalty program databases? • Do you have a proprietary category performance measurement system, delivered to retailers, that builds the category?	• What is the greatest source of category leakage by consumer segment for each retailer? • What are the individual actions and activities that determine success with each segment? • What are the common success factors among each retailer's priority shoppers and your targeted consumers? • What are the highest potential sources of growth (segment or mission) for you and each retailer? • What are the opportunities to increase pricing power for both you and retailers?	• Do you create multi-year JBPs with customers that grow both the category and your share? • Are the multi-year joint business plans aligned with the prioritized sources of growth and purchase drivers? • Do you and retailers jointly allocate resources consistent with each retailer's prioritized sources of growth? • What actions, other than trade spend, can result in your capturing a greater share of customer resources (e.g., ads, displays, space)? • Do you recommend to retailers how to differentially price by store cluster based on price elasticity and profit opportunity?

Figure 2.11 Demand chain business system: diagnostic questions.



Objective:
Precisely Activate Demand Based on the Consumer Segment Profile of Each Store Cluster and Shopper Household

Assortment	Merchandising	Pricing/Promotion
• Are your add/delete recommendations based on consumer demand at the store cluster level? • Are assortment guidelines based on the consumer segment profile and retailer performance of each store cluster? • Are planograms customized based on the consumer segment profile of each store cluster?	• Does aisle layout reflect the demand preferences of each store cluster's consumer segment profile? • Do displays and aisle communications reflect opportunities to capture more latent demand? • Do cross-merchandising programs align with consumer demand within each store cluster?	• Do promotion plans incorporate consumer segment/shopper insights at the local market or store cluster level? • Are promotion plans based on the alignment of brands or products with the consumer segment profile of each store cluster? • Do pricing strategies incorporate perceived category and item value based on the consumer segment profile of each store cluster? • Are price elasticities and feature/display lifts calculated at the store level based on the consumer segment profile?

Figure 2.12 Demand chain business system: diagnostic questions.

Identify	Prioritize	Locate	Collaborate	**Activate**

Objective:
Precisely Activate Demand Based on the Consumer Segment Profile of Each Store Cluster and Shopper Household

Loyalty/Shopper Marketing	Performance Tracking
• Are loyalty/shopper marketing tailored by card member based on her consumer segment profile? • Are loyalty/shopper marketing programs tied to the success factors specific to each consumer segment? • Are loyalty/shopper marketing investments targeted at the most profitable consumers/shoppers to drive ROI? • Beyond price discount, what shopper marketing programs have the greatest potential to grow the category and your brands among target consumers?	• Do customer business reviews track performance among the most important consumers and shoppers? • Do customer business reviews track how each retailer is performing against the success factors for each mission?

Figure 2.13 Demand chain business system: diagnostic questions.

Figure 3.1 Dimension 1 – distinct consumer segments.

Source: ABI Investor Relations

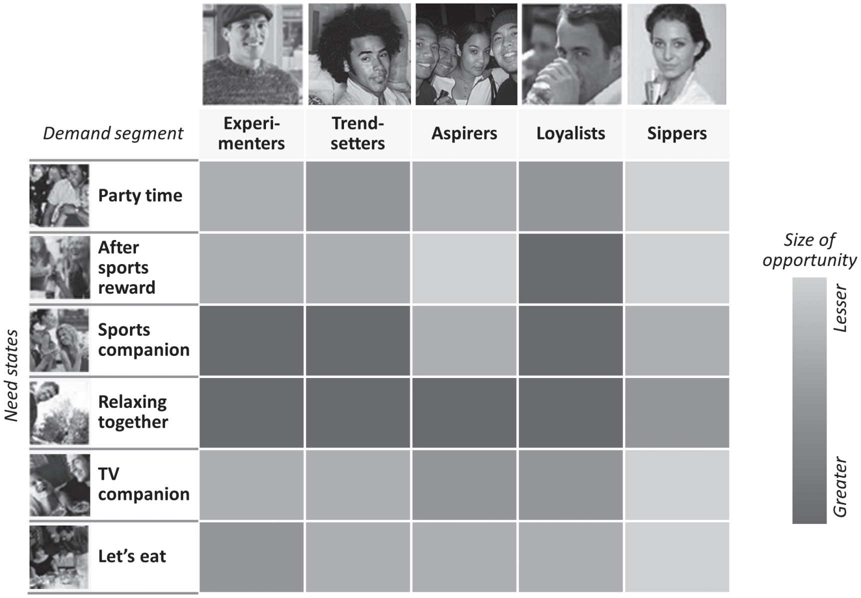


Figure 3.2 Consumer demand landscape – U.S. hypothetical example.

Source: ABI Investor Relations

Year	1900	1954	2007
Role	Farm Hand	Part of Family	Favorite Child
Relationship	Master	Owner	Loving Parent

Figure 4.1 The evolving role and relationship of dogs in the U.S., 1900–2007.

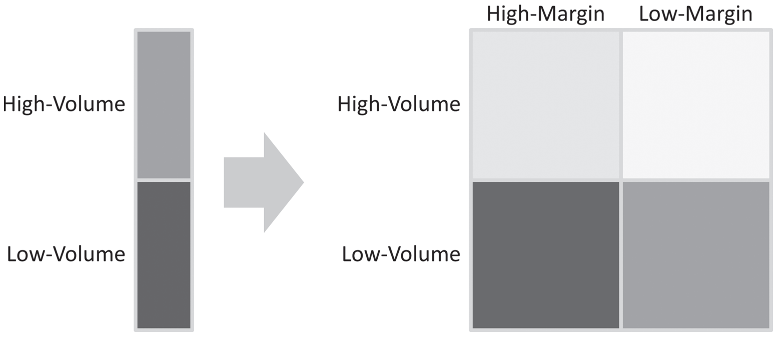


Figure 5.1 Factors that distinguish consumers.

Target Customer Demand	Brand Value Proposition	Desired Customer Belief
• Listens to our needs; works with us • Capability to develop optimal solutions • Not pushing products	**Developing the Best Solutions**	• Greatest breadth and depth of business know-how • Best end to end IT breadth
• Share information across any systems • Information any time; any place	**Creating Seamless Systems**	• Flexible/scaleable/inter-operable • Setting the IT agenda • Leverages current investments
• Reliable and secure • Internal and external customers can depend on us	**Unsurpassed Reliability and Security**	• Most reliable products and people • Lets us focus on the business • Leaders in IT Security
• Respond with a sense of urgency • Expertise to fix it right the first time	**Superior Customer Service**	• Minimizes downtime • Fix it right the first time • Empathy and urgency
• Don't want to be a beta site • Innovator who can impact our business in a timely fashion	**Innovative Approaches**	• A leader with dynamic, success future • Customer focused • Innovative and agile
• An advisor for our most important IT issues • Someone we can count on • Easy to do business with	**A Loyal Partner**	• Trust • Experience • Staying power • Accessible and helpful

Figure 7.1 Illustrative Brand Value Proposition for global IT firm.

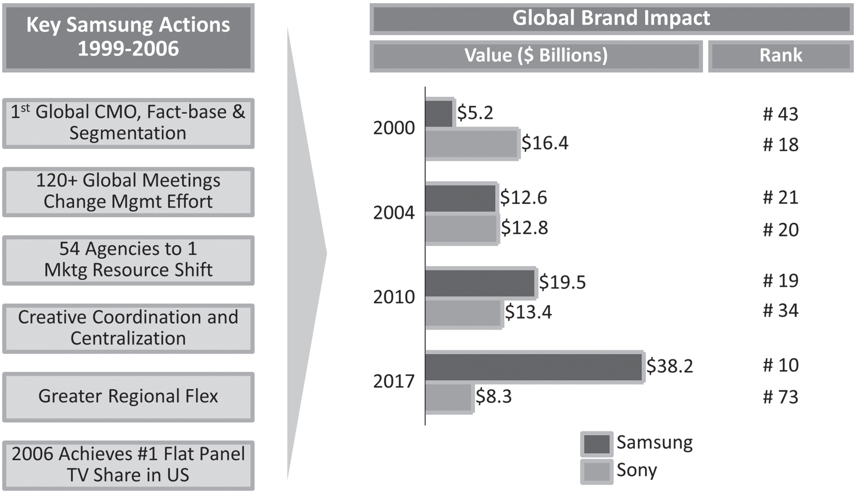


Figure 7.2 In 1999, Samsung set an aggressive goal to build a brand rivaling Sony in five years.

Source: Businessweek, Forbes, Brand Finance; TCG analysis

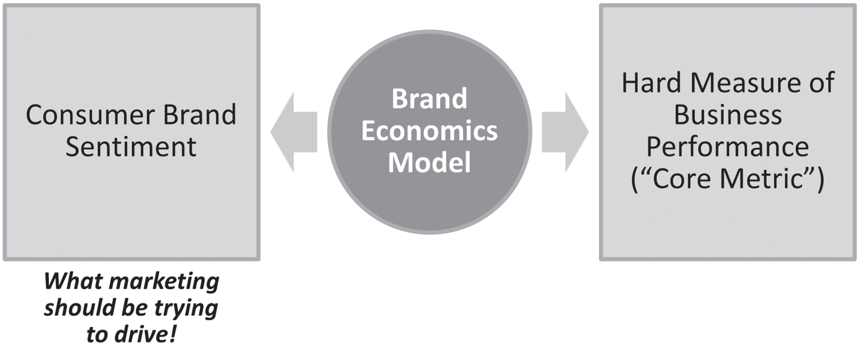


Figure 7.3 Brand Economics model.

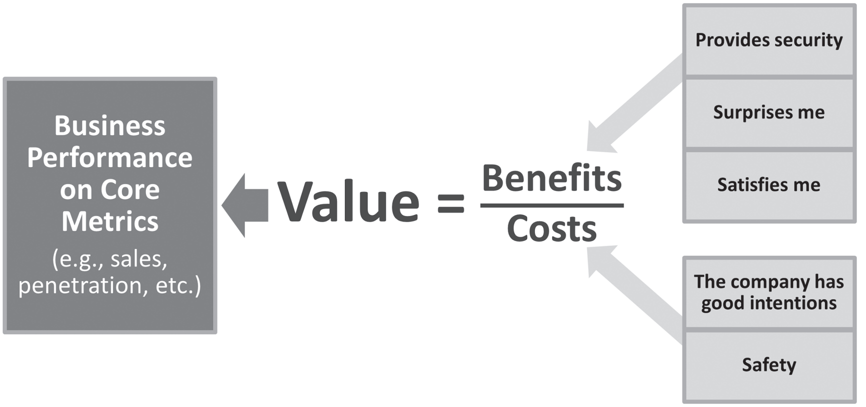


Figure 7.4 Cost-benefit trade-offs among Facebook users.

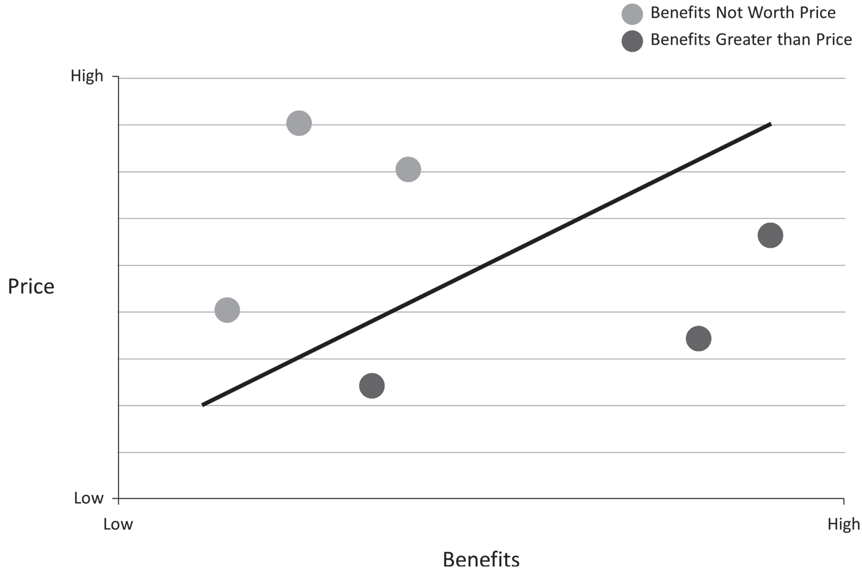


Figure 8.1 Theoretical value equation alignment.

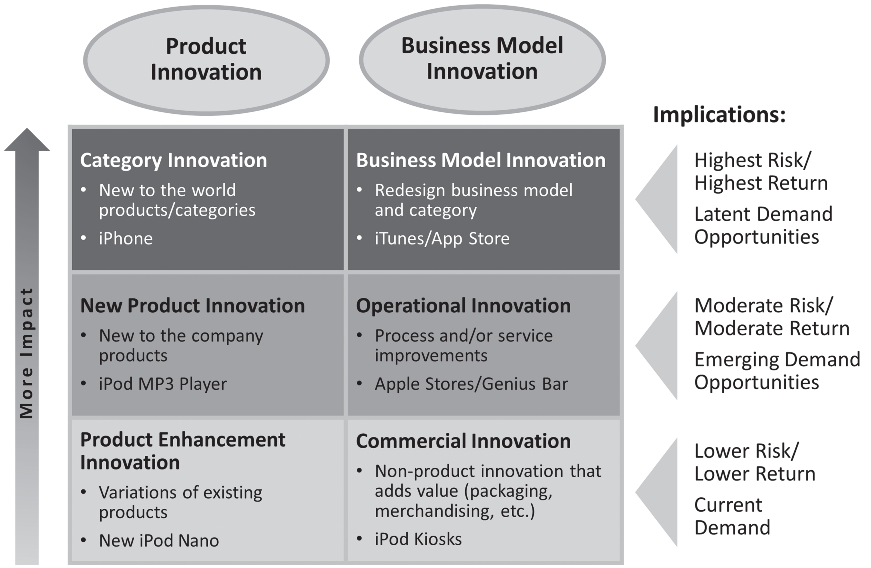


Figure 9.1 Portfolio of innovation types.

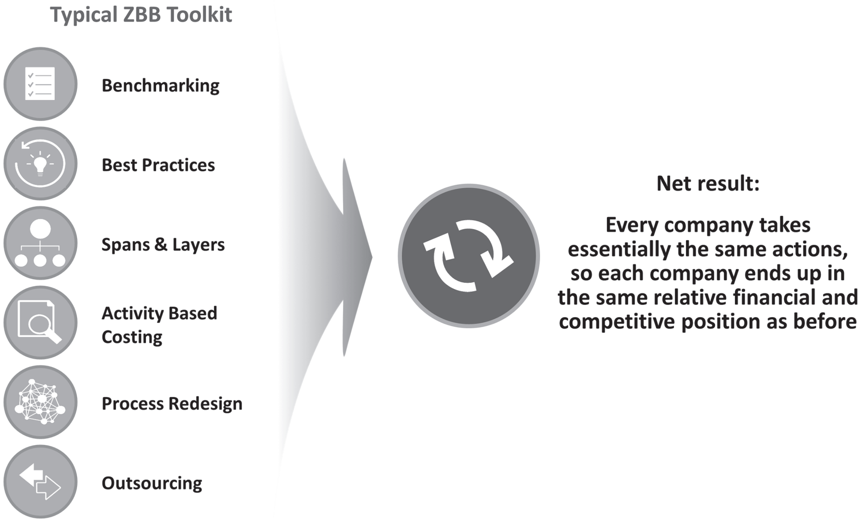


Figure 10.1 Typical ZBB toolkit.

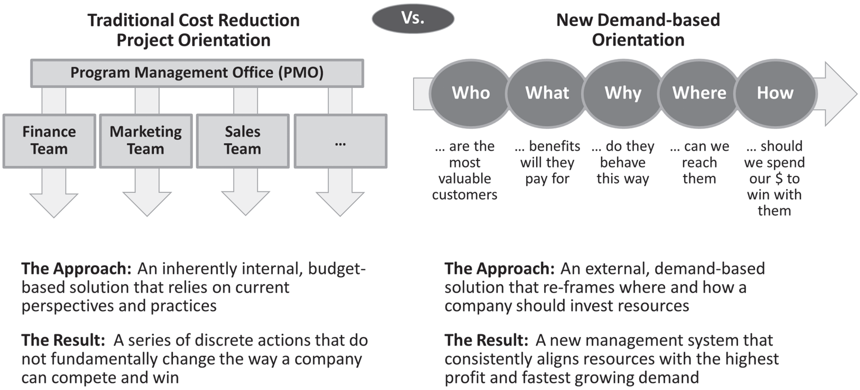


Figure 10.2 Traditional cost reduction vs. demand-based orientation.

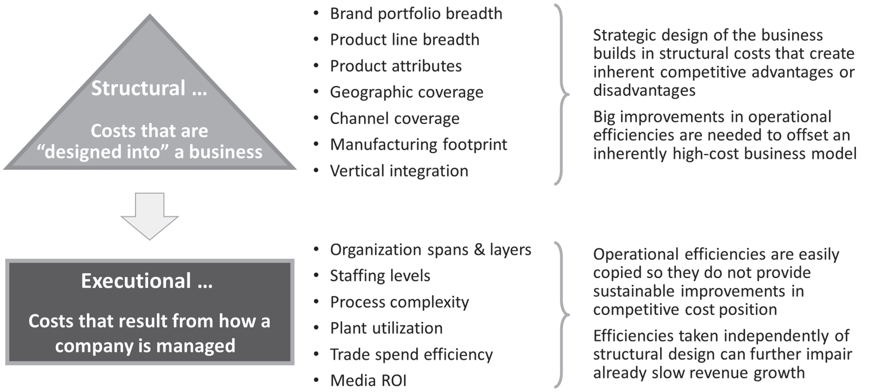


Figure 10.3 Two types of cost drivers.

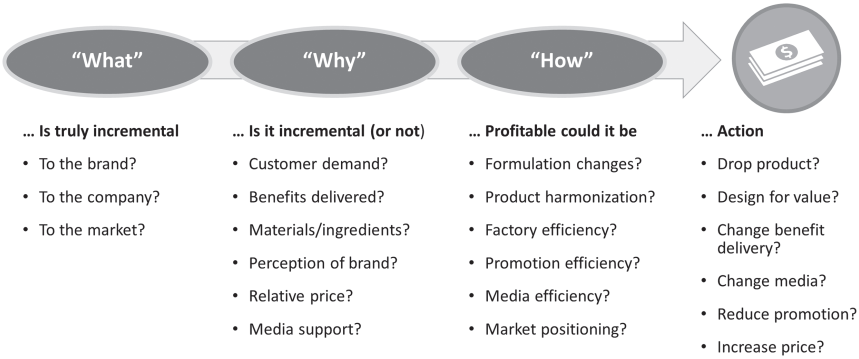


Figure 10.4 Assessing where and how to take action.

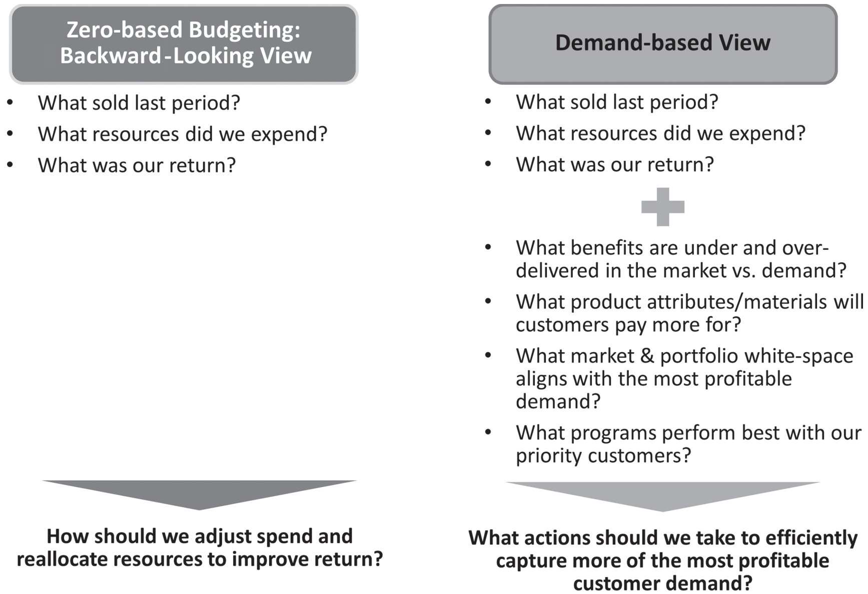


Figure 10.5 Insights from the demand-based view.

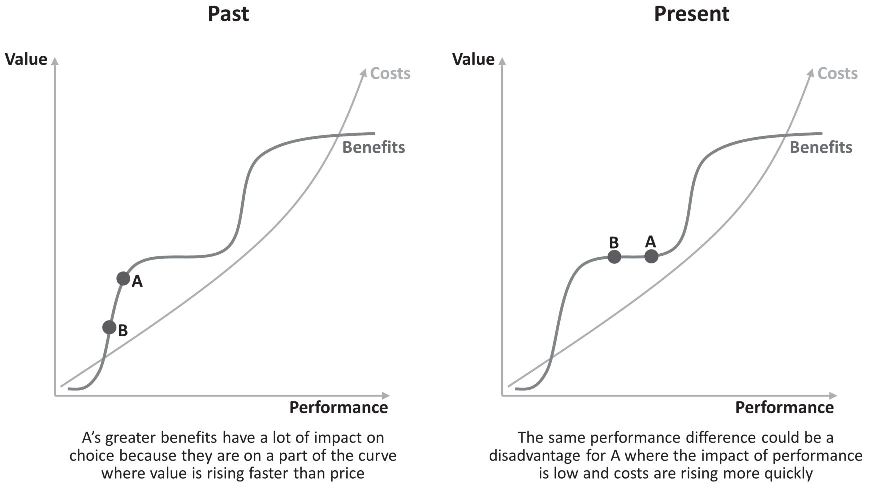


Figure 10.6 Matching action with growth strategy.

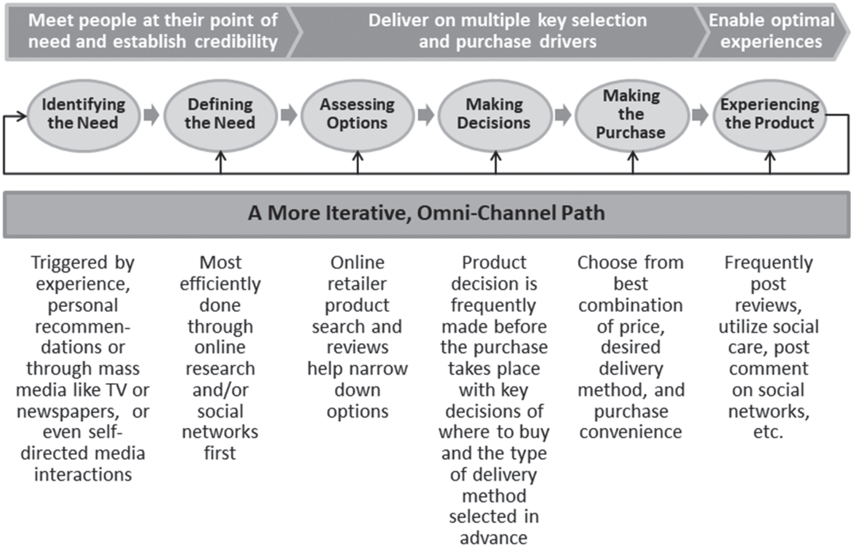


Figure 11.1 Consumer path to purchase – the new paradigm.