



*n*Light

Optimise your portfolio
for greater growth

Europanel nLightens on why optimising your portfolio to meet the needs of budget as well as premium shoppers presents even greater scope for growth

Finding growth within FMCG is tough. Whilst volume sales have grown 13% globally since 2007¹, this has plateaued in recent years with positive momentum remaining only in emerging markets, and that's slowing too. In developed markets it's flat at best – the US has experienced a decline of over 10% throughout the last decade.

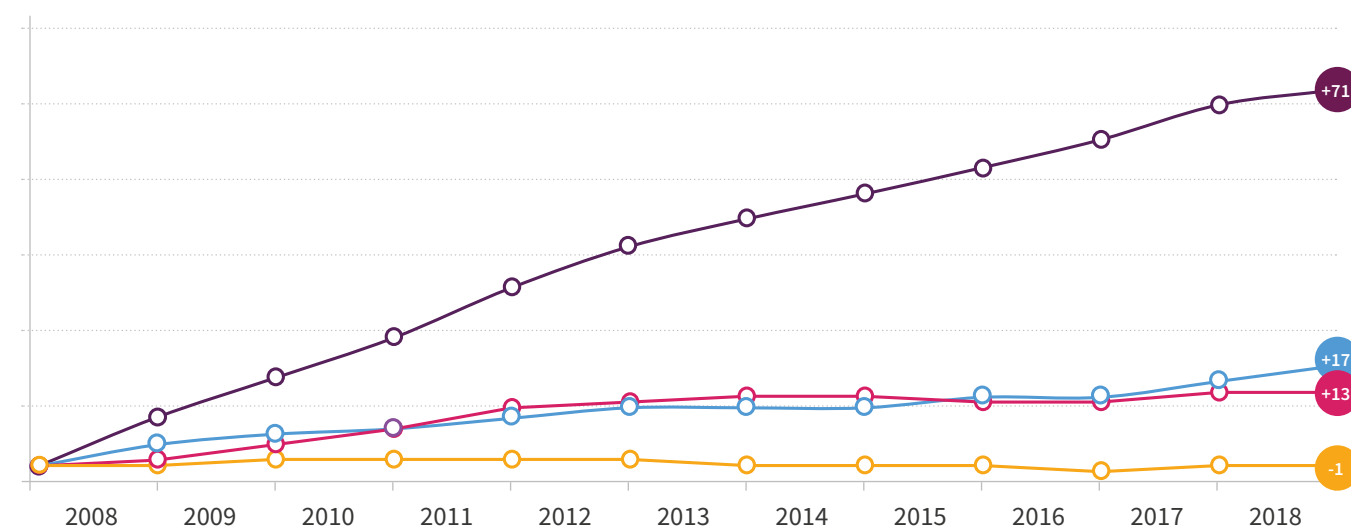
The value lens shows a more positive picture (+71% globally, 17% in W.Europe and USA) though inflation explains much of this. Whichever way you look at it, the trading environment is not a comfortable place to be.

Consumers have less money in their pockets as earnings growth lags behind inflation, and confidence is shaky as the political and economic sands shift. Values and attitudes are changing too, and the age of unlimited consumption is giving way to an era of mindful consumption².

The net outcome of this is trading up and trading down - consumers spending more on what matters most to them and less on what doesn't.

Manufacturers and retailers are having to work harder just to stand still.

FMCG Trends 2007 - 2017¹ ● Global Value ● W. Europe Value ● Global Volume ● W. Europe Volume



¹Europanel Global Monitor 2007 to 2018: Based on hundreds of categories in France, Germany, Italy, NL, Spain, UK, Poland, Russia, Brazil, Mexico, USA, China, India and Japan

²Kantar Futures (now Kantar Consulting): The Third Age of

Consumption – Live Large, Carry Little In A Post-Ownership Society

³Kantar Worldpanel: [Premiumisation, Innovation for Growth](#)

⁴Europanel BG20; The Golden Rules of Premiumisation 2015

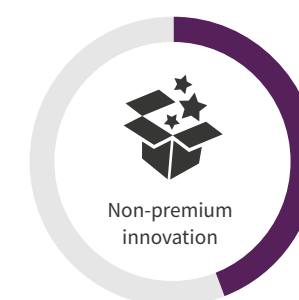
Premiumisation can be a win-win strategy, creating growth for manufacturers and retailers alike

One strategy that has delivered dividends in recent years is premiumisation – encouraging consumers to trade up to higher priced propositions to meet new needs, or better satisfy existing ones. It can be a win-win for manufacturers and retailers alike.



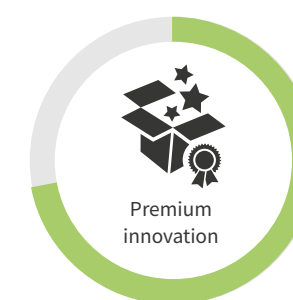
6%

In only 6% of categories does value growth exceed volume growth by 20% or more



42%

of non-premium launches drove overall category growth



72%

of premium launches drove overall category growth

Kantar Worldpanel recently shared evidence³ demonstrating that premiumisation is a key driver of incrementality, with 72% of premium innovations generating overall category growth compared to just 42% of non-premium launches.

But it doesn't work everywhere. Europanel's BG20 analysis of 1116 categories within 15 countries worldwide revealed those where premiumisation had been most successful⁴. Only 6% of categories were classified as such, where value growth exceeded volume growth by more than 20%.

For example, bean and ground coffee, olive oil and fabric conditioners were fertile ground for brands to premiumise. However, most categories displayed little or no momentum. Whether that's because they offered little potential as consumer desire for a premium offering was low, or it had simply not yet been exploited, was not explored in this study.

In the first of a series of articles accompanying the launch of nLight from Europanel, we explore whether focus at the premium end of the price spectrum is indeed the optimal path to follow, or whether exploiting different price points represents further room for growth through a more diversified portfolio.



What is BG20?

BG20 is short for Brand Growth 2.0 and is a global thought leadership project initiated by Kantar Europanel in 2012.

At its core is a data-set of enormous scale, comprising consumer purchase transaction history gathered via continuous purchasing panels. Its footprint is growing dynamically, and currently covers 36 countries, 86 categories and over 20,000 brands. This provides unrivalled opportunity to dig deep and reveal the truth about what really makes brands grow.

To understand more about BG20, follow [this link](#) or contact [John Truelove](#).



Introducing nLight

nLight identifies and sizes emergent consumer purchasing trends globally, enabling marketers and retailers to rapidly target potential pockets of growth and prioritise action where it delivers highest return.

It clusters consumers based on their purchasing loyalty to price, products and channels across total FMCG, to create groups who behave very differently from the norm.

The clusters are then profiled to yield new insight into purchasing motivations and behaviour at category, brand, SKU and retailer level.

Eight nLight clusters have been introduced so far. These shine a light on trend setters like our Conscious Naturals, who buy significantly more healthy foods than others, and their natural and wholesome values are reflected in all they think and do.

Then there's our Digital Shoppers. These leading edge consumers are technologically savvy and typically time poor, thus invest heavily in online shopping as a means of maximising convenience and efficiency.

nLight is currently available in seven markets worldwide (UK, DE, BR, CN, IN, RU and FR) representing 460m shoppers spending €667bn on FMCG a year.

[Find out more about nLight here.](#)

It's a misconception that budget buyers don't offer potential for growth – they do!

nLight clusters consumers based on their purchasing behaviour to isolate groups who behave very differently from the norm, whether that's in terms of what they buy, how they shop or what they pay.

Two of our clusters, Premium Pursuers and Value Seekers, are defined in terms of their loyalty to price points across all their FMCG purchasing. The former cluster (accounting for 8% of shoppers in our global scan) buy widely and consistently at prices significantly higher than the category average, the latter group at the low end of the price spectrum.

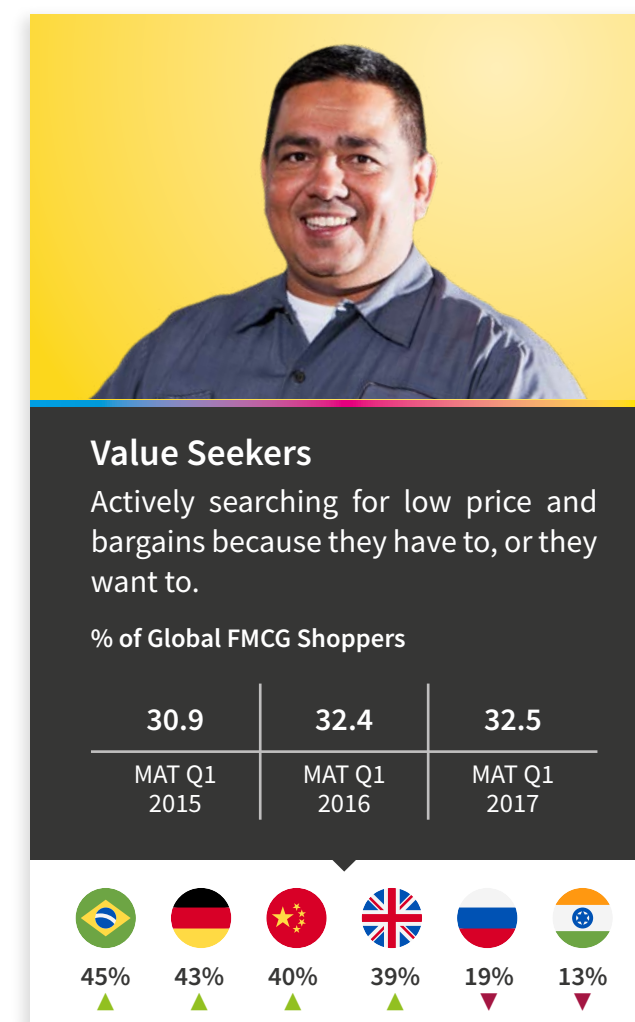
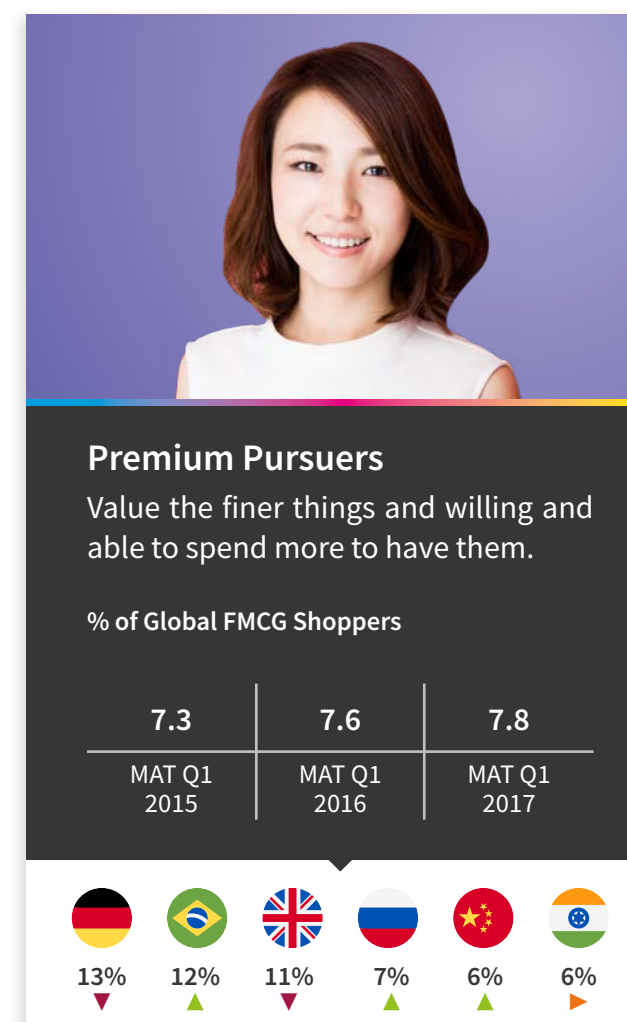
This second group, our Value Seekers, is much larger in size (almost a third of global shoppers), outnumbering Premium Pursuers by 4 to 1. On sheer numbers alone, they warrant more attention than they typically attract.

You might be tempted to think that Value Seekers represent limited growth opportunity, but you'd be wrong. As can be seen in the growth seeker matrix, both groups have positive trajectory in terms of shopper numbers (i.e. there's more of them) and the value they represent (they're spending more). Value is up within both clusters by around 12%.

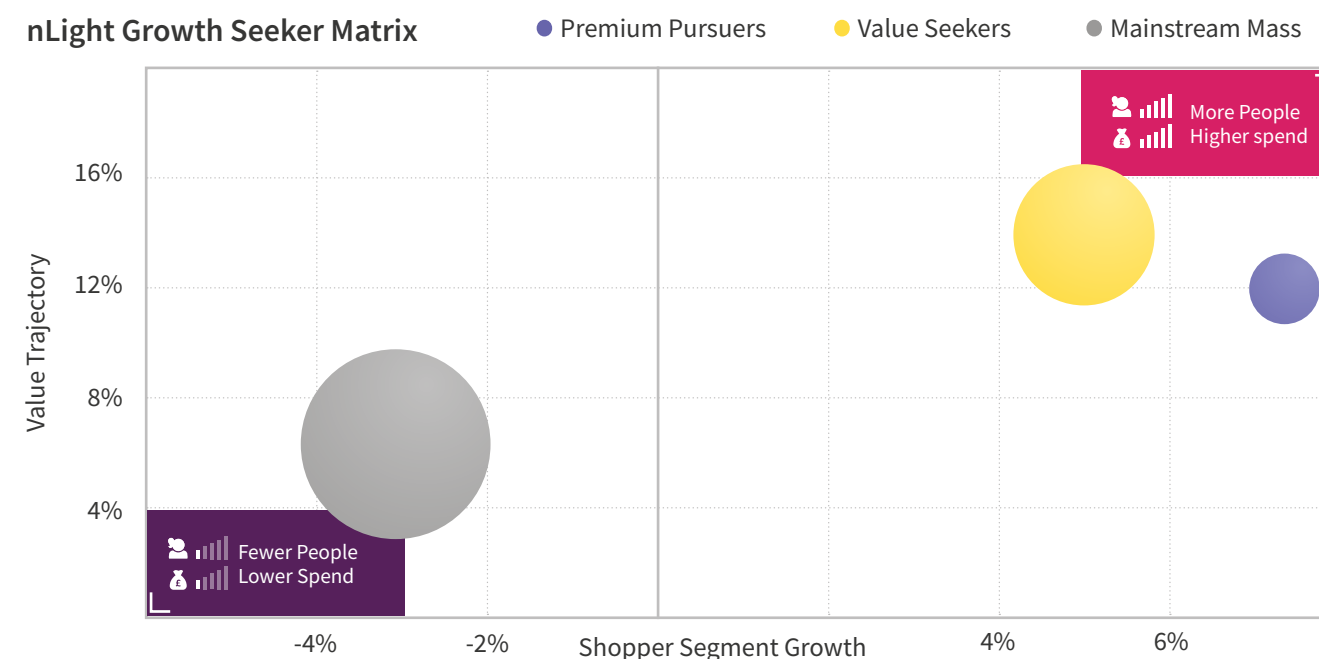
More consumers polarise to the outer reaches of the price spectrum

It's the residual shoppers (who we've named the Mainstream Mass and are shown in grey in the chart) who are spending relatively less. They account for around 60% of shoppers and purchase predominately at prices around the category average. Their numbers are declining too, as more consumers polarise to the outer reaches of the price spectrum.

Focusing on premium shoppers is clearly a sensible strategy, but a more intelligent one would exploit the potential that Value Seekers represent too, and to design your product and price architecture accordingly.



nLight Growth Seeker Matrix



Source: Europanel MAT 2016 vs 2014. % change in Total FMCG value per cluster and % of all shoppers



europanel™

Premium Pursuers

- ▲ Hair conditioners
 - ▲ Shampoo
 - ▲ Facial cleansers
 - ▲ Pasta
 - ▲ Chilled food
- €€€
- ▼ Household cleaners
 - ▼ Kitchen roll
 - ▼ Hair colourants
- €



Value Seekers

- ▲ Baby Food
 - ▲ Deodorants
 - ▲ Contact lens products
 - ▲ Hair colourants
 - ▲ Perms
- €€€
- ▼ Tea & coffee
 - ▼ Soft drinks
 - ▼ Wine
 - ▼ Jams & preserves
 - ▼ Instant soup
- €

Not all categories are equal – some offer more premium (or budget) potential than others

So, does every category offer the same potential for portfolio differentiation and is it the same across each country globally? Unfortunately, where consumers are concerned, it's never that simple.

Value Seekers do not always seek out lowest price across all they buy, and Premium Pursuers similarly display a greater desire for indulgence in some categories more than they do others. Knowing which categories present greater potential for premiumisation (and indeed for value propositions too), and where, enables manufacturers and retailers to place their bets where the returns will be greatest.

Value Seekers purchase at a premium price where the perceived risk of buying cheap outweighs the appeal of low price

nLight reveals that Premium Pursuers show a greater propensity to buy high in personal care categories like hair conditioners, shampoo, facial cleansers, toners and make-up and within grocery, oils, cooking ingredients, pasta and chilled foods. They tend to be less likely to pay a premium in household categories like multi-purpose cleaners and kitchen rolls, or hairspray and hair colour in personal care. Is this because they perceive these types of products as little more than commodities, or is it because sufficiently appealing premium propositions are not yet available? Inevitably the answer differs by category and country and is a topic for another day.

In contrast, Value Seekers do buy low in many grocery categories such as tea and coffee, soft drinks, wine, jams and preserves and instant soup. They are, however, prone to spend more on baby food, deodorants, contact lens products, hair colour and perms, where perhaps the perceived risk of buying cheap outweighs the appeal of low price.

Shoppers are not like leopards – they do sometimes change their premium or value seeking spots

It's insightful to look at how many low priced products Premium Pursuers buy compared to Value Seekers. This is in part dictated by how the clusters have been defined, but the analysis makes for interesting reading when we compare across different categories, and unpick the potential reasons for differences in behaviour.

Within the Yogurt market in the UK (valued in 2018 at £1.56 billion¹) Premium Pursuers pay a premium price for almost 40% of their yogurt, but a quarter of their volume is at a price index of 90 or less compared to the market average.

Predictably, two-thirds of the yogurt consumption of Value Seekers is at prices well below average, but they too indulge from time to time. A fifth of their consumption is purchased at a much higher price. This isn't simply exploitation of discounts and promotions. Value Seekers are trading up and spending more on some occasions despite a strong tendency to typically trade down.

The pattern is less predictable when looking at Fabric Conditioners in China. Whilst Value

Innovation and portfolio differentiation offer growth potential

Seekers again show strong bias towards low priced products, Premium Pursuers buy both high and low, and almost 40% of their purchasing is at a comparatively cheap price.

What causes these behavioural variations? Is it need state (different occasions merit paying more or less), physical availability, activation strategies such as too much (or too little) promotion or a gap in the market where existing propositions lack sufficient appeal to attract Premium Pursuers? If so, innovation and portfolio differentiation offer growth potential.

nLight reveals these opportunities, and by exploiting the analytical power of behavioural, demographic and attitudinal profiling, enables marketers to prioritise the best bets and design winning strategies for growth.

Yogurt in UK

% Volume Bought Within Each Price Band



Fabric Conditioners in China



● Budget ● Upper Budget ● Mainstream ● Lower Premium ● Premium

Kantar Worldpanel UK and CN MAT 2016. Price bands = price index vs. category average.
Budget ≤ 65; Upper Budget 66-89; Mainstream 90-109; Lower Premium 110-134; Premium > 135

Is the trend towards more trading up or more trading down, and what drives this?

Unlike traditional ad hoc segmentation methodologies, nLight offers further advantage in that it is based on continuous consumer purchasing behaviour. It can therefore track changes over time to quantify the extent of trading up and trading down amongst different shopper groups. Is there a premium or value-seeking tailwind and what factors influence this?

UK Premium Pursuers have become even more premium

Again we see it differs by category and country. For example, amongst Premium Pursuers in the UK, price paid rose in over half of the categories bought, despite the claims of a post-Brexit economic hiatus suppressing consumer confidence.

This infers that premium purchasing is expandable - as more premium offerings come to the market so the Premium Pursuer will follow. This has been most evident in

Price Index Trend 2016 vs. 2014 % of Categories | Premium Pursuers

● Decrease ● Stable ● Increase



UK

25% 26% 49%



Russia

65% 23% 12%

Europanel MAT 2016 vs 2014

health-related categories such as sleeping aids, slimming products and eye care, but also within frozen foods. An opposing trend is evident in Russia, where Premium Pursuers have been reducing the amount they are prepared to pay in around two-thirds of the categories they buy. Cosmetics, baby products and ready-to-eat foods are amongst those most hard hit. Is this a response to a tightening economic climate and the need to budget, or a failure by premium propositions to justify their price point, leading to consumer disaffection and a trade down in preparedness to pay?

Price Index Trend 2016 vs. 2014 % of Categories | Value Seekers

● Decrease ● Stable ● Increase



China

24% 53% 23%



Brazil

23% 53% 24%

Europanel MAT 2016 vs 2014

Value Seeker behaviour is more predictable. As they already buy low, their ability to contract spend in toughening economic times is more limited.

Between 2014 and 2016, as Brazil suffered a recession and in China the economy started to lose momentum, average price paid shrank in only a quarter of categories yet remained broadly static in over half of them. Spending patterns changed little for food essentials like dairy products, cereals, tea, coffee, meat and bread, and indeed rose to more premium price points in categories such as haircare and infant formula where factors beyond simple economics drive purchase decisions.



Many brands have already tested the portfolio approach and reaped the rewards – who and how?

Understanding the extent to which categories currently meet the needs of both premium and value shoppers within differing geographies, and where further potential may lie, is key knowledge in the quest for future pockets of growth.

What do Premium Pursuers buy in your category and at what price point? Are their purchase choices consistent with their values as they seek indulgence and are prepared to pay more for it? If not, why not? Are Value Seekers acting true to type or are they loosening their purse strings and splashing out on indulgent treats or minimising risk by paying more? Is your range fully fit for purpose by offering sufficient relevant and appealing propositions available at all price points? If not, can your product portfolio be adapted to exploit the opportunity?

nLight helps address these questions thereby illuminating the optimal path to growth.

There are many examples of brands who have spotted the gap and adapted their marketing strategy to suit.

Lindor in the UK appealed disproportionately to Premium Pursuers, but gained penetration and value growth through tactical promotions and the introduction of a larger value pack to attract Value Seekers.

Such a strategy doesn't come without risk. Ensuring the brand retains the specialness which justifies the premium, whilst drawing in budget buyers too, is a careful balancing act.



Head & Shoulders differentiates price by variant to maximise shopper reach

Head & Shoulders took on that challenge in China by leveraging their variant portfolio and launched new line extensions offering different benefits at high, mass and low-price points.

For example, Silky Soft sits at a lower price point and is distributed widely in mass channels to attract value and mass shoppers.

Hydra Nourish is positioned at a much higher price point to attract premium shoppers and is available in more specialist outlets.

Similar success stories are evident within many personal care categories like toothpaste and skin-care, where the same brand can appeal to very different consumers by offering a range of price differentiated, benefit-led propositions.



Greenfield stays focused on premium shoppers

Other brands decide to put all their eggs in one basket and appeal to one end of the price spectrum alone. Greenfield Tea in Russia has, through constant innovation, distinctive

packaging and strong communication, disproportionately attracted Premium Pursuers to deliver strong growth despite a challenging trading environment.



Simultaneously targeting polarised shopper groups works in retail too

The stellar rise of the discount channel in the UK, driven principally by Aldi and Lidl, was achieved by a continued focus on keen prices and a no-frills proposition. At the same time, however, they introduced a limited high-quality range of premium foods supported by appropriately indulgent and appealing advertising.

This resulted in a phenomenal rise in footfall, and transformed the previously down-market skew of their shopper base to one that is more balanced. Same store, but pulling multiple triggers through differentiated range and communication to attract different groups of shoppers.

The fast track to growth? Optimise your portfolio to offer differentiated propositions to meet the needs of different shoppers

Brands and retailers can successfully appeal to both Premium Pursuers and Value Seekers by offering different propositions pitched at different price points within their product portfolio.

A two-pronged approach will yield more from these growing segments for many reasons, not the least that Value Seekers outnumber Premium pursuers by 4 to 1.

nLight aims to assist marketers identify and prioritise potential pockets of growth and develop a winning strategy by illuminating the best bets globally. However, nLight isn't restricted to only assisting with your price and product architecture.

The nLight family includes Conscious Naturals, who are strongly motivated to seek health, well-being and sustainability benefits in all they purchase, Digital Shoppers who are truly committed to online purchasing, and Variety Seekers who thrive on novelty and newness.

If you would like to learn more about nLight then look out for our future articles and give us a call to discuss how nLight can help you in your quest for growth.

For more information, contact [John Truelove](#).



Read more about how our case
study brands executed successful
strategies for growth





Lindt Lindor

Lindt's premium chocolate truffles brand, Lindor, has enjoyed 10% growth in the UK in the 3 years to 2017. nLight reveals that growth amongst Premium Pursuers over the same period was 9%, but the number of Value Seeker buyers doubled to generate 18% value growth amongst this shopper segment.

How did this premium brand drive incremental growth by targeting budget shoppers?

First, be willing to compromise on price when you initially promote a premium product. Second, do not be afraid to introduce a SKU into the portfolio which is specifically targeted at other shoppers. Lindor launched a 600gm value pack in 2016 driving incremental penetration.

This helped shift perceptions of the brand from an expensive occasional purchase to a more mainstream every day treat, so increasing its appeal and relevance to a wider pool of chocolate lovers.

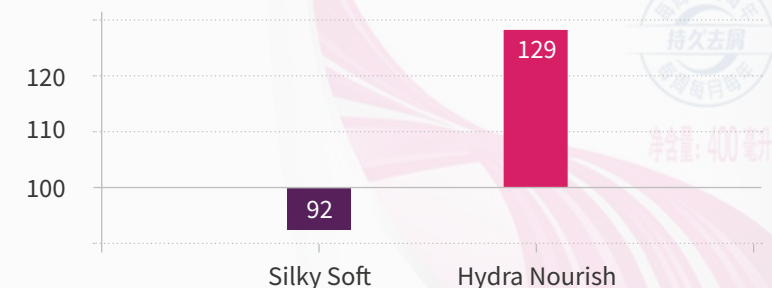


Head & Shoulders

Head & Shoulders meets the needs of different shoppers by offering a range of benefits across their variant portfolio at different price points.

In China (an intensely competitive market in which H&S had been losing momentum), careful management of availability, communication, price and promotion at variant level enabled H&S to satisfy different shopper motivations simultaneously. This approach reversed a previously declining performance.

Variant price index*



This strategy was well executed hence avoided compromising the premium perception of the brand. WPP's Brand Z** report demonstrates that Head & Shoulders commands the highest Premium Index in the Chinese Shampoo market.

*Kantar Worldpanel China | MAT 52 w/e August 2018

**WPP Brand Z 2017



Greenfield

Russian tea brand, Greenfield, has single-mindedly targeted premium shoppers to deliver 88% growth amongst Premium Pursuers in the 3 years to 2017 vs. 50% at total brand level.

Against an intensely inflationary headwind we might expect a premium proposition to struggle. Not so for Greenfield, who have seen 6% growth in the number of Premium Pursuers buying the brand. That's an incremental 600k shoppers prepared to pay premium prices, and double that of the penetration growth for the brand overall.

What's the reason for Greenfield's success?

According to WPP's Brand Z* report, Greenfield has a brand power score of 356, a third higher than its premium peers such as Lipton and Ahmed. Perceived quality is high, as is endorsement. It is seen as meaningfully different, with attractive packaging, provenance, and sustained innovation.

The introduction of new and unusual variants like Blueberry Forest, Green Ginseng and Redberry Crumble complement a wide range of more mainstream teas.

By consistently refreshing the brand's appearance and variant portfolio, Greenfield retains and builds its premium appeal even in tough trading conditions.

*WPP Brand Z Report - Greenfield 2014

Lidl

Lidl continues to gain ground in a challenging UK retail marketplace with growth strongly outpacing competitors (+8.3% vs market at 3.8% latest 12 weeks*).

They're achieving this by extending appeal beyond their traditional discount shopper heartland, and building a strong franchise amongst those looking to fill their shopping baskets with more premium products too.

Lidl is growing as fast amongst Premium Pursuers as it is Value Seekers, with spend per buyer up 13% and 14% respectively over the past 3 years.

Lidl's success is attributable to maintaining focus on value but complementing that with an enhanced offer comprising more mass and premium brands. They've extended their own range to include more indulgent and limited-edition products, and heightened focus on key events like Christmas.

In addition they have consistently communicated their authenticity, provenance, sustainability and quality via their Lidl Surprises advertising campaign. These initiatives enable Lidl to better meet the needs of those wanting to trade up as well as trade down, even on the same shopping trip.

Their key rival, Aldi, has been less successful at this balancing act. Whilst they continue to win at the budget end of the spectrum, growing by an impressive 26% amongst Value Seekers, their Premium Pursuer appeal is currently less compelling (+ 8% amongst this segment).

*Kantar Worldpanel UK 12 weeks to 9th September 2018

The logo for nLight, featuring a stylized lowercase 'n' in a rainbow gradient followed by the word 'Light' in a white, sans-serif font. The logo is centered within a large white circle. The background of the entire page is a vibrant, abstract composition of overlapping circles in various colors including red, orange, yellow, green, blue, and purple, creating a bokeh-like effect.

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