

KANTAR CONSULTING

# A WHOLE NEW WORLD

SWITCHING ON GROWTH IN UNCOMFORTABLE PLACES



PREDICTIONS 2018

# "IN ANY GIVEN MOMENT, WE HAVE TWO OPTIONS: TO STEP FORWARD INTO GROWTH OR TO STEP BACK INTO SAFETY."

Abraham Maslow

In the retail world of 2018, growth has gotten harder to come by. Instead of the comfortable channels and geographies that most major FMCG companies know best, it has shifted to the uncomfortable places that now characterize the global growth landscape.

Kantar Consulting's 2018 retail predictions aim to help you understand these shifts as each of the three prediction sets (U.S., Europe, and global) focuses on the geographies and channels driving growth in those markets. In addition, we try to identify the key strategies

helping those fast growers switch on growth. In doing so, we will be using Kantar Consulting's WHOLE Demand framework to bring those strategies to life. (For more information on WHOLE Demand, download the Kantar Consulting white paper, **Follow the Money: Finding Growth in Uncomfortable Places.**)

## Shifting Growth: A Mix of Old and New

At a market level, pro-growth governmental policies are helping to fuel growth in two of the world's five largest markets (India and the U.S.). China will continue to be a growth

engine. (Our prediction for slower growth there predated China's announcement of faster-than-expected 2017 growth.) At the same time, a number of geographies are experiencing growth constraints due to government/monetary policies or slow price inflation in the commodities markets.

At a retailer/channel level, eCommerce will remain the obvious global growth driver. The key question for retailers is how to ride the growth wave without disrupting the rest of their business. Key channels like discount and convenience continue to grow, but the key takeaway is that a global business must prepare for a fragmented retail growth landscape. The key to mastering growth in this environment is having a variety of store- and nonstore-based business models.

## Uncomfortable Places: New Players, Partners, and Concepts

That business model fragmentation is the reason that growth opportunities are so uncomfortable today. FMCG companies will need to build far more flexibility into their models to manage the old and new customer landscape, and, in a more fragmented world, midsized markets take on new importance. In the U.S., for instance, about 45% of all retail growth will come from online, while half of the rest will come from clubs, prescriptions, and convenience stores. In Europe, drug and discount are the stars, with almost all growth coming from Central and Eastern Europe and from the great retailers leading each of those formats nationally and globally.

We expect retailers will discover their own uncomfortable growth places in a variety of ways, but partnerships will play a notable role. While these partnerships are often in predictable areas like eCommerce fulfillment, more holistic ones, such as Casino and Ocado partnering on eGrocery, will become more common. In brick-and-mortar, U.S. department store Kohl's is licensing space to other small-format retailers. We also expect more partnerships to expand into food service, such as the one Sainsbury's has with the restaurant chain Zizzi. Healthcare will be another big area: Witness CVS's acquisition of Aetna and Walgreens' expanding healthcare partnerships. Indeed, the marriage of retail and healthcare will be a major 2018 theme across all retail formats. We expect these uncomfortable places to manifest themselves in three "news": new scale, new value, and new influence.

A GLOBAL BUSINESS MUST PREPARE FOR A FRAGMENTED RETAIL GROWTH LANDSCAPE.

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**New Scale**

The “comfortable” places (large-box, large-scale retailers) will become less comfortable as they leverage their scale in new and aggressive ways. Whether it is Walmart and Kroger retooling category management to be a little less collaborative, or Carrefour and Aldi exploring new “synergy” platforms, large-scale brick-and-mortar retailers will push harder on their trading partners to leverage scale. “Collaba-gotiation” will be a key capability — the ability to handle joint business planning and intense negotiation simultaneously.

**New Value**

Shoppers will continue to present retailers and their FMCG partners with a rapidly changing definition of value. Price is still important, but for retailers, offering a seamless experience will be critical as shoppers increasingly seek a stress-free experience. With shoppers expecting retailers to provide experiences, connection, and solutions, manufacturer brands will be challenged to provide value to shoppers through higher levels of purpose.

**New Influence**

As shoppers seek that seamless, meaningful experience, they will increasingly seek those solutions online. The rise of eCommerce is easy to predict from a pure volume perspective, but eCommerce’s role in giving shoppers a more stress-free experience is potentially more significant. Today, 45% of U.S. households seek that stress-free solution in part through an Amazon Prime membership — and that percentage may surpass 50% of U.S. households in 2018. Your 2018-and-beyond conversations will be about a different eCommerce as “everywhere commerce” replaces “omnichannel” as the term to describe the shopper’s desired retail outcome.

## WHOLE Demand

The response to these tectonic shifts will require our clients to rethink the rules of demand creation and demand conversion. Those new rules — and the rest of the key trends we see for 2018 — are summarized well in Kantar Consulting's WHOLE Demand framework.

### W: Wide-Angle View of Growth

Winning companies in 2018 will stretch themselves beyond their comfort zone by taking a wide-angle lens view of growth. In addition to the uncomfortable channels we have already mentioned, we think the brick-and-mortar store will undergo a “wide-angle refresh” in 2018. Stores will significantly reimagine space and layout as the categories shoppers buy in store continue to change and the layouts and space we forecast become increasingly hyperlocalized. With consumption shifting away from goods and to experiences, stores will dedicate more space to experience and service. Retailers can use a simple PRESS test to see how much space they dedicate today to the following five things:

- Product
- Redistribution for eCommerce
- Experience
- Space (empty space aimed at better experience)
- Service

We expect the “RESS” to “P” ratio to increase dramatically in store prototypes in 2018 and beyond. The “E” will be physical, digital (“phygital” will be a key buzzword to describe this aspect), and mobile. Home Depot and other retailers will continue leading the way on integrating these experiences into a connected whole.

### H: Human-Centric Understanding

Human-centric understanding means knowing shoppers beyond their transaction habits and understanding them as people. The tools to reach shoppers will continue to blur into the tools that reach consumers, as Pinterest, Facebook, and other content sites become more important shopper outreach platforms. The first global generation will reset shopper



# WHOLE DEMAND

ONE VIEW OF DEMAND, FROM STRATEGY TO ACTIVATION, CONNECTING MARKETING AND SALES

expectations. With a more global outlook, these shoppers will expect more personalized and relevant assortments and messaging from their retail “life partners.”

### O: Optimize Value

As shoppers continue to redefine value, retailers must optimize it relentlessly. Shelf-level economics will need more granular and genuinely causal insights to be useful to your best retailers; just playing back ePOS data in the form of planogramming recommendations driven by historic volume will be insufficient. Optimization is not just about economics. As our European outlook highlights, best-in-class retailers must do everything faster. Near-immediate fulfillment will require optimizing all the processes involved for it to work even close to profitably.

### L: Learning Obsessed

Best-in-class companies will devour information about the changing landscape and turn that learning more consistently into action. The challenge of the Amazon and Alibaba ecosystems in the world's largest retail markets requires significant commitment to retooling and retraining sales and marketing teams so they know how to create demand in this brave new commercial world.

### E: Experience-Centric

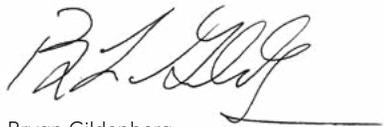
Experience, which has been at the heart of many of the other themes and predictions, will be a critical component of both digital and physical store redesign. The other key theme we have echoed is the rise of services. In addition to in-store services, a whole host

of at-home services like meal kits, box services, and subscription programs will be major areas of retailer exploration and growth in 2018 and beyond.

### The WHOLE > Sum of the Parts

The uncomfortable places that growth is coming from require a fundamentally different approach to achieving growth. We hope the key themes we have highlighted in our view of these uncomfortable places and in the WHOLE Demand framework prove helpful as you execute 2018 and plan 2019-2023.

Have a great start to the year!



Bryan Gildeberg  
Chief Knowledge Officer

**Kantar Consulting** is driven to switch on growth. With over 1,000 analysts, thought leaders, software developers and expert consultants we help clients develop and execute brand, marketing, retail, sales and shopper strategies to get growth delivered. Kantar Consulting owns market leading assets including PoweRanking, GrowthFinder, Global Monitor, Retail IQ, RichMix, XTEL and Marketing, Insights and Purpose 2020. We track 1,300 retailers globally, have purchase data on over 200 million shoppers and forecast social, cultural and consumer trends across the world.

Kantar Consulting is part of Kantar, the data investment management division of WPP.

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*Predictions 2018: A Whole New World*

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Copy editing by Ann Pariani

Design and production by Mark Abair and Katie Schoerning