



## THE STARK TRUTH OF BEHAVIOR-BASED GROWTH IN CPG

SOME THINGS WILL NEVER CHANGE, BUT YOUR CUSTOMERS KEEP EVOLVING

### Chris Enger

Partner, Periscope® By McKinsey

Email: [chris\\_enger@mckinsey.com](mailto:chris_enger@mckinsey.com) | Twitter: [twitter.com/periscope\\_solns](https://twitter.com/periscope_solns)

Website: [www.periscope-solutions.com](http://www.periscope-solutions.com) | LinkedIn: [www.linkedin.com/in/chris-enger-5375786/](https://www.linkedin.com/in/chris-enger-5375786/)

The CPG industry is currently facing an unprecedented growth challenge. When looking at data from McKinsey CPA, Capital IQ and Datastream, confidence has doubled since 2011, yet growth has dropped 10% over the same period. Competition for consumer spend is higher than ever, and eyeballs are being pulled in every direction as brands seek to secure their loyalty and revenue. Shoppers are changing too: Millennials are more diverse, sophisticated and demanding than any previous generation of shoppers and increasingly shun big brands. Big brands are also suffering at the hands of smaller nimble start-ups that use technology to drive huge operational cost savings and magnify their marketing muscle. Consumers are also taking a much more ethical view when making buying decisions, and expect transparency from their brands.

There are many more challenges too, but what is true of all of them is that the only way to overcome them and find the opportunities to grow your CPG market share, is to understand how your portfolio is performing at a very granular level, the trends in the market, as well as consumer needs, occasions and behaviors. You may feel you do this already through demand planning tools, but they do not help you understand how consumers are behaving or what influences that behavior, it only tells you what they ultimately bought. Having the understanding of how they reached that final action, is the critical component to growth success.

Many big players have tried to out maneuver competitors either through marketing spend or heavy discounting. But in the long run it won't work, it will simply train consumers to only buy a brand when it is on sale and nobody wins in a market built on that premise.

#### A behavior-based approach to growth

Growth Mapping is the new way to align what manufacturers make with what consumers want. It combines different types of segmentation – of people (demographic), their choices (behavioral), and their underlying needs – to detect and unlock new sources of

volume-driven growth, be it from existing, neighboring, or new categories, channels, markets, and brands.

Growth Mapping turns big data into a fact base for the entire organization to rally around and prioritize growth initiatives according to their prospective payoff. It helps companies to answer a series of key questions:

- What are consumers purchasing and using?
- Why are consumers choosing products and brands?
- Who are our current and potential consumers?
- How is the market evolving over time?
- What are emerging trends that are fulfilling unmet needs

By focusing on behaviors rather than simple demand, Growth Maps better enable breakthrough innovation and growth into completely new domains. It is a fact-based approach to identifying growth priorities, which decomposes drivers of consumer behavior and brings the consumer journey to life. This can then be used to drive product innovation, whether through design or marketing.

There are many variables involved in gaining these insights, that the only effective way to achieve the development of Growth Maps is through Machine Learning. This is a key component, one that uses the brute force of computing power to identify the key segmentations and their drivers, by identifying patterns in hours, that could take a human team weeks – if they found them at all! Combined with consumer sentiment analysis, these attributes can be automatically segmented and visualized in a way that allows portfolio teams to quickly make decisions on future product lines, designs, and even categories to invest in.

The future of CPG growth is not out-marketing or discounting the competition, its entirely about understanding your customers and what drives them – and that is something that has never changed.