Thanks very much. Welcome to this U.S. MONITOR Webinar about Finding Growth in Uncomfortable Places.

I want to do two things today. First, I want to dig into this topic. How do brands find and create growth in the future of consumption? Second, in addressing this issue, I want to spotlight the MONITOR resources available to brands dealing with this challenge in the marketplace.

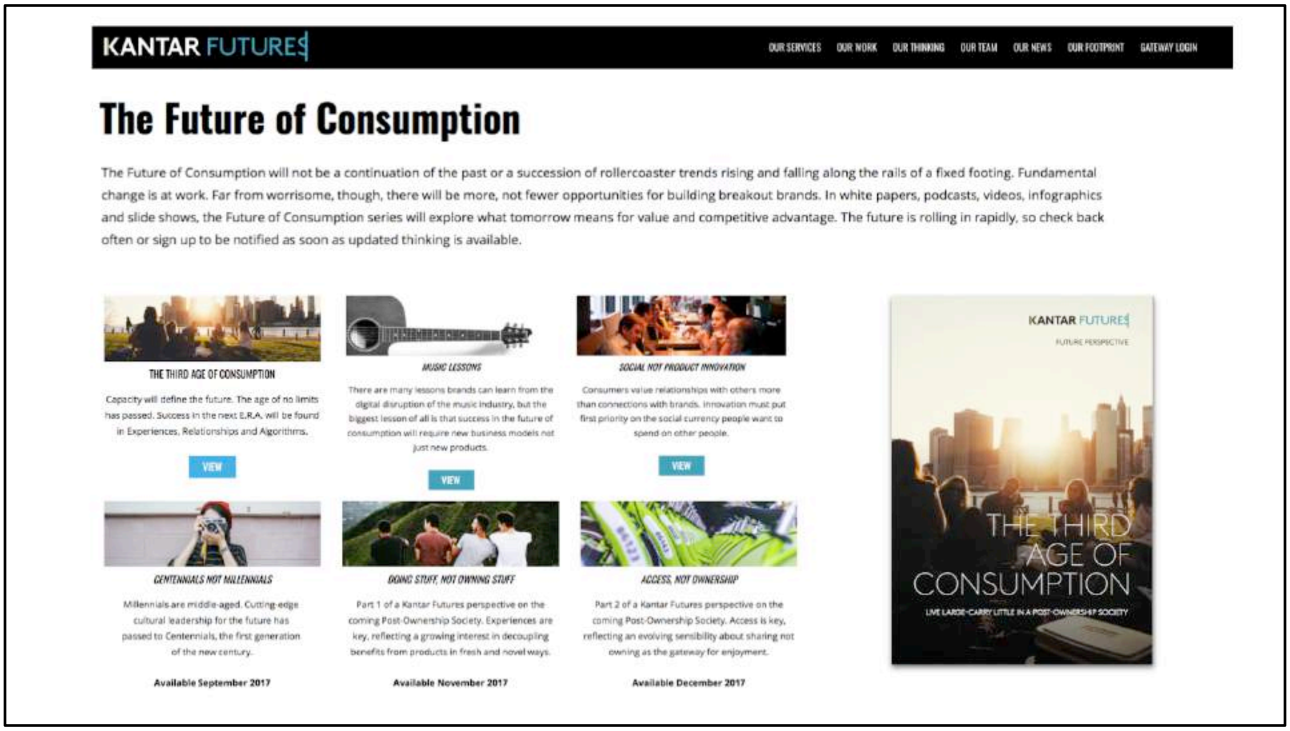
You'll see three things. We have thought deeply about this issue and I'm going to pull from many of our white papers to show you what we've learned and what we think is important for you to know. Second, I'm going to show you some of the data we collect that profiles consumers and reveals opportunities. And third, I'll show you one example of the activation tools we've developed from MONITOR that enable brands to directly apply and profit from these insights.

There's a lot more to MONITOR these days. Because the challenges facing brands are bigger than ever.

Nokia knows this. Remember that uncomfortable press conference to announce Microsoft's acquisition of Nokia's smartphone business? The CEO broke down in tears. "We didn't do anything wrong," he said, "but somehow, we lost."

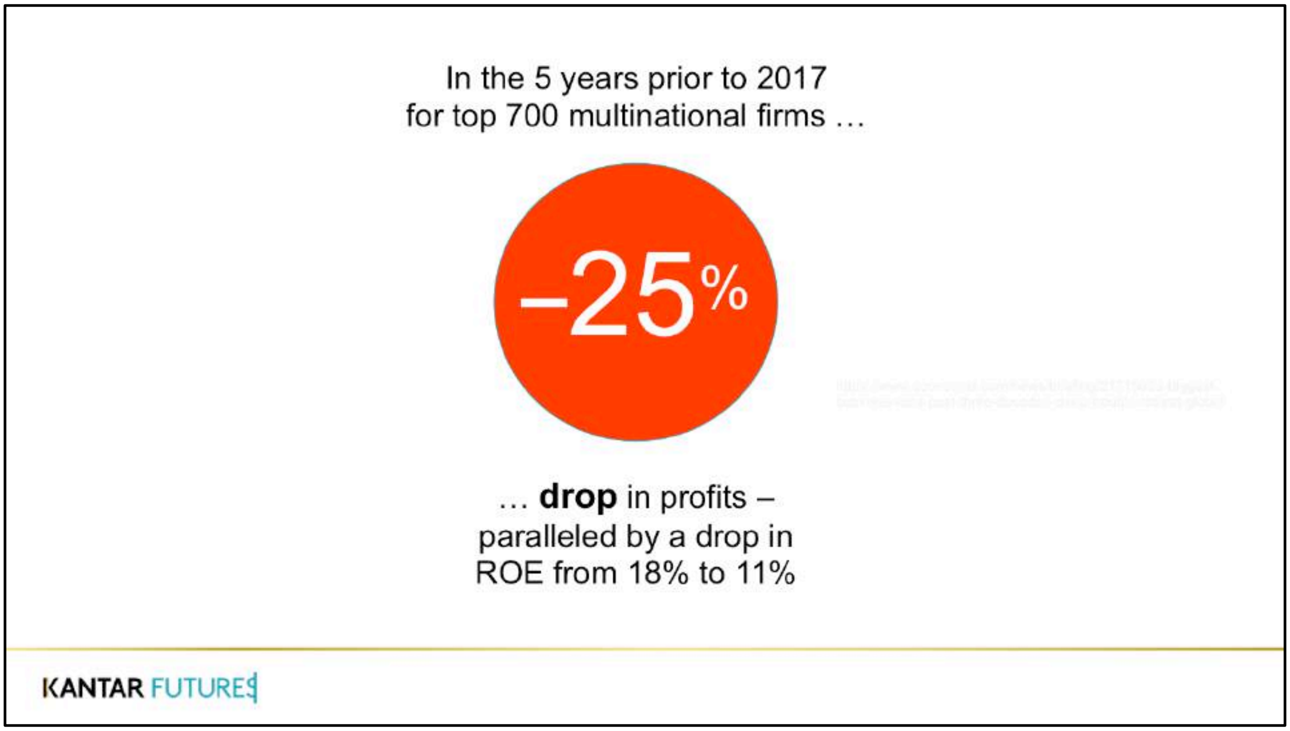
He was right. Nokia didn't do anything wrong. The world just changed too fast and they lost not only the opportunity to grow, but the chance to survive.

Disruption is the new normal. You can do everything right, but if your competitors catch the wave that you miss, you won't get a second chance.



At Kantar Futures, we call this the Third Age of Consumption. This is a new initiative we have launched to help brands navigate the future. This particular white paper – on the right – is a great short introduction that I recommend to you. I'll hit the highlights today, but you will find a lot of other useful resources here about new ways of winning in the marketplace now unfolding.

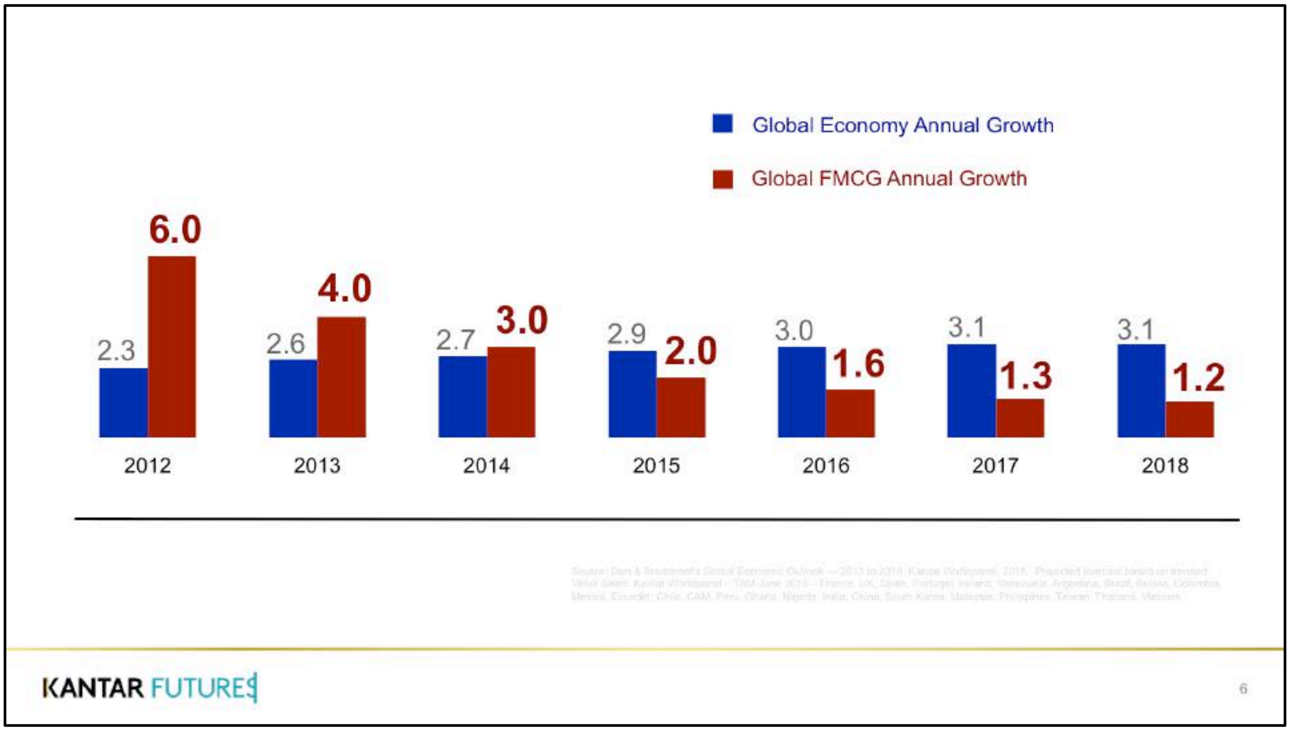
New challenges require new ways of doing business. Usually, I would put up a slide right here that says "Forsake Incrementalism." Small course corrections are no longer enough. Disruption is the name of the game these days, and it is roiling even the biggest companies in the world.



3G nearly taking over Unilever. Rolls Royce reporting a 4 billion pound loss. U.K. retailer John Lewis announcing its profits have dropped in half. Toys 'R' Us teetering over into bankruptcy.

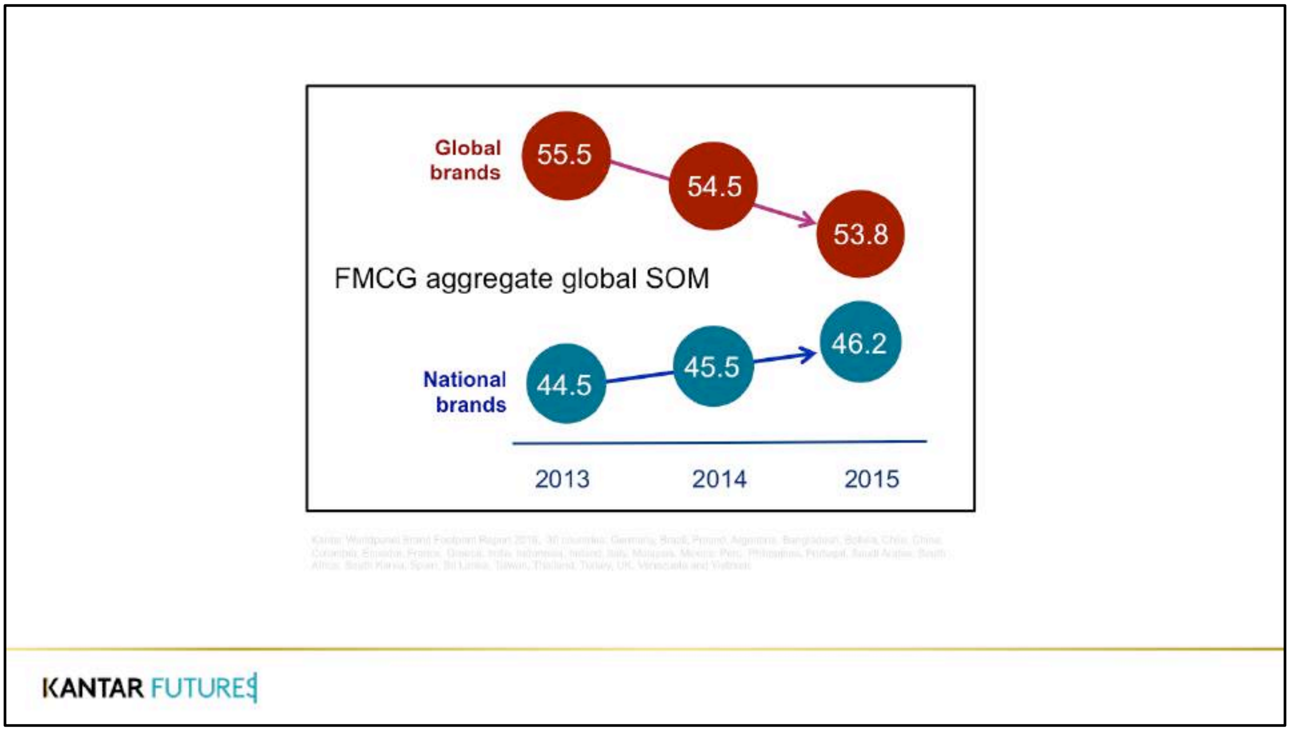
These companies are not alone. The top 700 multinational firms in the FTSE averaged a 25 percent drop in profits over the past 5 years, with an even bigger percentage decline in return on equity.

The old ways no longer work.



These challenges are true in every part of the economy. Look at FMCG.

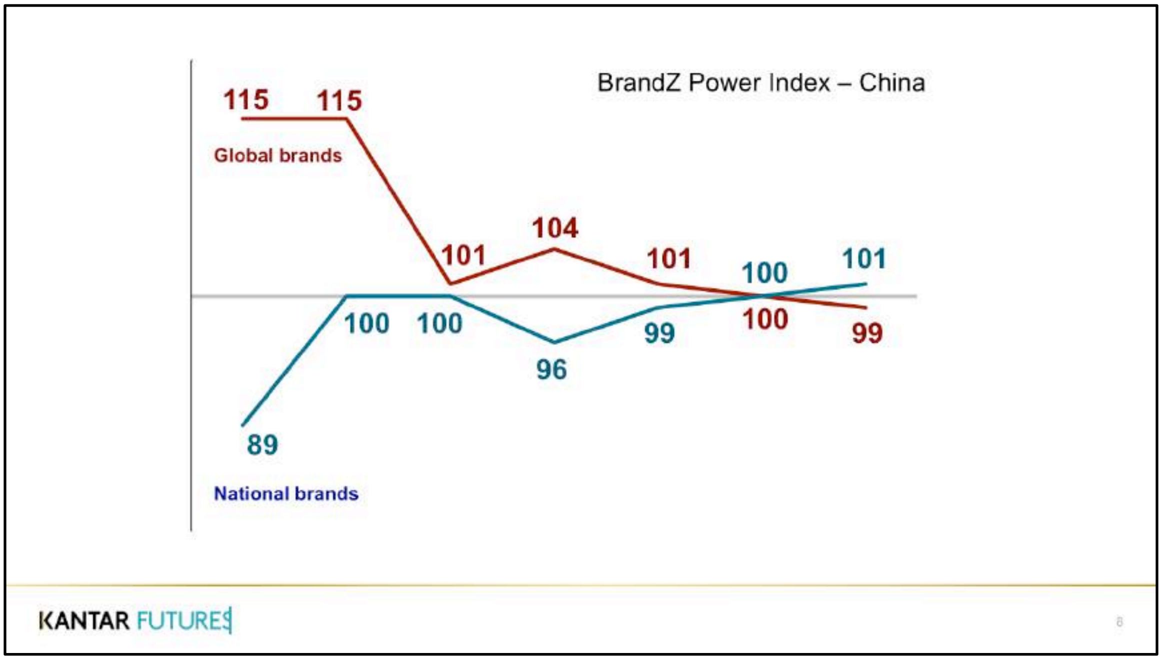
Just 5 years ago it was growing nearly three times as fast as the global economy as a whole. Next year, Kantar Retail projects FMCG growth will be two-thirds less than the global economy.



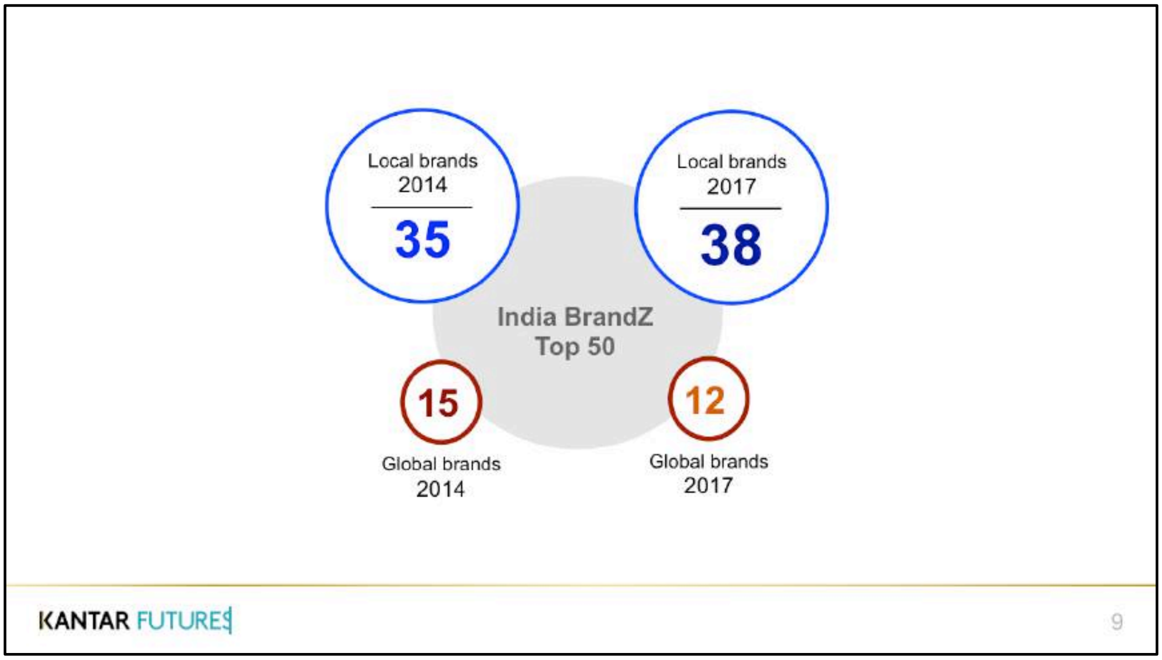
What's happening in FMCG is disruption. Traditional brands are not doing anything wrong, but still they're losing. And they're losing because local brands have caught the wave.

Note the critical thing here. Growth hasn't disappeared. It's just shifted. Growth has moved from traditional brands to new, smaller, more nimble brands better connected to new trends and new needs in the marketplace.

All of which is to say that growth is now found outside the comfort zone of global FMCG brands. For these brands to grow they have to look to uncomfortable places instead, places where they will need new skills, new models, new tools, new organizations, and new ways of working to win.



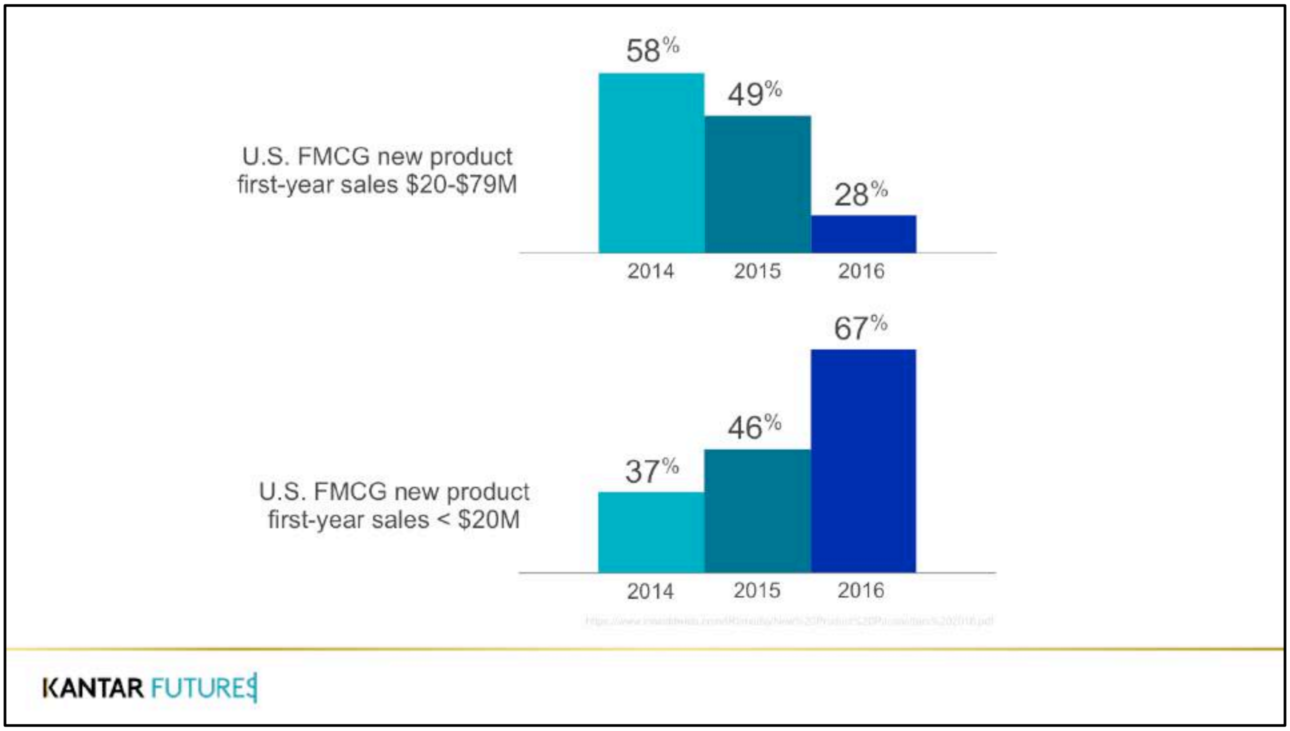
And it's not just lost share. This disruption from growth in uncomfortable places is affecting brand equity and category leadership, as you can see here in the latest WPP/Kantar Millward Brown BrandZ ranking in China. Global brands are falling, and national brands have pulled even.



You see the same thing in India. Local brands making inroads against global brands in terms of brand equity and category leadership.

The impact on topline revenue can be seen over the past five years in North America. $22 billion in FMCG sales have shifted from big companies to smaller competitors.

Disruption is remaking the marketplace. Growth has shifted to uncomfortable places. New ways of winning are imperative.



The pattern of U.S. new product introductions over the three years shows this clearly. New FMCG products that achieved a mid-level of $20 to $79 million in year-one sales have fallen by half.

This is the middle ground of innovation – the incremental space – and it is headed to the vanishing point.

The bottom bars are less than $20 million in year-one sales. These small opportunities are growing by leaps and bounds. These are the uncomfortable places where growth is found these days.

Global brands are faced with two choices. They must either make bolder bets to escape the attrition and inevitable decline that incrementalism will bring. Or they must learn how to scale small niches into big businesses. Either way, it's uncomfortable.

To figure out what's going on, U.S. MONITOR begins with the macro forces that drive change. It's all of what you see here – social, technological, economic, environmental, political and wellbeing. This MONITOR resource called Drivers of Change covers the 70 most powerful Drivers in the marketplace. It is available to clients as a tool to diagnose and forecast their brands and categories. And what we find when we look at some of the Drivers of the marketplace today, especially economic, is a three-fold challenge.

- Size of the pie ………….. Slimmer pickings
- Recipe of the pie ………. New ingredients
- Slices of the pie ……….. More tranches

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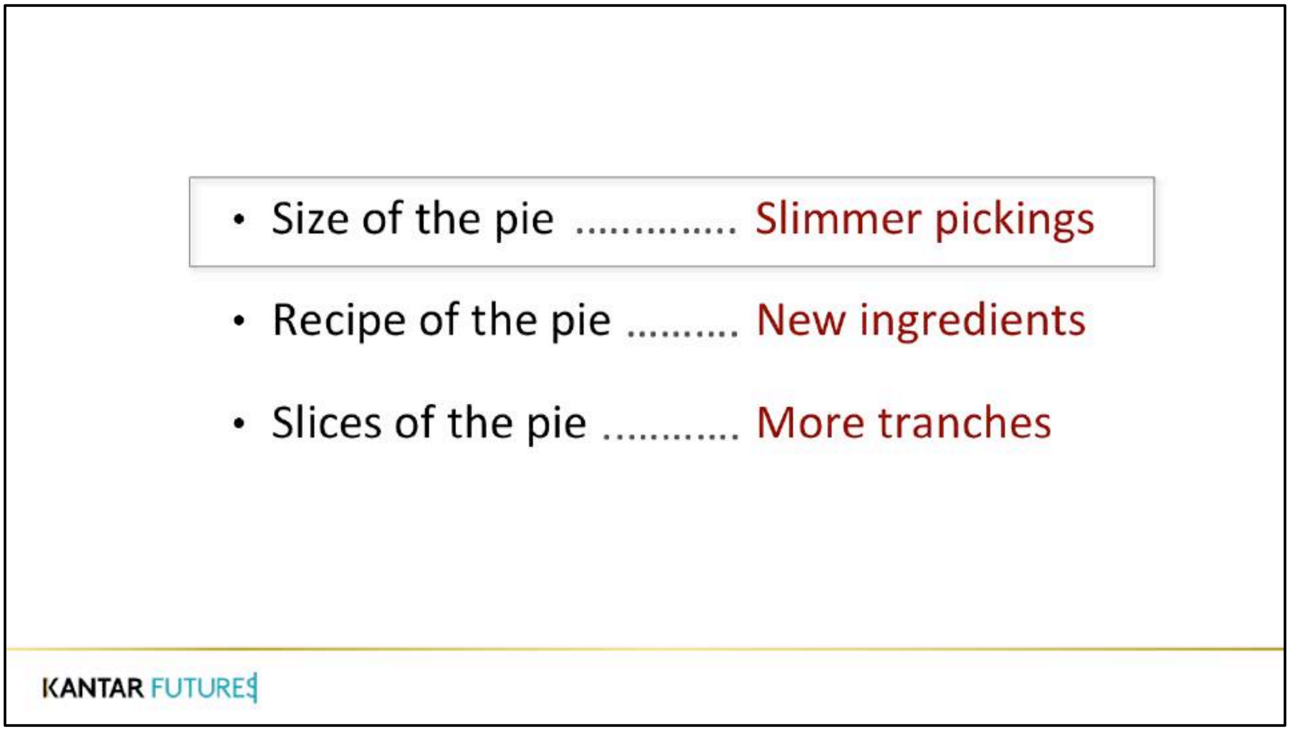
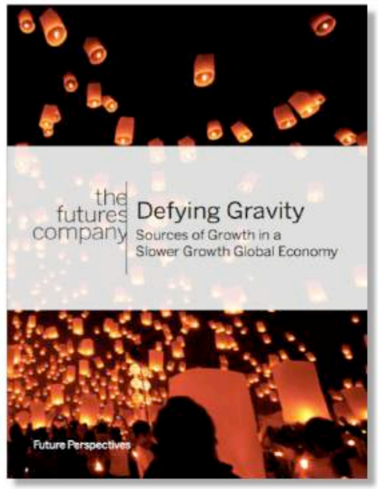
The total size of the pie that brands are going after is not as big as before. What makes up the pie is changing. And opportunity spaces are narrowing and fragmenting.

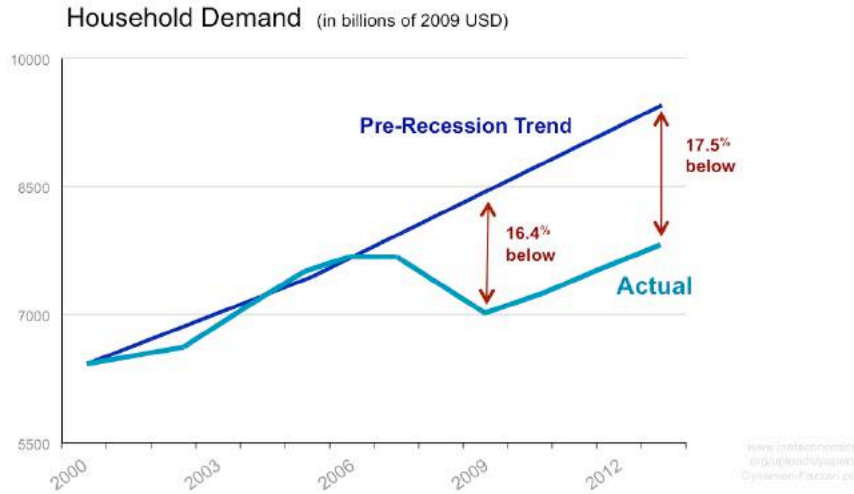
Let's quickly consider each in turn.



Let's start with slimmer pickings, or the smaller pie that brands have to work with.



If you'd like more detail on this topic, please find our white paper called *Defying Gravity* on our Web site. It offers more depth and solutions about the challenge of slowing growth.



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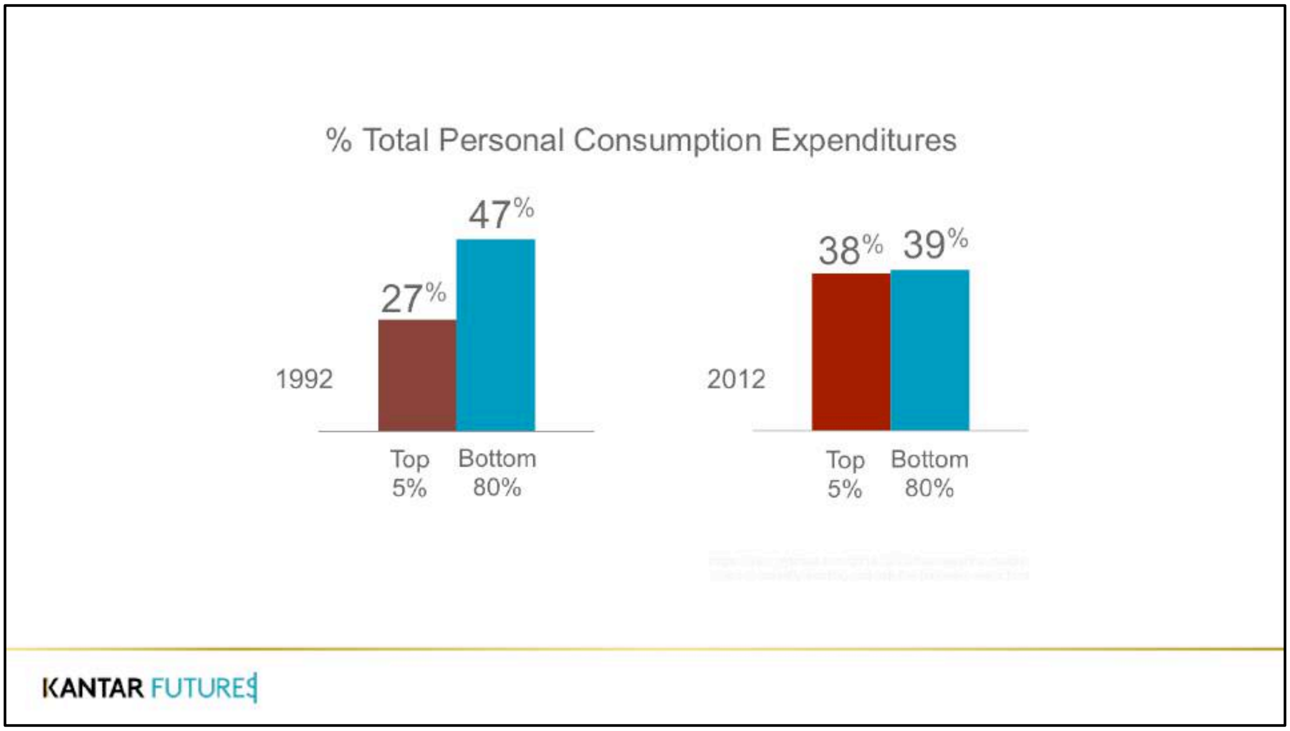
Here's what it looks like in the U.S. The Pre-Recession Trend line is what the size of the household demand pie would have looked like had the economy not devastated consumer budgets. The Actual line shows the gap or the smaller pie. At the worst point in the recession, it was a smaller pie by 16.4 percent. And it's not getting better. The pie today is smaller by 17.5 percent.



Another way to look at this is by the total amount of spending commanded by middle-class consumers, or in this chart, the bottom 80 percent of the income distribution.

Twenty years ago, the bulk of spending was in the hands of the middle-class. These are the spenders our brands and the economy as a whole depend on because they spend most of what they earn and they shop the mainstream, so to speak.

Today, the middle-class commands a smaller percentage of total spending and the top 5 percent has moved from about half of the bottom 80 percent to an equal percentage. The net result is slimmer pickings for big brands that rely on scale and mass markets.

25-34 year olds	1989 Median Income	2013 Median Income	Change
All	$50,910	$40,581	– 20%
College degree without debt	$75,422	$61,886	– 18%
College degree with debt	$67,880	$50,727	– 25%
No college degree	$49,024	$36,523	– 25%

http://younginvincibles.org/reports-briefs/financial-health-young-america/

Adjusted to 2013 dollars

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Here's what all of this means in practical terms. This is an analysis of Federal Reserve data in constant dollars. 25-34 year old consumers are young householders at the start of their prime spending and earning years, and thus the most coveted consumers for most brands.

But today, these consumers are forming households at a 20 percent income disadvantage relative to the prior generation at the same age. Put simply, they have a lot less money to spend, across all education levels.

25-34 year olds	1989 Net Wealth	2013 Net Wealth	Change
All	$25,035	$10,900	– 56%
College degree without debt	$125,572	$75,000	– 40%
College degree with debt	$86,547	$6,600	– 92%
No college degree	$16,322	$7,750	– 53%

http://younginvincibles.org/reports-briefs/financial-health-young-america/

Adjusted to 2013 dollars

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The disadvantage in wealth is even starker, which means less for down payments, large purchases, savings, investments, vacations, luxuries, you name it. Indeed, college grads with debt – the second row up from the bottom – used to have a lot of wealth. Now, literally, they have none.

- Size of the pie .... Slimmer pickings
- Recipe of the pie .... New ingredients
- Slices of the pie .... More tranches

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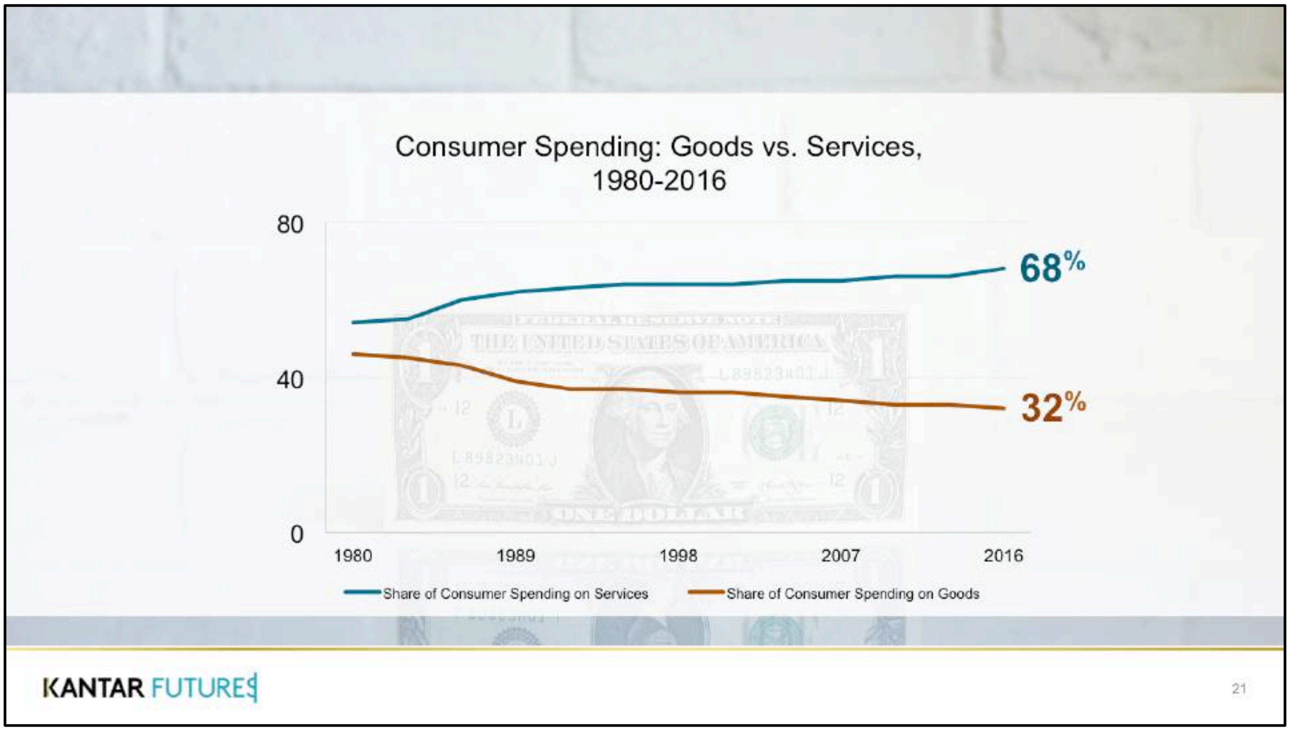
In addition to the size of the pie changing, what makes up the pie is changing as well.



This charts shows BLS data that has been analyzed by Kantar Retail. Services not products are what consumers spend most of their money on nowadays. This has always been true, but the difference has been growing steadily.

What this means is that the place to look for growth is services not products. This doesn't mean stop making products, but it might mean selling them as a service, like Dollar Shave Club selling razor blades as a subscription service or Amazon Dash Replenishment Services automatically shipping laundry detergent and printer ink when they get low or any on-demand app that makes products available only when needed.

The spending shift to services reflects the aspirational sensibility now dominating the marketplace. We have tracked this in both of our MONITOR offerings, U.S. and Global. We saw it coming early on. It is a mindset we sum up in four words: Live Large. Carry Little.

That is to say, consumers want as big of a life as ever, but without all of the baggage that used to come with it – less of the stuff, the stress, the expense, the ownership, the upkeep, the hassles, the burdens, the obligations, the responsibilities, and, yes, the debt that has long been the normal way of living large.

As a result, brands must deliver a wholly new value proposition, one rooted in this formula of "Live Large-Carry Little."

- Size of the pie .... Slimmer pickings
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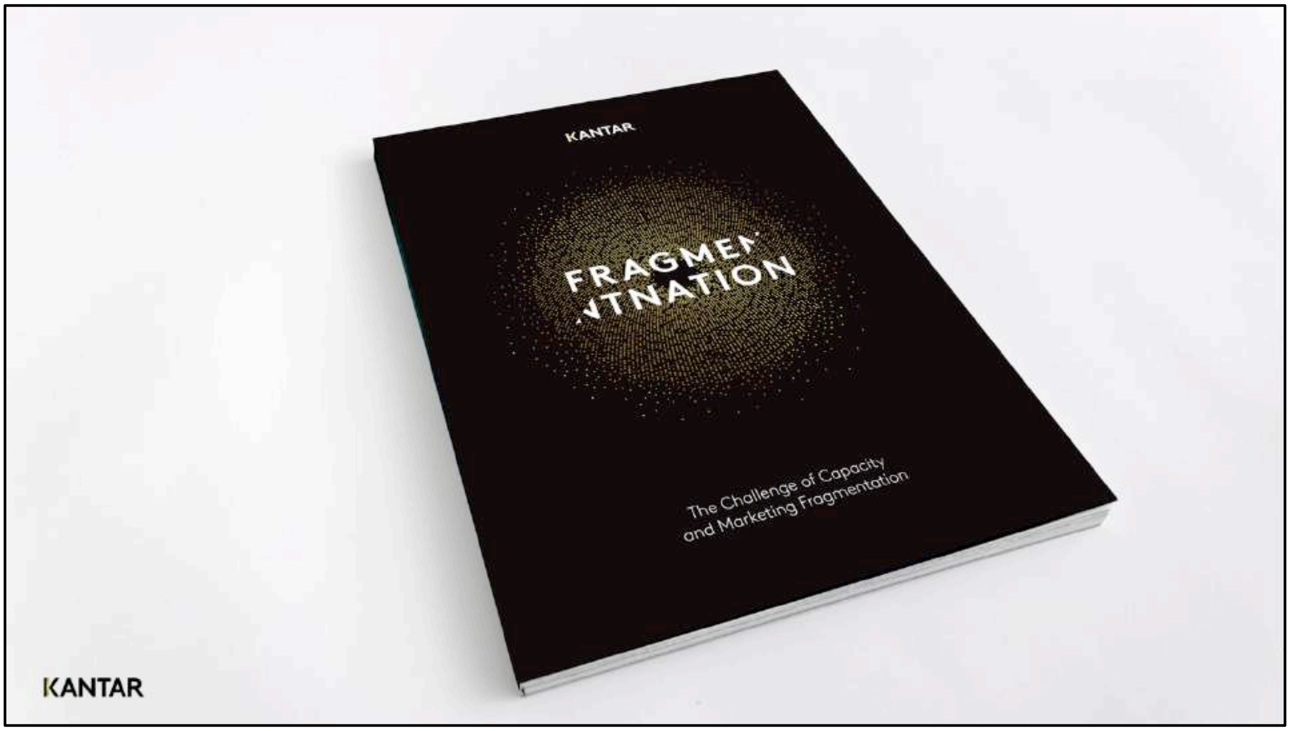
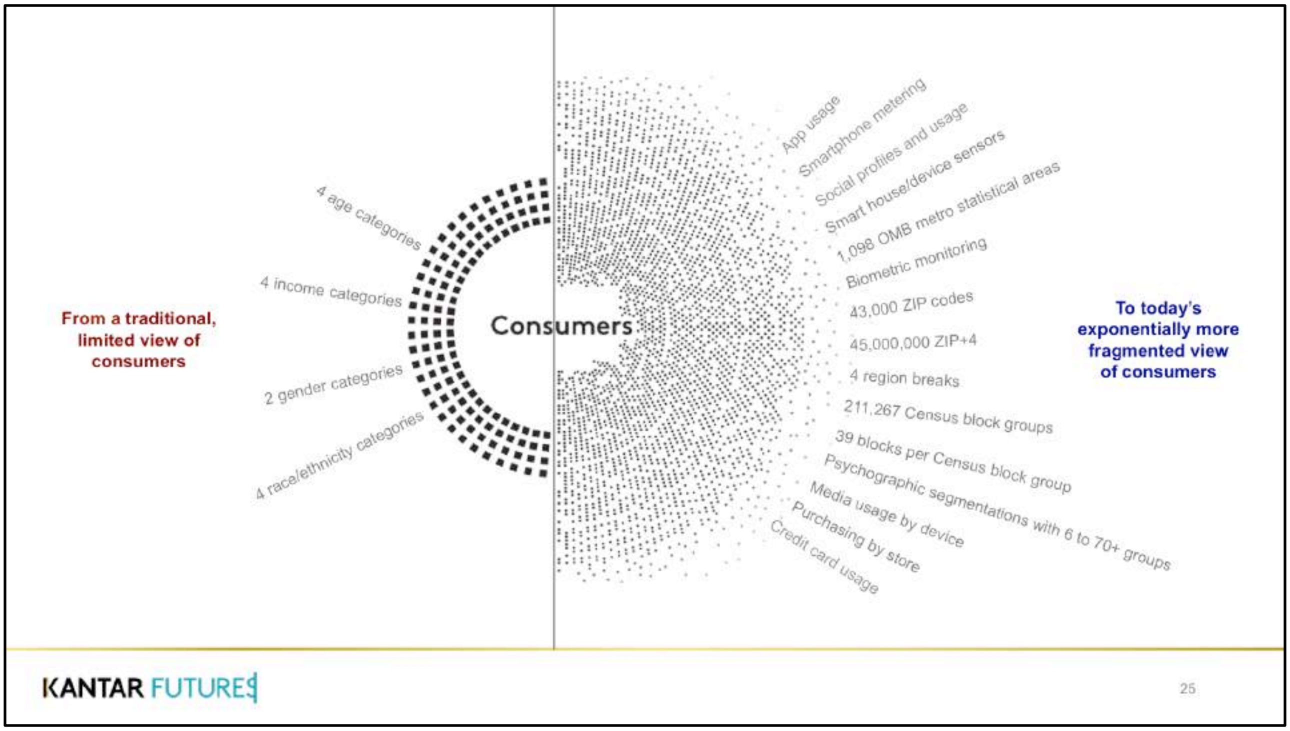
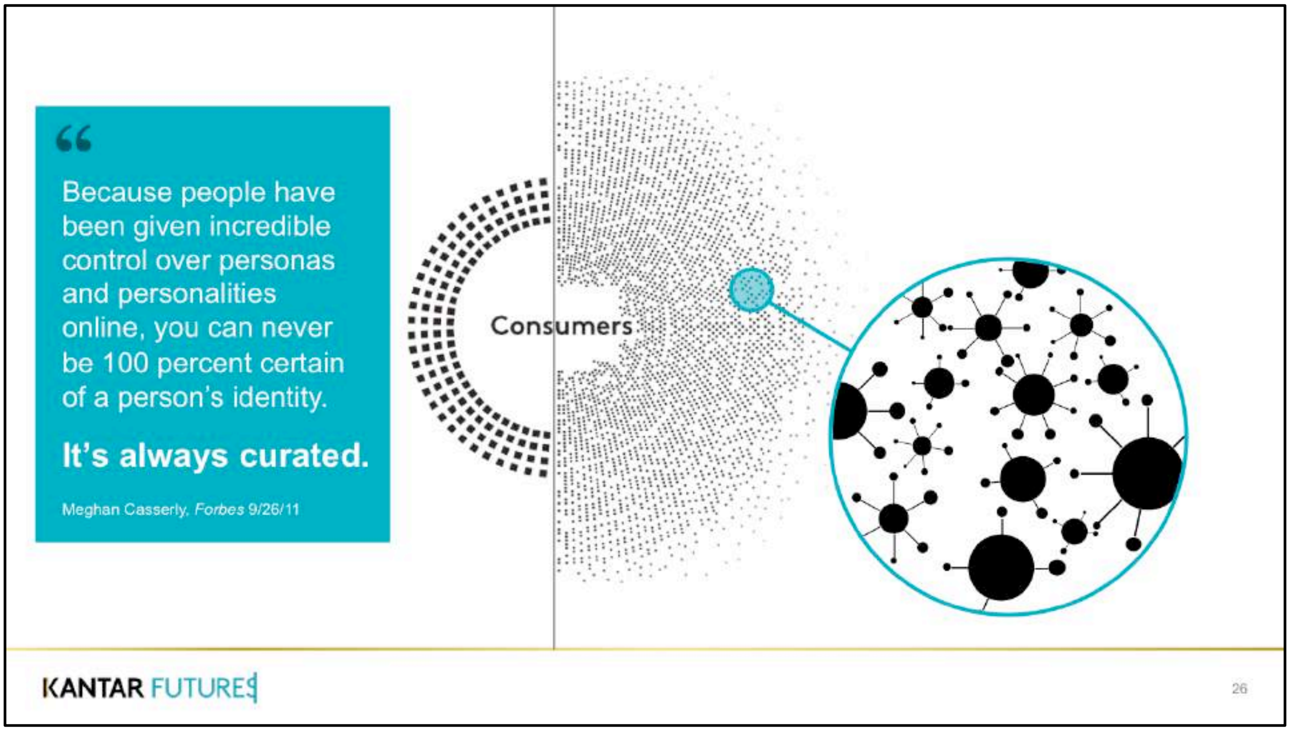
Finally, brands are looking at a pie that offers smaller and smaller slices of opportunity. Bolder bets and scaling smaller niches are required.



We dug into this last year from a business perspective in work that brought together all of the data and insights from around Kantar that we called FragmentNation, and on our Web site you can find this white paper and the three broad areas of solutions it outlines.

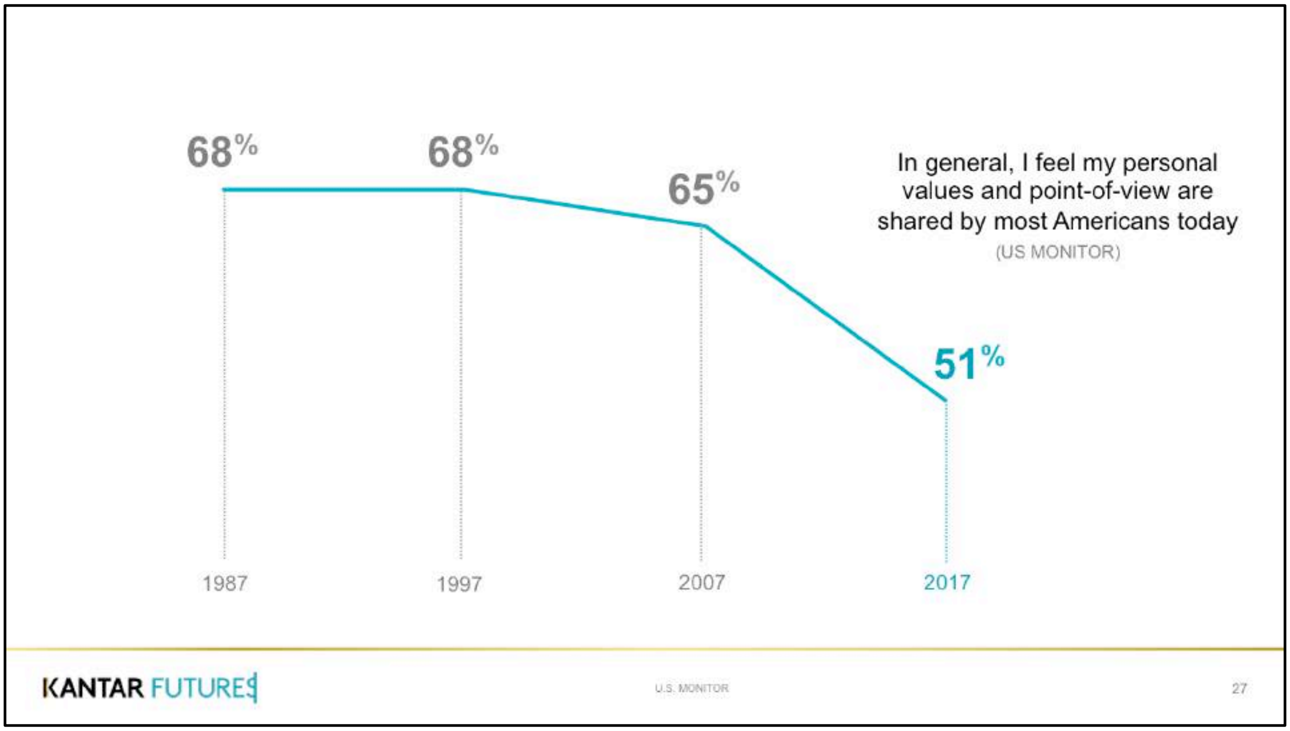


Not only have consumers fragmented, but our capabilities for bringing a highly focused view to the marketplace have gotten more detailed as well. It wasn't too long ago that even our best tools were limited to demographics. Today, we can profile, target and reach consumers in real-time, personalized ways, and these capabilities get better by the day.



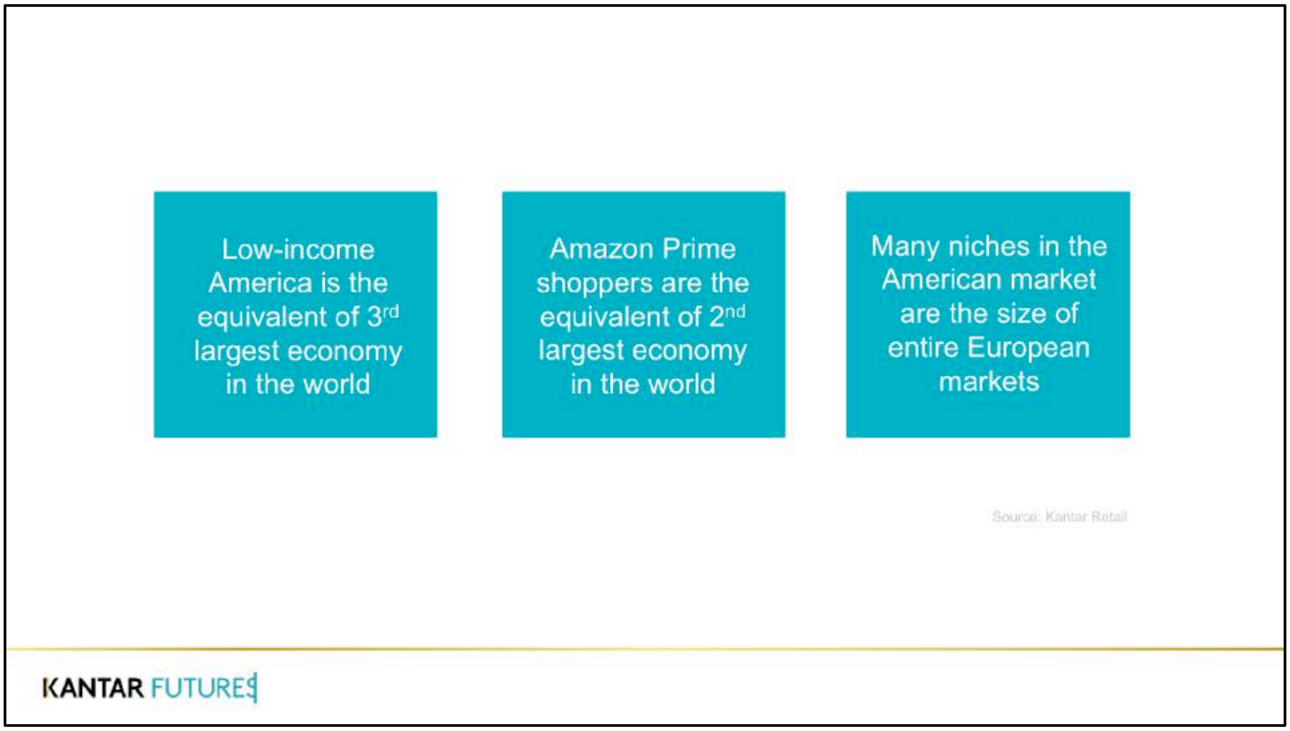
Adding to the complexity of the marketplace is that consumers can use the very same digital tools and databases as marketers. Identities are no longer fixed. They're fluid, and as noted by one expert quoted in *Forbes* a few years back, they're curated.

In our U.S. MONITOR work, we refer to this as, quote/unquote, "Digital Shapeshifting." It is not just fragmentation at the individual level, but within an individual, which draws into question the ways in which marketers understand consumers as individuals. This has been a topic of much conversation with MONITOR clients.

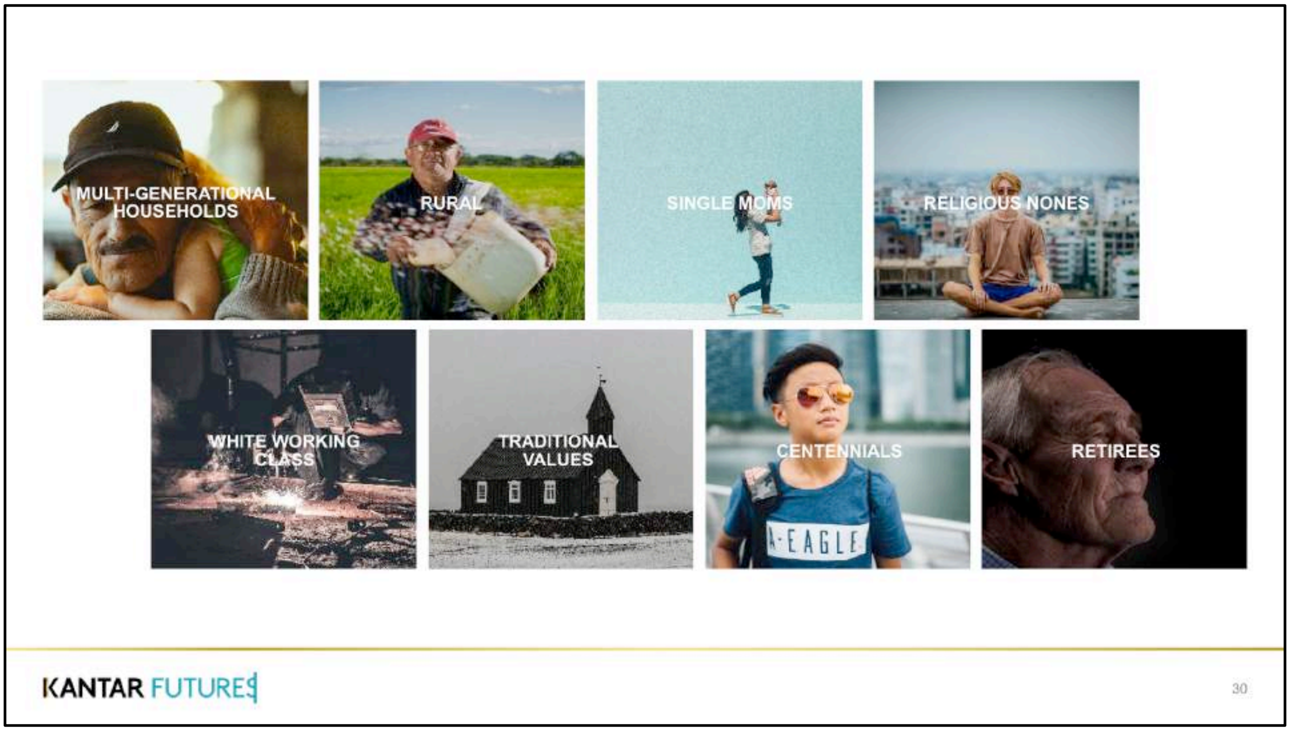


This sort of self-referential individual identity plays out in politics and society at large, too. In U.S. MONITOR, we are tracking a precipitous drop in an historically stable belief that most Americans share the same values. While this diversity of opinions and ideas is positive, it also reflects the disintegration of a shared, middle-class narrative of the American Dream. Preferences and plans are more fragmented than ever. The American pie is being served up these days in smaller slices.

But these smaller slices are still big markets. For decades, U.S. MONITOR has offered an in-depth focus on minority markets. Our most recent polycultural work is called the Inclusivity Imperative, and here you can see why. Failing to pursue these smaller markets leaves trillions of dollars on the table. This is where growth is occurring, so this is where brands should look to make bolder bets or to scale smaller niches into bigger opportunities.



Just to underline this point, Kantar Retail analysis finds that while middle markets are under pressure, other parts of the marketplace offer big opportunities for growth. Low-income and Amazon Prime, for example. Or, really, almost any niche in the U.S. marketplace.

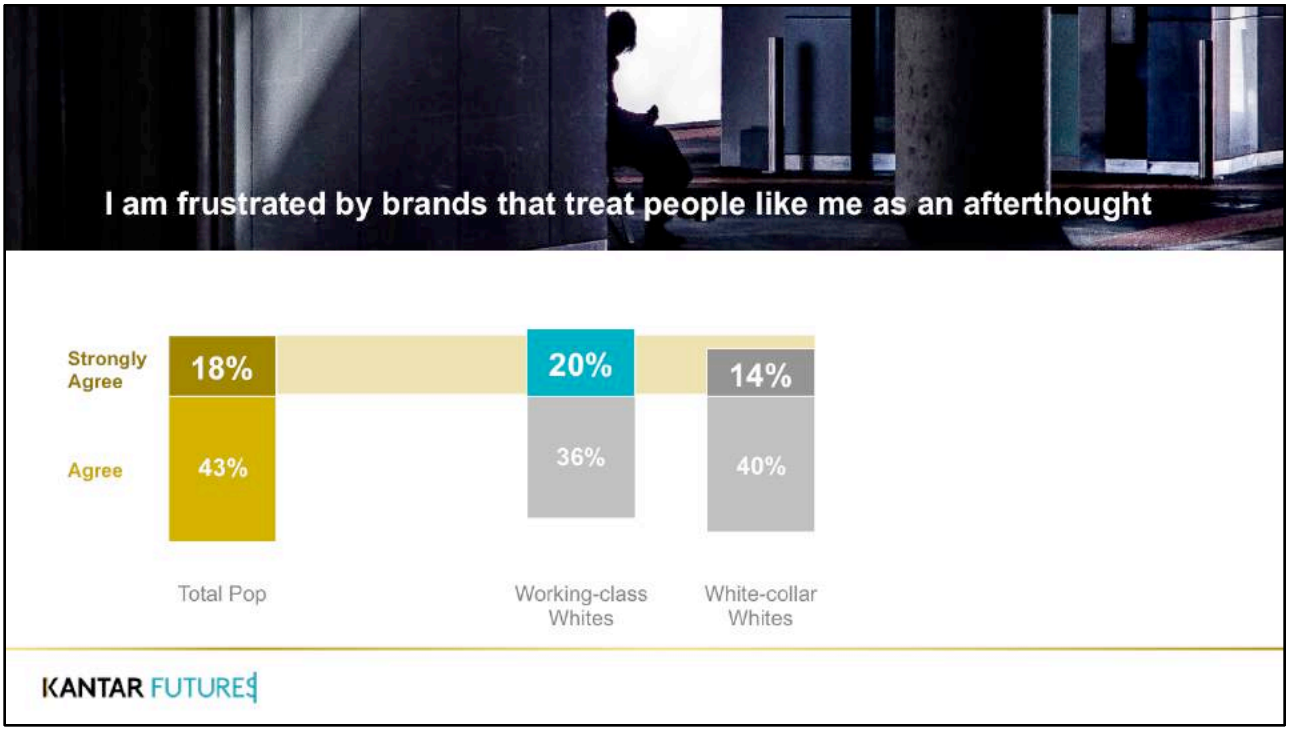


In MONITOR, we track, profile and develop solutions for every slice of the marketplace, whether it's the forgotten voters who swung the last election or the next generation on the come. These are uncomfortable places for many brands, but here's where growth can be found.

In fact, we do a lot of work among groups like these. In three ways. First, we've increased our sample size so that we can do custom re-contacts of our MONITOR respondents on a regular basis with something we call MONITOR Connect, which enables brands to drill down into key target groups, oftentimes using their own segmentations.

Second, we have dedicated practice areas focused on youth or Centennials and on minorities or polycultural consumers

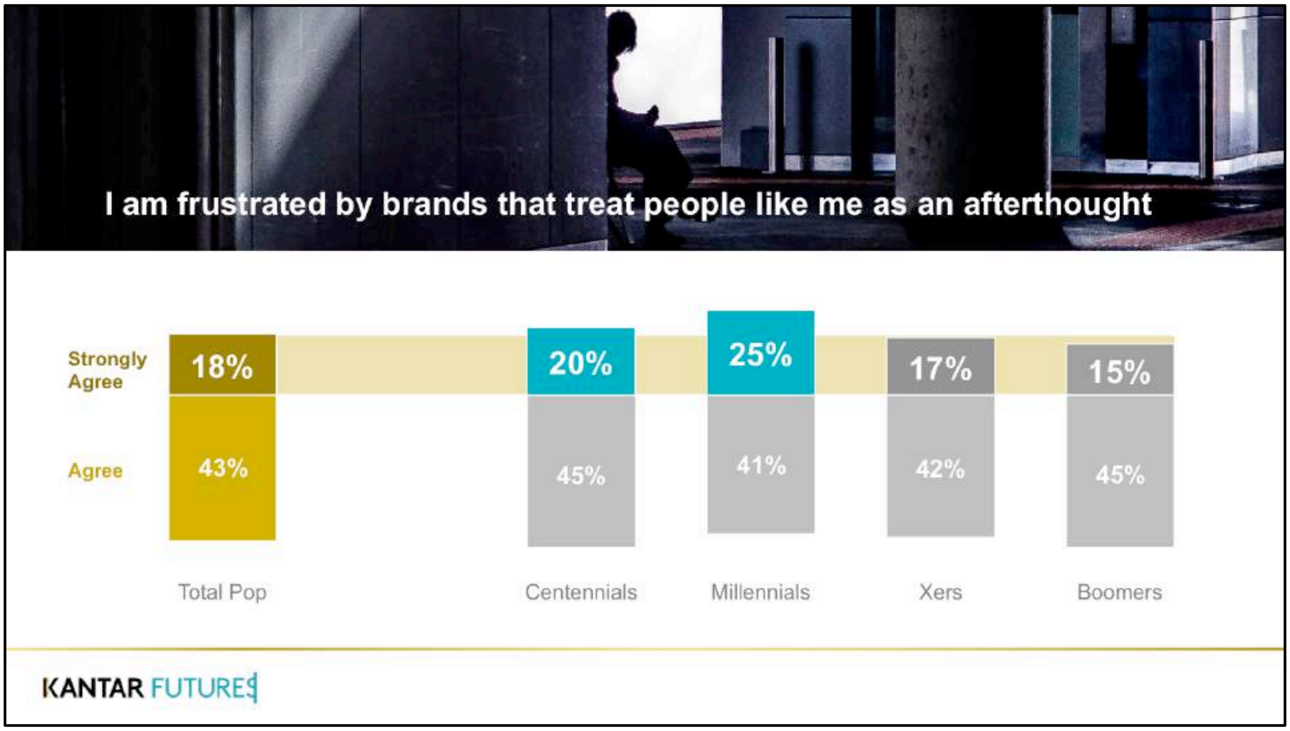
Finally, we use our Streetscaper network of over 400 culturally conversant consultants in 140 cities across 50 countries. They do regular updates on emerging trends worldwide as well as custom assignments for clients about particular niches. I mention this because it is a unique resource for keeping up with the kinds of consumers that brands often treat as an afterthought. And I'm not saying that to be snarky. We see it in our data.



The extent to which brands have overlooked slices of the pie is obvious in MONITOR data.

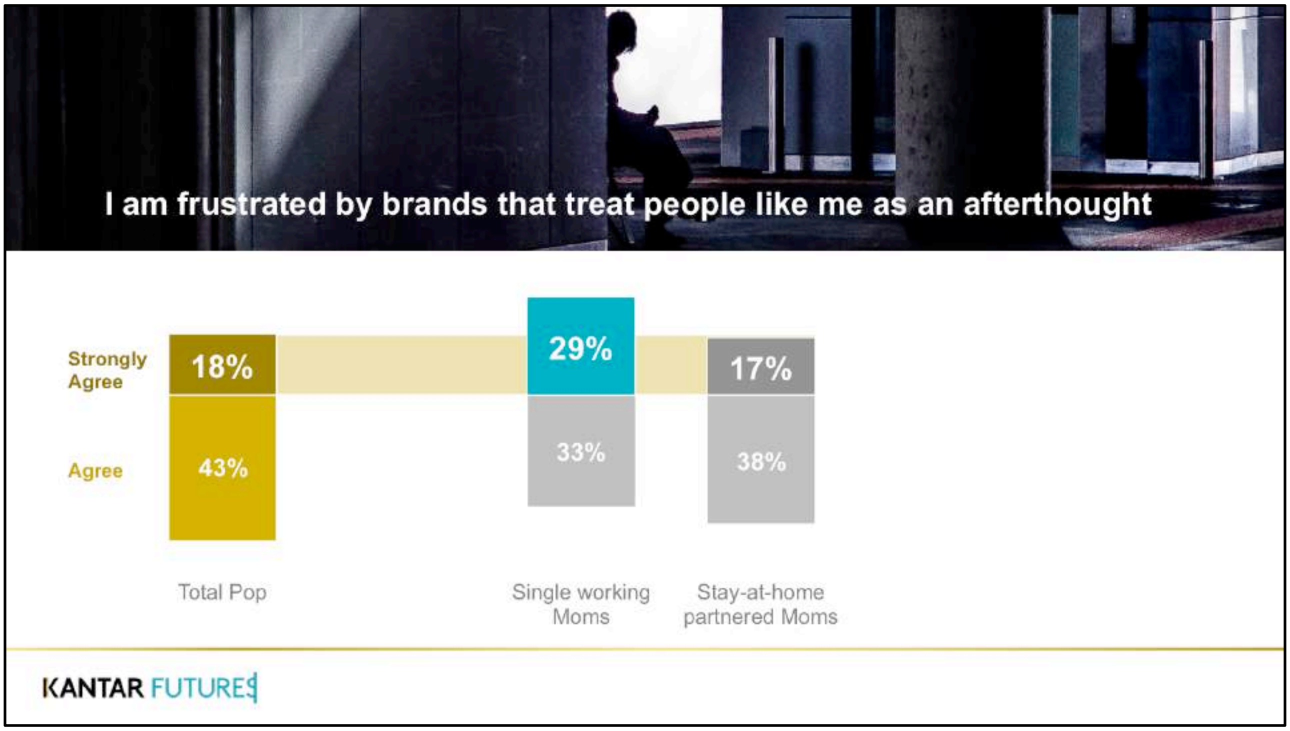
For example, when we benchmark working-class whites against total and against white-collar whites, we can see this frustration of being treated as an afterthought.

With this kind of analysis, MONITOR can pinpoint the kinds of uncomfortable places where brands should be investing more time and attention.

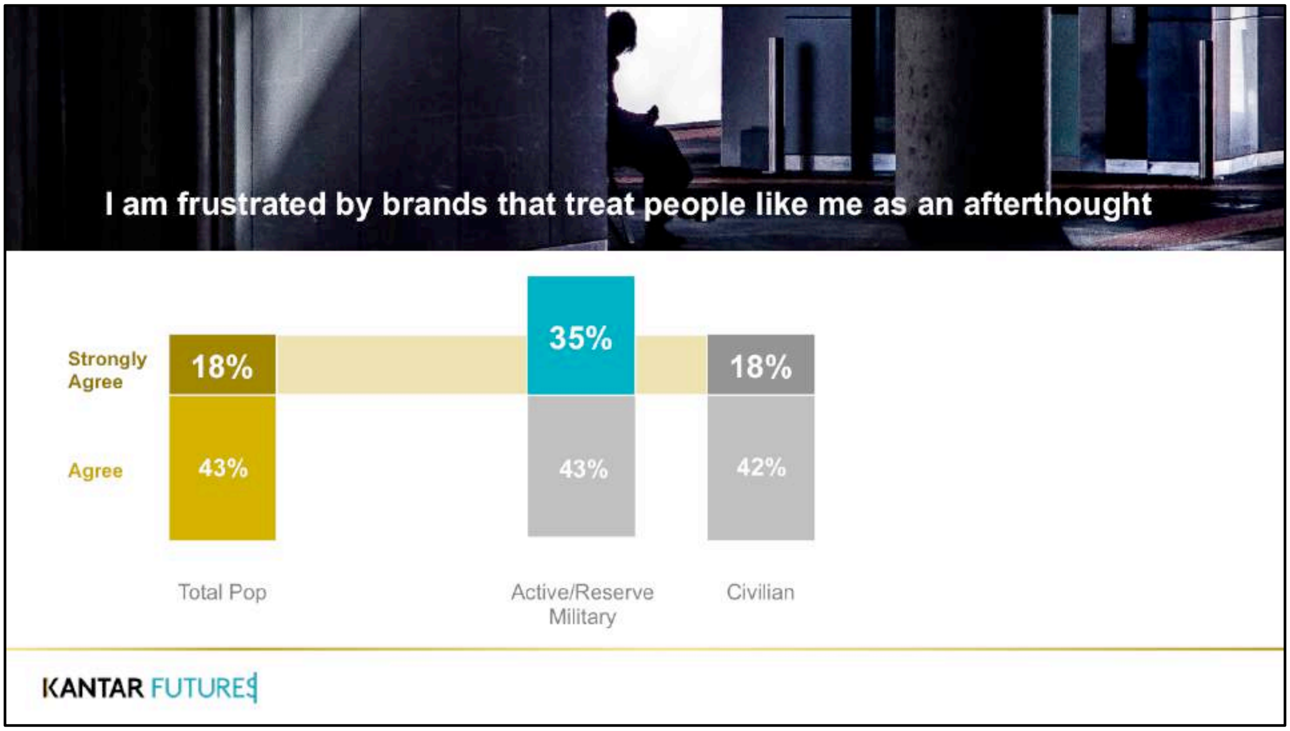


You can see this in generations, too. Centennials are next on the scene, but as yet, underserved and under-attended. Indeed, this is an area in which MONITOR does a lot of work, and we have a whole youth practice area devoted to this growing market of younger consumers.

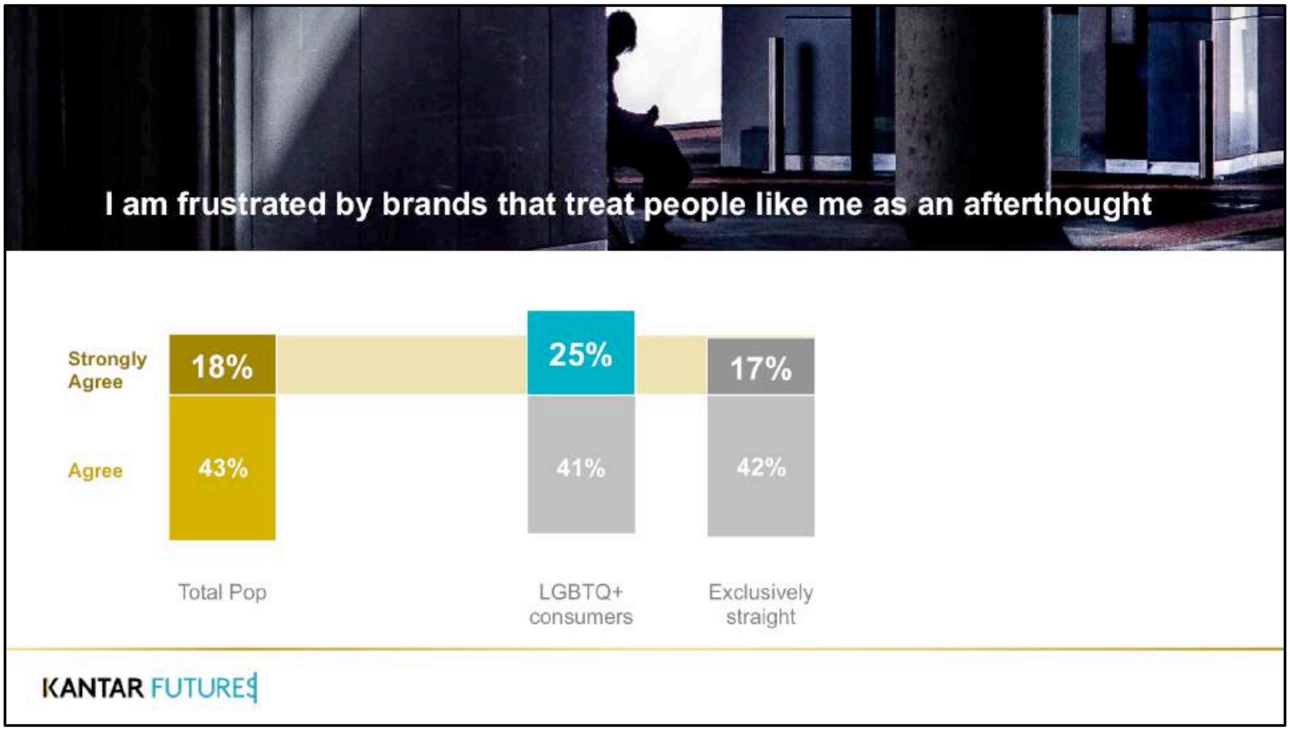
You see this frustration among African-Americans in particular, another area in which MONITOR offers a lot of insights and solutions about the polycultural marketplace and the Inclusivity Imperative.



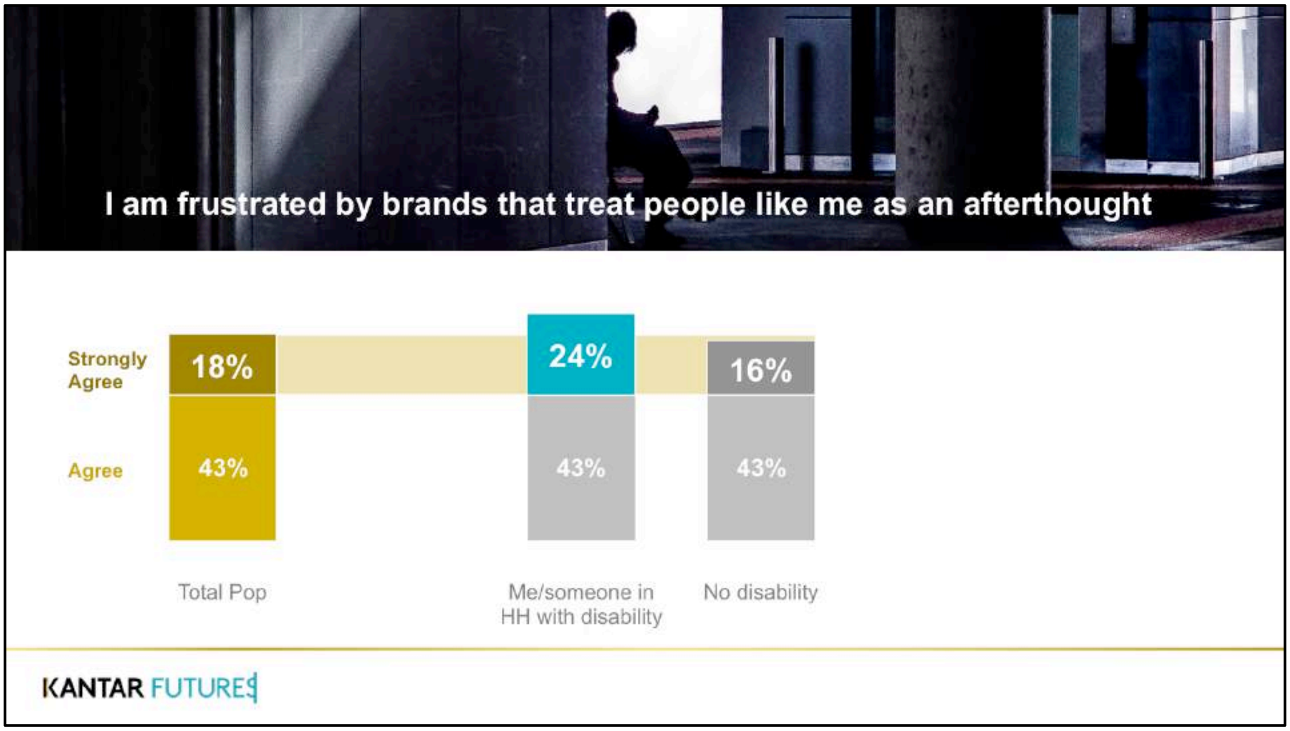
You see this frustration among single, working moms. Another place where brands have an opportunity to do more.



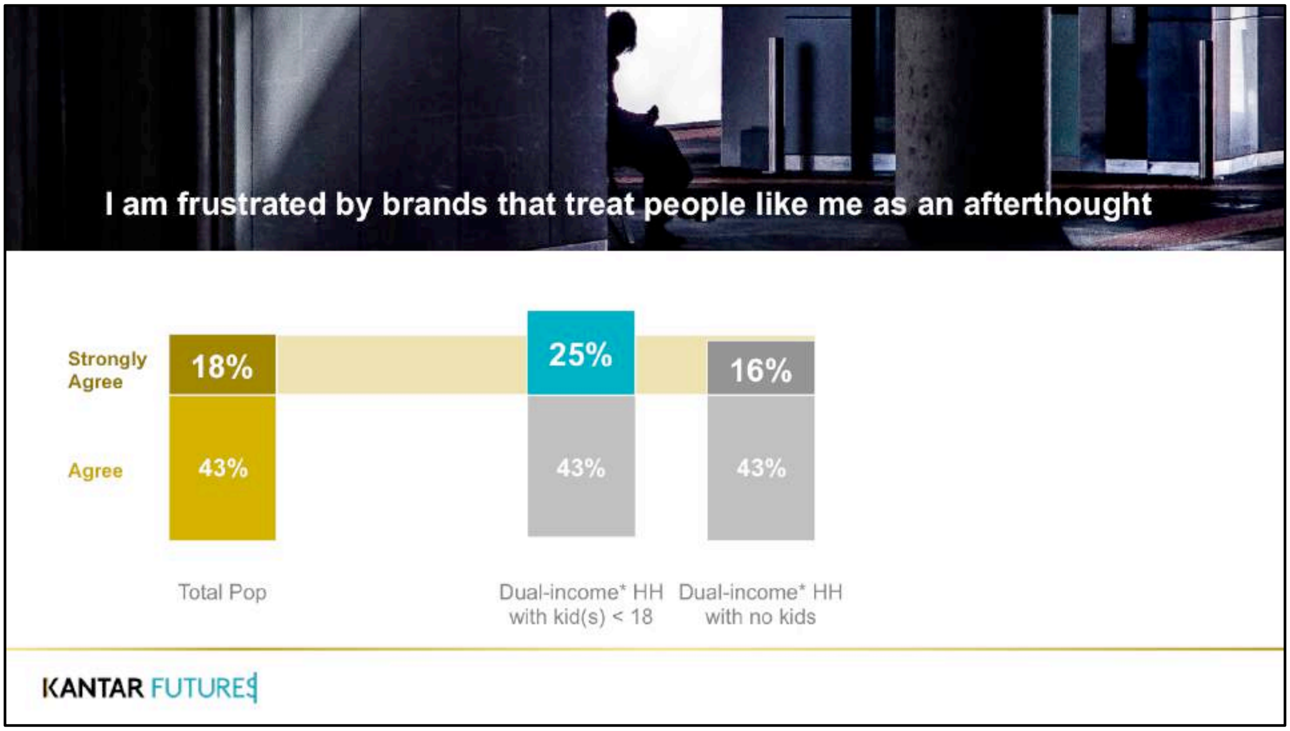
True as well for the military, both active duty and reserve. They are frustrated with being treated as an afterthought by brands. It is absolutely the case that most brands find this to be an uncomfortable place.



Brands are better these days with LGBTQ consumers, but there is still ground to cover.



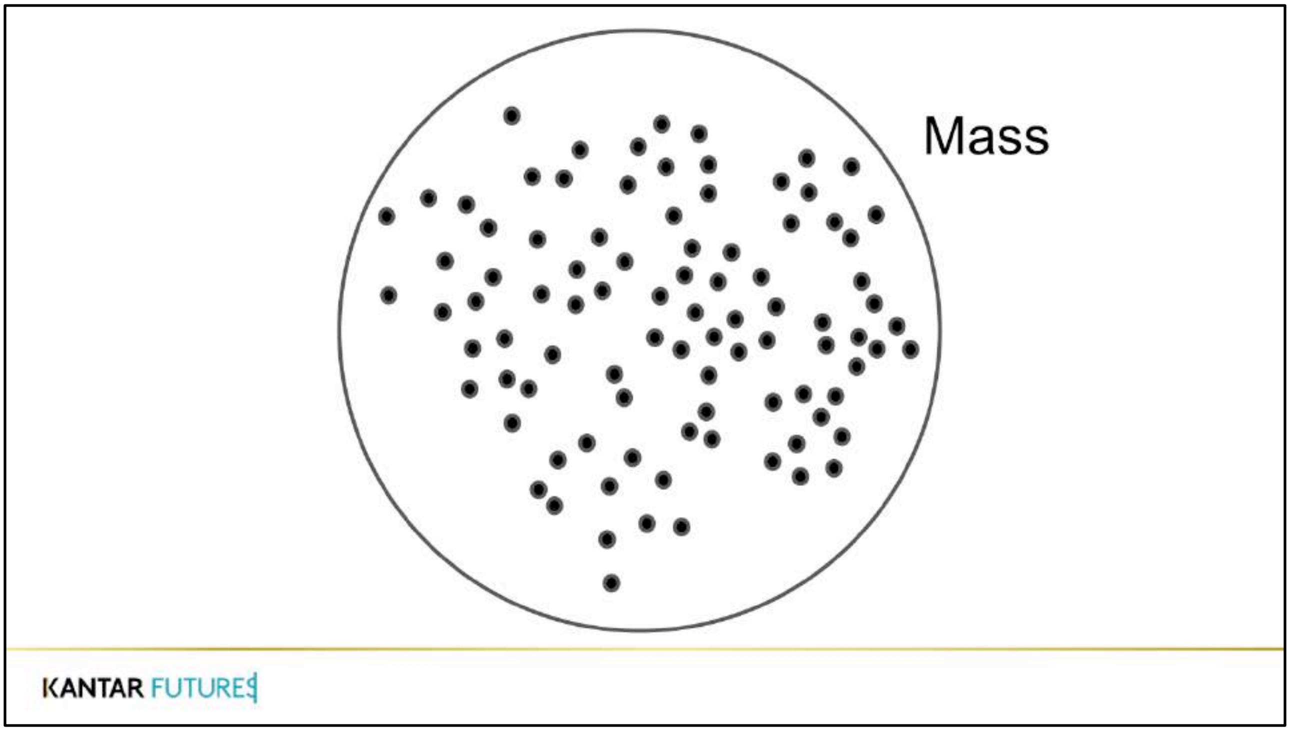
The same is true for consumers with disabilities. They feel like an afterthought and most brands are not focused on them as an opportunity for growth.



And even though dual-income households with kids would seem like a segment that gets plenty of attention, there is more to be done.

In short, it's not so much the fact that some groups feel a little bit more underappreciated than others. It's that, consistently, across a range of micro-segments, each feels overlooked.

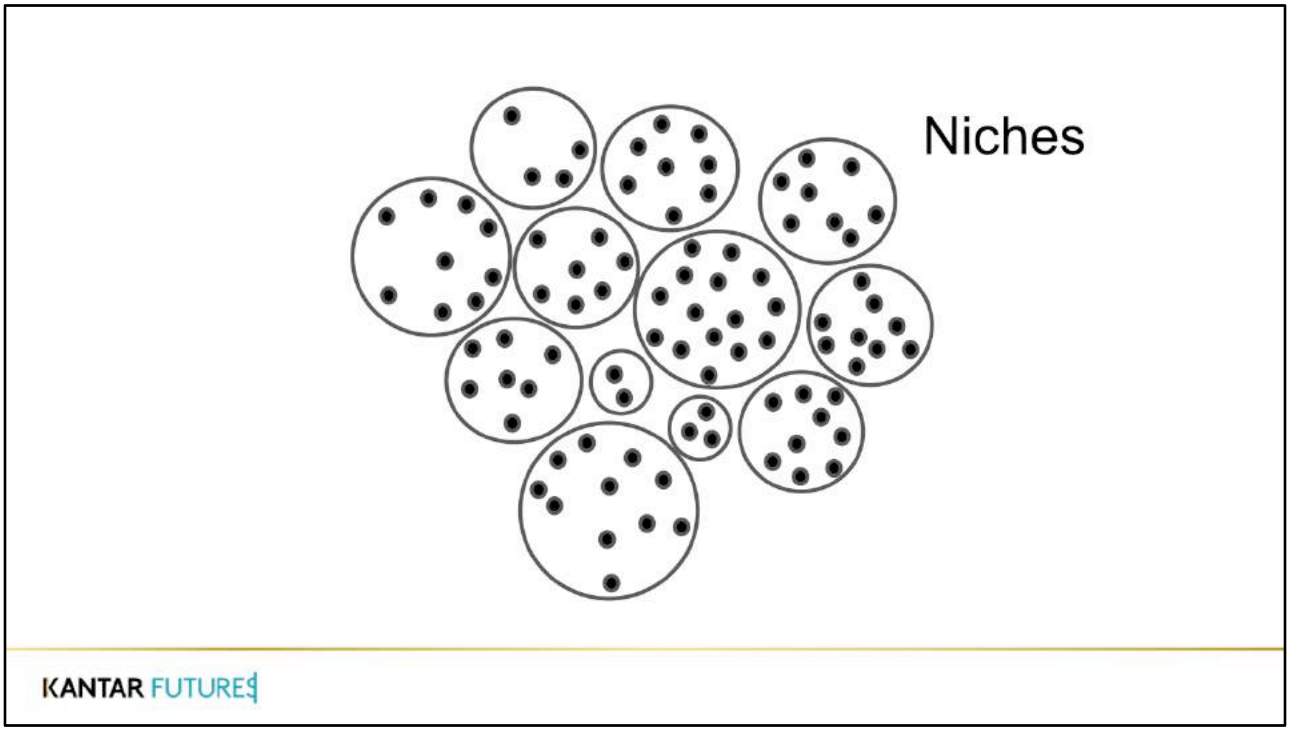
No surprise, then, that smaller brands focused on the unique needs of smaller slices of the pie are stealing a march on big brands that have stayed away from uncomfortable places.



Indeed, this disintegration of the mass market is only going to pick up steam. A picture helps. Think of each of these individual points as a consumer. Now think of a big circle that includes them all.

That's a mass market in the classic sense. And that's the comfort zone of most brands, and certainly global brands. It's about scaling mass markets into big businesses. This is the skill set and organizational structure that characterizes traditional, big brands. This is how brands won in the past, and thus this is the comfort zone in which brands like to play and where brands continue to look for growth.

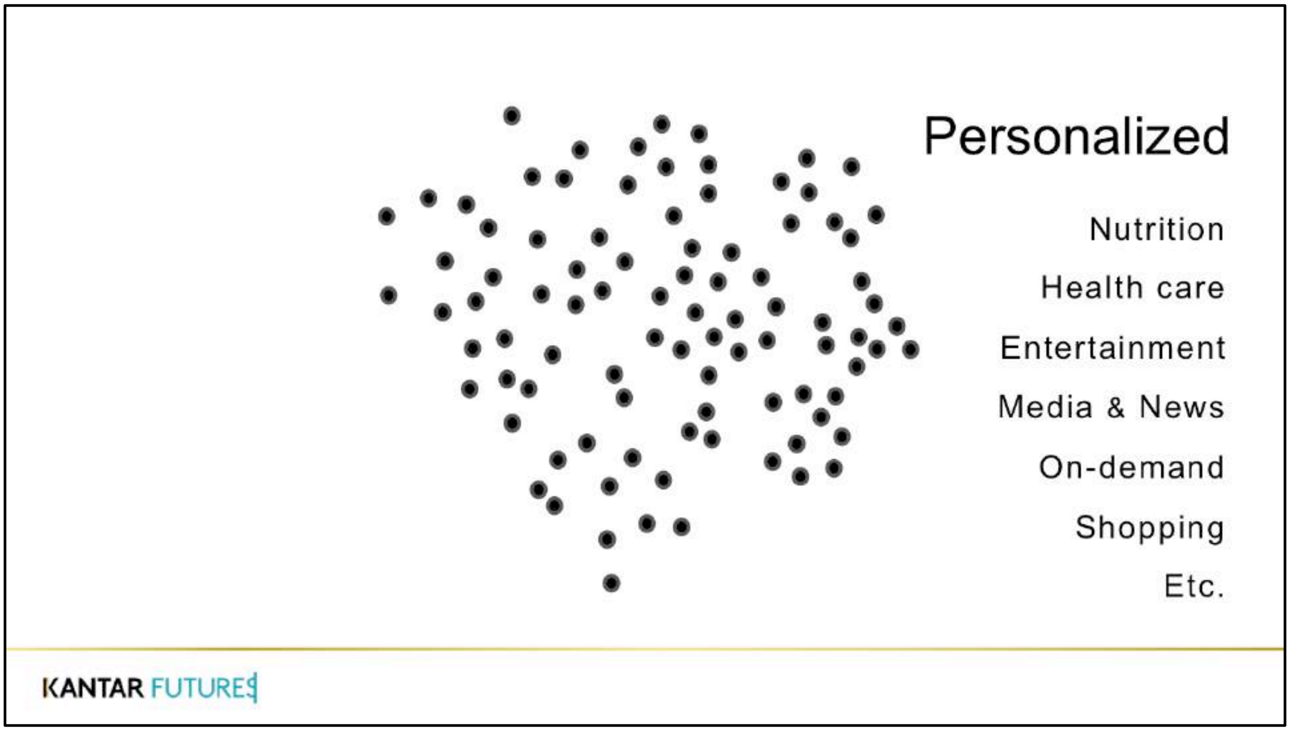
But this picture is a snapshot of the past.



Here's where we are today, and where the momentum of the marketplace is carrying us. It's a collection of niches. It's many circles, each inclusive of a fragment of consumers. Big brands are uncomfortable doing business in these smaller worlds, as we call them at Kantar Futures, and thus they are losing sales, share and equity to the smaller brands that have the necessary skills and organization.

For big brands to win, they have to be in the business of putting together and building a syndicate of these niches. There is no return to the old way of marketing to a mass target group.

But even this is not a picture of the future.

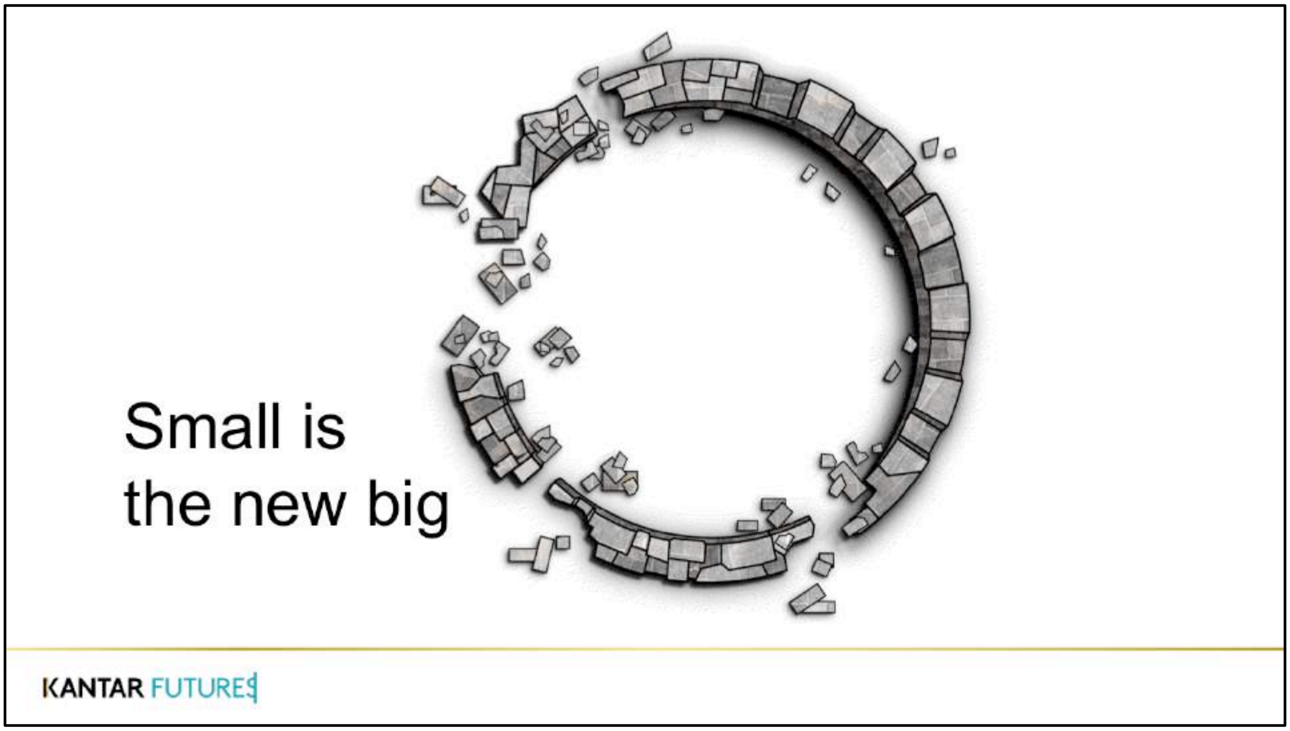


Here is where we are headed – to a world of individual personalization. In every category, it is about personalized products and services.

Food companies, for example, are dealing with the reality that people don't all eat the same foods anymore. People want foods just for them, so the future of food is personalized nutrition. And that requires technology platforms, manufacturing facilities, delivery mechanisms, revenue models and marketing strategies well outside the comfort zone of traditional brands.

It's personalized health care, personalized entertainment, personalized media, personalized news, personalized shopping, and more – all of it on-demand.

You might think that this is just Chris Anderson's idea of the long tail, and it certainly is about product platforms that can service individual tastes and needs. But the economics of Anderson's idea depended on consumers doing all the work of navigating the long tail, and we have learned that this is not the way consumers want personalization. Consumers don't want to find it. They want to receive it. That means bolder bets on innovation to bring together and scale these smaller slices of the pie into a big business.

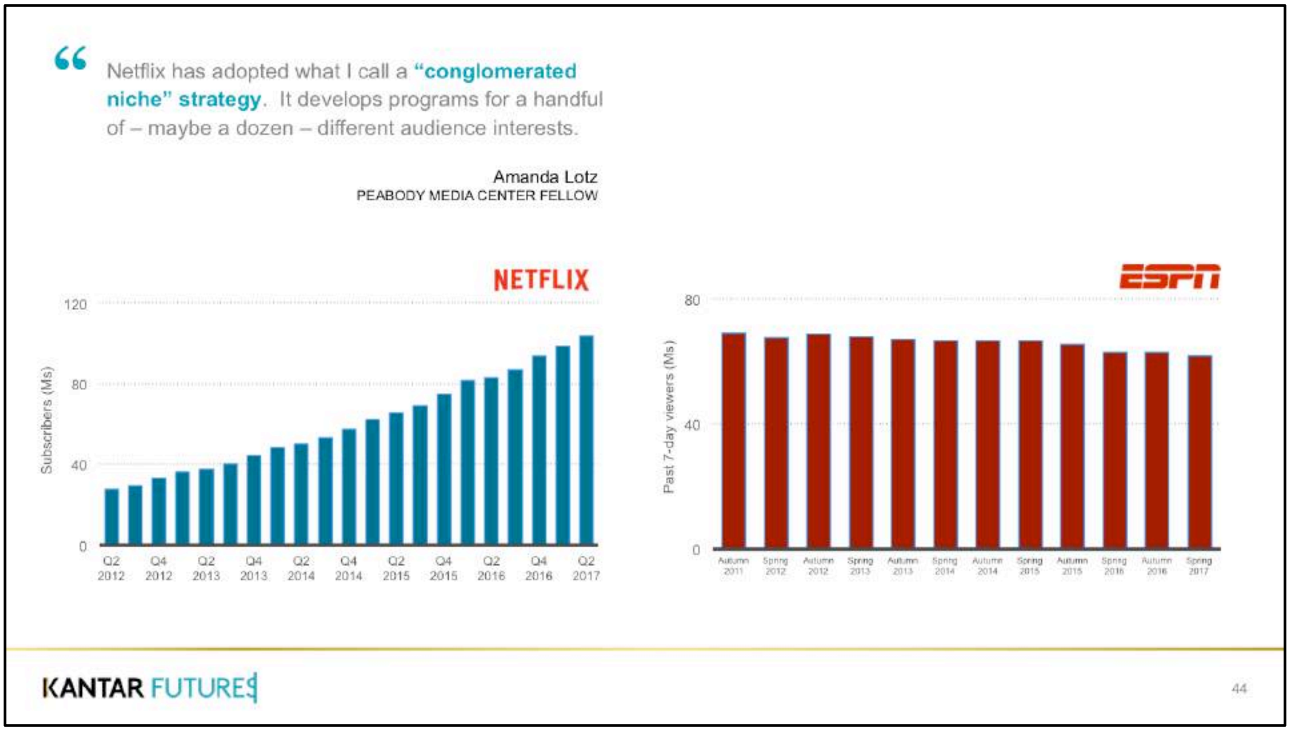


The paradox is this – small is the new big. What used to be mass is fragmenting, so brands have to scale the fragments not the mass.

When brands can aggregate small niches, their business will take off.

I picked this image deliberately. It perfectly illustrates the concept of what it means to scale small niches into big businesses. It's a bolder bet on a business model for finding growth in uncomfortable places.

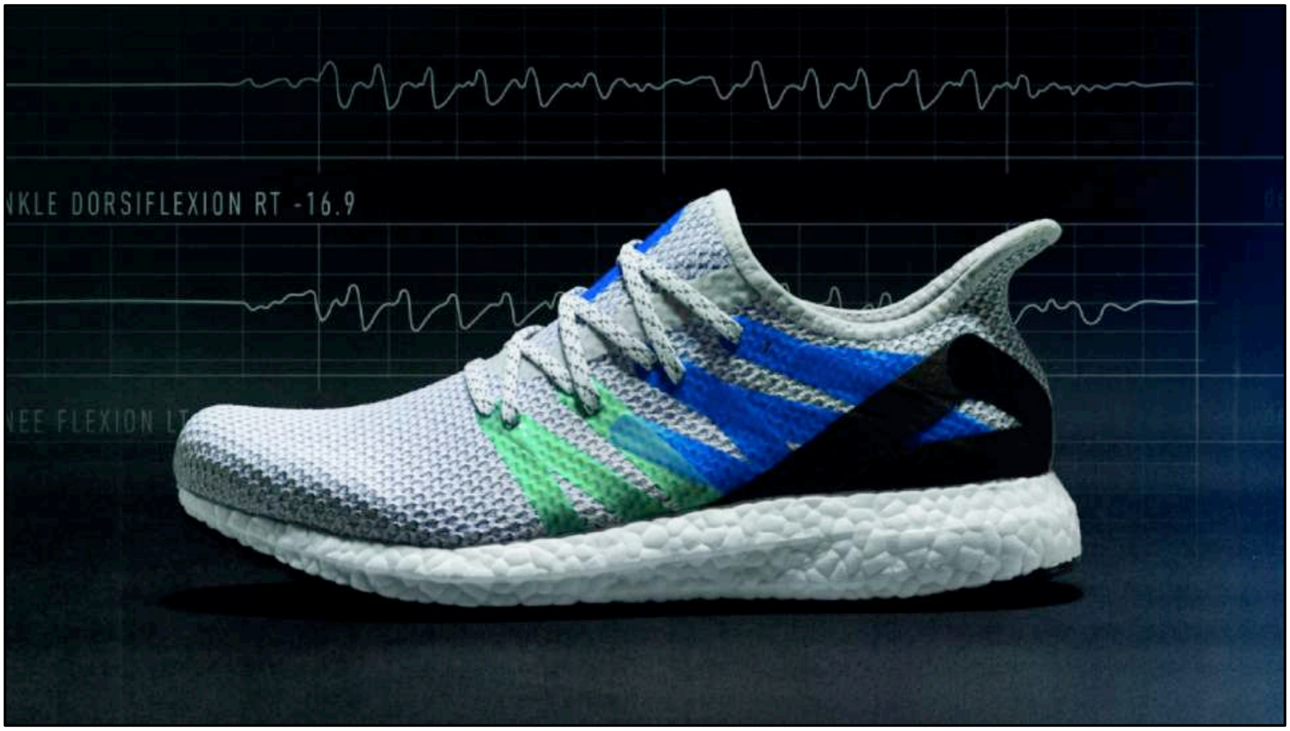
Some companies have already figured this out.



This is the strategy of Netflix – a so-called conglomerated niche strategy. In other words, scaling small niches into a big business.

The growth in Netflix over the past 5 years has been paralleled by a steady erosion at ESPN, which continues to rely on scaling the mass market. But that mass market is fragmenting with cable subscribers cutting the cord for personalized entertainment niches.

In response, ESPN has announced a streaming service of its own. But it's not about streaming per se. It's about streaming as the technology platform for scaling small niches and aggregating them together in a profitable way. So whether ESPN will get it right remains to be seen. In the meantime, Netflix is finding growth in uncomfortable places.

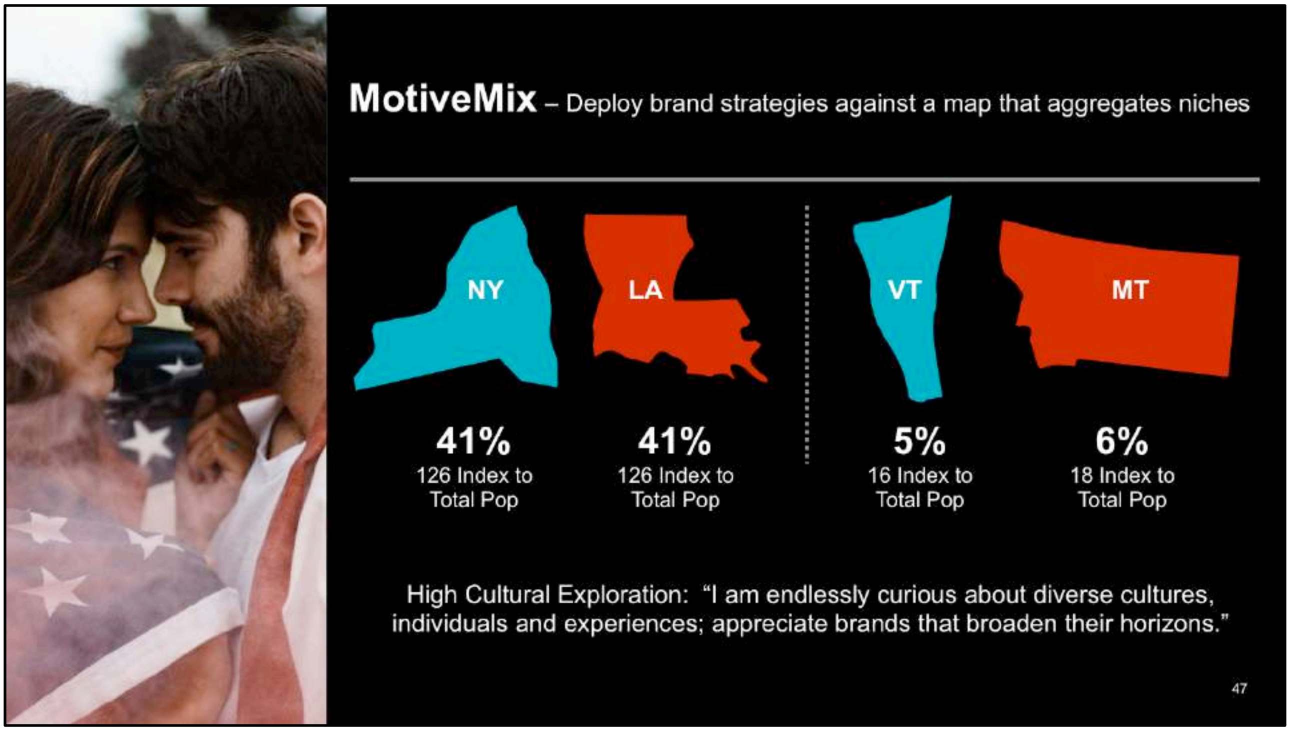


Technology will be one of the critical skills required to win in the future of consumption. Adidas recently launched shoes designed for individual cities, and to do so had to master small batch production that allowed it to profitably manufacture its products at a small scale. It did this with robotics and digitizing its supply chain. These city-specific shoes are just the first step in a shift Adidas is undergoing to tailor products to small groups or even particular individuals rather than the mass market.

Adidas is also testing on-demand, personalized 3D-knitting at a pop-up store in Germany where consumers can walk in, get a 3D body scan and have a custom made sweater ready to wear in 4 hours.

Red Bull is another example, and its niche strategy has been high-energy, so to speak. Red Bull began as a niche product and allied itself with extreme sports, another niche. It has steadily built its presence in other niches from soccer to e-sports. Its advertising and content marketing strategies are focused on highly targeted niche relevance and it continues to build a portfolio of products that bring various slices together.

Red Bull is more than just separate products for separate targets, all tied together. It is a brand concept about a niche identity, that Red Bull keeps deepening in every way possible. Its entire mindset is about scaling a niche concept into a big business.

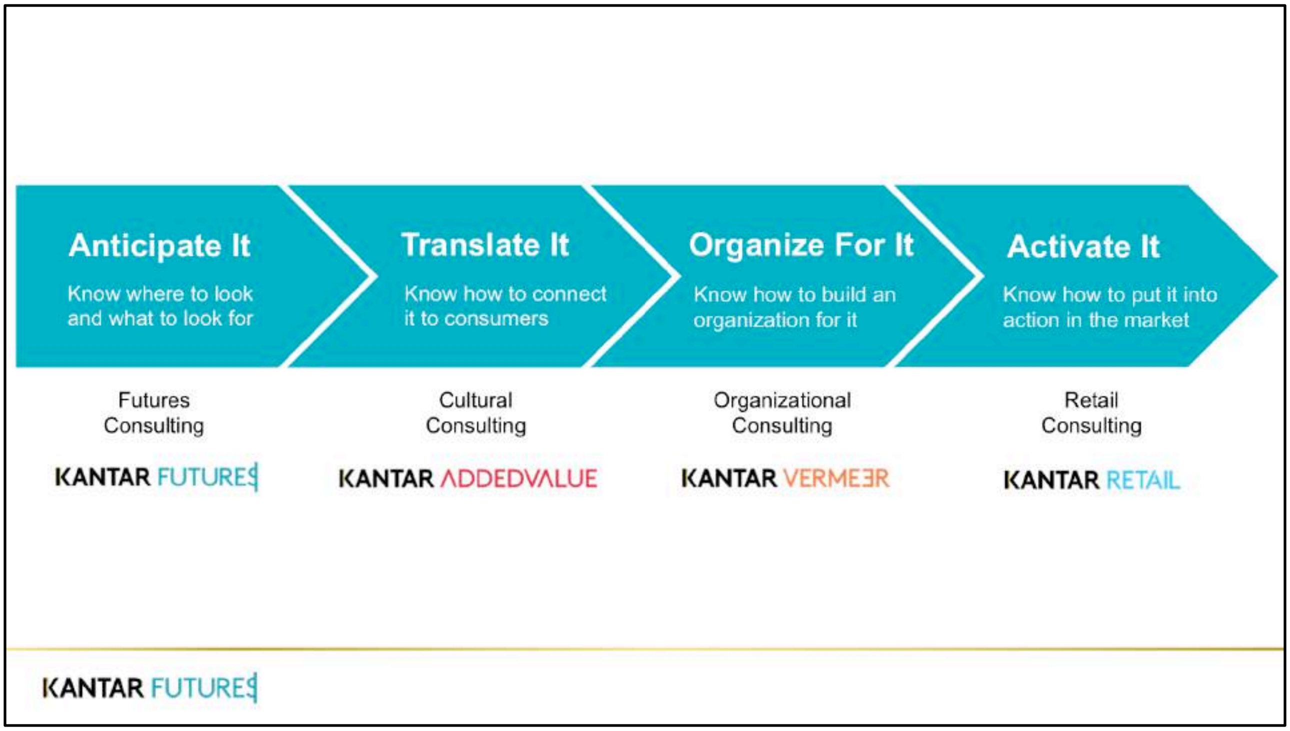


Finding ways to scale markets is harder than even given fragmentation and division. So we have developed MONITOR tools to help brands aggregate slices of the market. For example, MotiveMix is a database tool built from MONITOR that locates a core set of attitudes and values in specific geographies down to the individual level. With this geolocation tool, brands can find small world pockets of opportunity in unexpected places – indeed, places easy to overlook because they seem to be polar opposites.

For example, if you want to geolocate disproportionately high and low concentrations of people who value diversity and cultural exploration, you would expect New York to be high and Montana to be low. Blue state, red state kind of thing. But MotiveMix also finds that Louisiana is just like New York and Vermont just like Montana. Red state, blue state, which is not what you'd expect, which underscores the need to redraw the map of our expectations.

By the way, these are maps that can be drawn down to the county, zip or even block level to zero in on exactly the attitude or value a brand might be targeting.

Knowing exactly what attitude or value is most relevant in figuring out which slices of the pie to go after will be even easier in MONITOR with the extension early next year of our Global MONITOR Energies, or trends dynamics, to U.S. MONITOR. This will help brands prioritize Energies – which is our term for leading-edge trends. There is a framework to our Energies that begins with the Drivers mentioned earlier that give rise to these Energies as tracked in our surveys, which find Expression in the marketplace that we keep up with through our Streetscaper network. This is an integrated view of the marketplace with Energies at the center. These aren't fads. These are the currents that are carrying the marketplace forward.

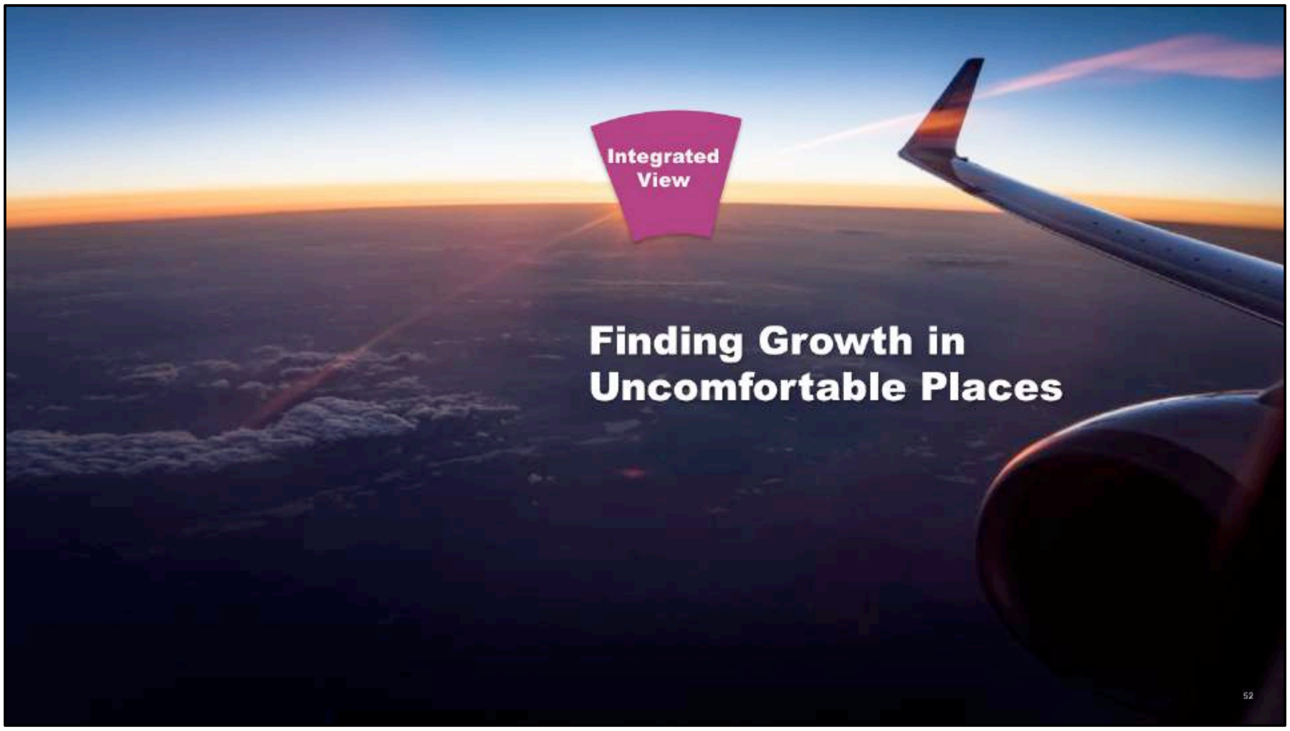


And by the way, what we do at Kantar Futures fits within the broader portfolio of consulting that we do at Kantar, all of which moves brands along to new ways of winning.

In broad strokes, brands have to anticipate new opportunities by knowing where to look and what to look for, then translate that to connect with consumers while organizing around these opportunities and then activating them in the marketplace.

MONITOR is integrated into this flow of consulting and execution. In fact, every MONITOR client is serviced by a dedicated account team that is focused single-mindedly on using our futures and foresights consulting tools like Playbooks and Future Forums to anticipate growth opportunities.

For example, using MONITOR, we can enable brands to look to very specific places for growth opportunities. The framework you see here is one we have worked with frequently.



It begins by taking an *integrated view* of how change is happening. Trends don't happen in isolation, but in clusters. The interactions between them create new patterns that open up new market possibilities.

For example, our MONITOR work and futures consulting in the auto sector reflects the fact that demand for cars is influenced by the interplay of economic conditions, oil prices, shifting generational attitudes, and public investment in alternatives.

The next place to look is *emerging profit pools*. As demographics shift, so does the money. Successful future-proofed strategies look for these new value pools as money moves between different groups, to new generations, new markets, and new groups of consumers.

In one instance, we quantified a category opportunity around a minority ethnic group across a number of European markets that was rechanneling the flow of disposable income. It's interesting to consider as well what untapped pools of profit are emerging on crowdfunding sites like Kickstarter.

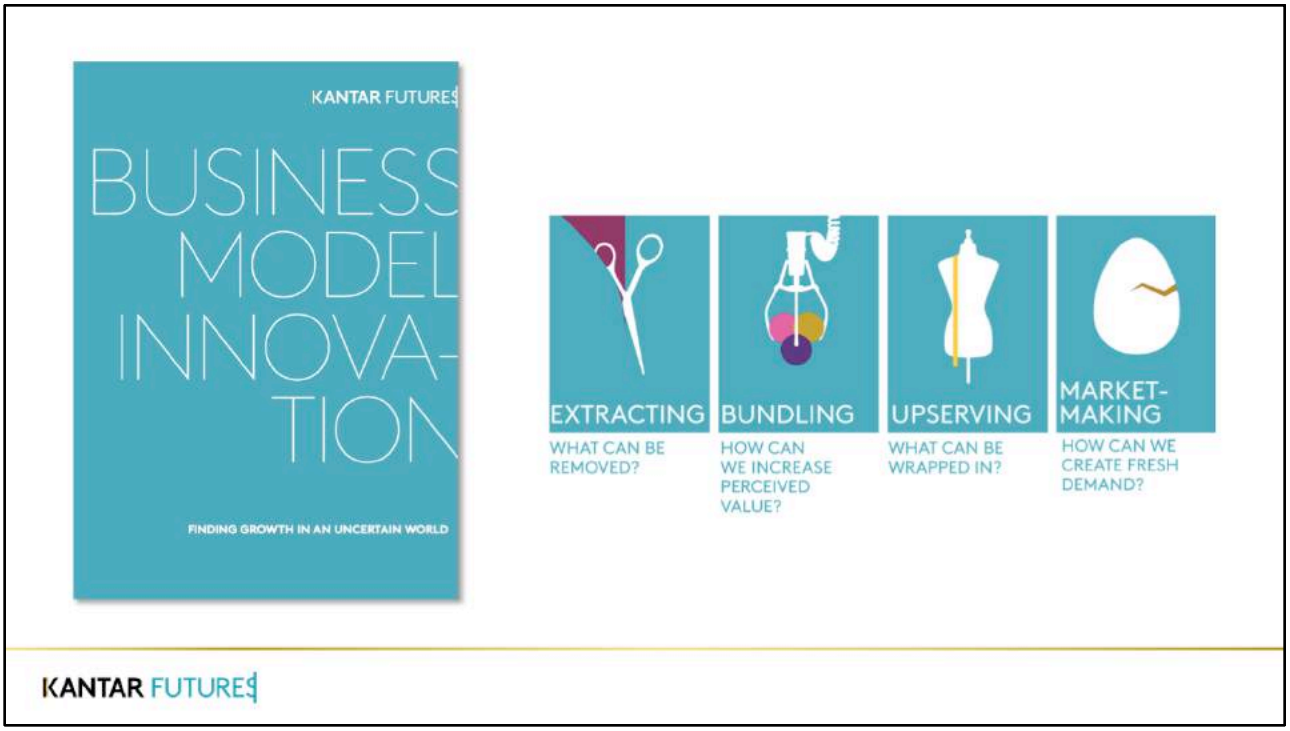
We always scour our data to look to the *cultural edges*. For example, the surge in farmers markets in the late 1990s wasn't about a change in food distribution, but an early signal of changing consumer expectations about food and community and about how supermarkets would need to reshape their offer in the 2000s.

We believe it is critical to learn from the *disrupters*. Think about what Coursera is doing to education or Dollar Shave Club, now owned by Unilever, to Gillette, or Volvo to transportation with its announcement that it will no longer offer vehicles with internal combustion engines after 2019.

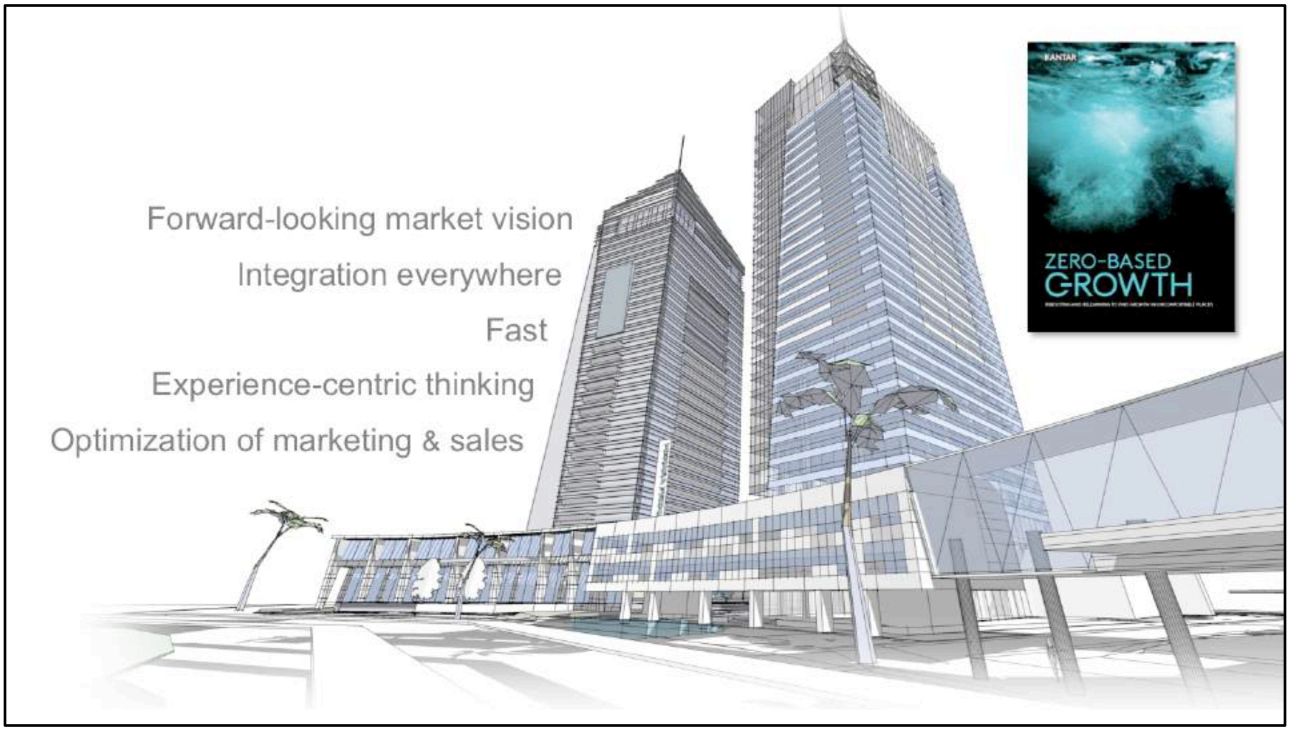
Sometimes, brands must be bold and *create new markets*. Companies often underestimate the extent to which they can create demand, rather than following market trends.

For example, Transport for London created a city-wide contactless market by moving London commuters from cash and paper tickets to the Oyster contactless card, and later opening up the system to bank contactless cards. Its initial business case was based on the need to increase passenger throughput at the tube and train stations.

The last thing to mention may well be the most important. Innovate your *business models and the value chain* associated with them. Where does the trapped value in your value chain lie? What technologies can be used to unlock it? Where can new value be found? MONITOR can help scope the potential of new business models to push more value through the chain.



In fact, just to mention it, business model innovation is the subject of a whole other line of thinking and tools we have developed for brands looking to find growth in uncomfortable places. There are four frameworks we use, which you see here. There's more about all of this on our Web site and our MONITOR account teams are well-versed in it.



One last thing. Within Kantar, we have thought a lot about what kinds of things a company must have in order to measure up to today's marketplace challenges. We will soon release the white paper you see here on this topic. It's about zero-basing your company not to cut costs but to invest in growth, which takes different kinds of resources and assets. Our focus of anticipation, translation, organization and activation is to push clients toward the 5 characteristics you see here.

It starts with a forward-looking market vision. Companies must re-imagine need-states and how brands can satisfy them. This mean rethinking traditional definitions of categories and consumers, especially by breaking down marketing and sales siloes. MONITOR is especially helpful here.

The second thing is integration everywhere. The critical enabler of this is an integrated data spine that provides companies with a singular, 'whole human' view of the consumer and shopper. You saw an example of this with MotiveMix, but it also means bringing brand, shopper, digital and retail together in more collaborative ways.

Third is moving fast, even faster than human comprehension. This means rapid even automated experimentation that rewards failure not punishes it.

Fourth is experience-centric thinking. The concept here is whole human for a seamless experience, not one view from marketing and another from sales.

Finally, it requires smart optimization of marketing and sales spending and resources. Obviously, companies shoot for this now. But there must be a stronger willingness to immediately abandon things that are not working and to invest in real-time measurement based on the data spine at the heart of the business.

Admittedly, much of this goes beyond MONITOR per se. But this is the broader strategic framework within which we think about and utilize tools like MONITOR to help clients find growth in uncomfortable places.

With that, let me bring this to a close. I hope you've gotten a good sense of the changing dynamics of the marketplace and what will be required in the future of consumption. I also hope you have a better understanding of what MONITOR can do to drive your business forward. Thank you for your time and interest. I really appreciate it. We've got a few minutes left, so let's see if there are any questions.