

A high-speed, close-up photograph of water splashing, creating a dense cloud of bubbles and droplets. The image is monochromatic, with various shades of teal and cyan. The lighting highlights the texture of the water, giving it a dynamic and energetic feel.

KANTAR CONSULTING

# ZERO-BASED GROWTH

REBOOTING AND RELEARNING TO FIND GROWTH IN UNCOMFORTABLE PLACES



**WINNING COMPANIES WILL  
ZERO-BASE EVERYTHING  
THEY KNOW ABOUT GROWTH  
BY REBOOTING AND  
RELEARNING THEIR  
STRATEGIES, STRUCTURES,  
TOOLS AND CAPABILITIES IN  
ORDER TO FIND GROWTH IN  
UNCOMFORTABLE PLACES.**

**KANTAR CONSULTING CAN  
HELP COMPANIES DO SO.**





# ZERO- BASING THE BIG PICTURE

“ WE ARE HEADED FOR A WORLD OF ZEROES, INCLUDING ZERO INFLATION, ZERO GROWTH IN PER CAPITA GDP, AND ZERO GROWTH IN PRODUCTIVITY.”

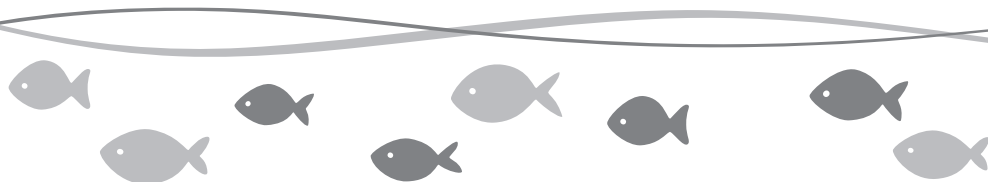
NIGEL WILSON

CEO, Legal and General – an FTSE 100 global financial services firm with over \$1 trillion in assets under management and over \$100 billion in revenue

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**N**igel Wilson's much-quoted comment from an online discussion hosted by the *Financial Times* in early 2016 echoes the perceptions of many senior business leaders that assumptions about growth and plans to achieve it must start at zero. What is foreseen is a future held hostage by an external environment in which growth will be nearly impossible to come by. Winning will require transforming incremental business as usual into extraordinary zero-based approaches to growth.

This zero-based mindset is rooted in the empirical business realities facing senior leaders these days. The way to win in these circumstances, though, is not to give in to these realities but to think differently about winning.



## REALITY

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**Growth is slowing.** Slower population growth, plateauing productivity growth and a wave of populist nationalism are bedeviling the global economy and dampening global growth. (A more detailed perspective on this topic can be found in the white paper from Kantar Futures entitled Defying Gravity.)

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**Growth has fragmented.** As growth slows in markets like the U.S. and China that have been key to growth in the past, other markets will have to bear more responsibility for global growth. Additionally, growth in categories is coming increasingly from segments and slices, not from the big middle that dominated in the past. These sources of growth are found in what Kantar Consulting calls “uncomfortable places” – that is, pockets of growth opportunities that are smaller than many clients are used to, and thus they are growth pockets where clients often lack the knowledge, the processes, the skills and even the confidence to win.

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**Competition has fragmented as well.** Global brands are facing new emerging competitors with nationally specific or segment-tailored business models. Many of these new competitors don’t just compete more nimbly. They fragment and redefine categories as well.

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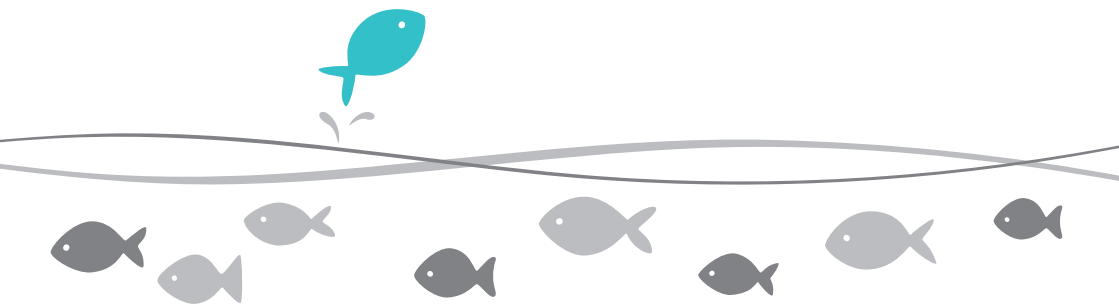
**The correlation of growth, scale and profitability has broken down.** For example, in retail, from 1995 to 2010, the world’s largest retailers were the fastest growing as well as the most profitable outlets for manufacturers to work with. Today, what growth there is comes from smaller, less familiar outlets, and manufacturers are finding large retail customers to be more demanding and less profitable.

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**At the consumer level, future growth opportunities are coming more from the fringes than from the center.** This is especially true as more companies adopt mass market strategies to fit the laws of growth now gaining prominence.

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**Technology is bringing a world of zeros and ones to the sales and marketing ecosystem.** Digitally connected consumers are finding new and unfamiliar nonlinear paths to purchase. eCommerce retailers are changing the commercial ecosystem with an avalanche of zeroes and ones available for analysis. Yet most companies continue to struggle turning this digital ecosystem into scalable growth.



## THINK DIFFERENTLY

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**SHIFT FROM RIDING WAVES TO MAKING WAVES:** Winning companies will create or make waves of growth, not depend on external circumstances to create waves to ride.

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**LOOK TO UNCOMFORTABLE PLACES:** Winning companies will create and drive growth in new markets, in sub-categories and in micro-segments, all of which are uncomfortable places where the historical rules of growth often don't apply.

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**GET NIMBLER:** Winning companies will study and learn how these smaller, nimbler competitors have connected with consumers and what they understand about the market, and then harness and deploy those capabilities themselves.

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**MASTER NEW RETAIL FORMATS:** Winning companies will win with uncomfortable retailers like Amazon and discounters like Lidl and Aldi. And winning companies will optimize large retailer volume to combine growth opportunities and profit expansion.

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**REINVENT RELEVANCE:** Winning companies will make relevance the name of the game by responding to and focusing more on under-served consumer needs. Winning companies will make sure of their relevance, both today and tomorrow, by using a future focus to shape and guide investment in brands, in talent and in innovation.

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**PUT DATA FIRST:** Winning companies will put data first, at the heart of every operational process, in order to organize and harness the rapidly emerging, data-intensive ecosystem more effectively than their competitors.





"EFFICIENCY IS DOING  
THINGS RIGHT.  
EFFECTIVENESS IS DOING  
THE RIGHT THINGS."

PETER DRUCKER

The Effective Executive: The Definitive Guide  
to Getting the Right Things Done (1967)

# ZERO-BASING THE MICRO-PICTURE

**E**ven more than the big picture, the micro-picture within which consumer goods companies are operating is also dominated by zero-based realities, further abetting the rise of a zero-based mindset. Arguably, though, this zero-based mindset has served them well. At the time of this writing, publicly traded companies have never had more stock market success, with most major global stock market indices near all-time highs and many companies driving record levels of earnings per share.

Big companies have achieved this success largely by managing the denominator of the earnings-per-share equation and buying back shares. In 2015 and 2016, Barclay's Bank estimated that the S&P 500 returned more cash to shareholders through buybacks and dividends than was earned. Driving returns on a smaller capital base has meant putting first priority on expense reduction rather than on topline growth in order to succeed.

Added to this mix are activist investors like 3G Capital Partners that bring an intense focus on expense reduction as the pathway to shareholder value creation. It means that big companies must slash operating expenses in order to keep shareholders happy and to fend off hostile takeovers.

The best known and perhaps most widely used expense-reduction strategy is zero-based budgeting (ZBB). Some form of ZBB has been utilized by virtually every large enterprise during the 2010s. However, its virtue of driving short-term shareholder value through expense reduction comes with downsides. Ironically, the original purpose behind ZBB was to force companies to focus on the work needed to succeed now, thereby purging structures and budgets of work that was past its useful life. Unfortunately, to paraphrase Peter Drucker, the zero-based process has become overly focused on doing things right, meaning cheaper, and has lost sight of doing the right things.



# ZERO-BASED GROWTH

**W**hether big picture or micro-picture, the reality is pressure – pressure from rapid change in the macro marketplace combined with an internal environment demanding more from less. To overcome this pressure and win, companies need to reexamine the core work they are doing and, in fact, zero-base it. Companies must truly transform the work they are doing, not just fine-tune it. In other words, stop doing yesterday's work, optimize today's work and align on tomorrow's work.

At Kantar Consulting, we see rebooting and relearning as the energizing alternative to the pressure-fueled, ZBB cost-cutting mindset dominating today's consumer goods industry. In point of fact, growth is all around. It's just

in uncomfortable places – poorly understood consumer groups, technologically-altered shopping missions, complex and challenging retailers, unmet and unarticulated needs-states, granular and unfamiliar data sets, and geographically dispersed markets. Companies as diverse as Land Rover, Adidas, Netflix, Sephora, Tencent and Aldi as well as numerous small, national or niche startups show that there is plenty of growth for companies prepared to get uncomfortable. But too many companies are relying on business models built for the big, easily scalable growth of yesteryear and simply aren't ready for tomorrow's growth in uncomfortable places.

Kantar Consulting recommends that companies reboot and relearn their approach to commercial success. Doing so entails an





## REBOOTING AND RELEARNING GROWTH FROM UNCOMFORTABLE PLACES

approach to winning that we call Zero-Based Growth. This is best thought of as identifying true pockets of growth in the consumer and retail landscape, and then building the strategies, structures, tools and capabilities to leverage them. In a nutshell, companies must create their own waves of growth and get accustomed to doing so in uncomfortable ways and in uncomfortable places.

At its core, Zero-Based Growth is about doing what's right. That requires more than a greater focus on tactics or conventional planning and strategy. It requires rebooting or zero-basing established ways of doing business. In particular, it requires unlearning the growth models that got companies where they are today and replacing them with new growth models and updated capabilities.

Sometimes, Zero-Based Growth means wholly new work. Other times, it means a new combination of existing work streams across a company's internal siloes. A Zero-Based Growth strategy should be accompanied by a structural realignment that reflects where new work or new work streams can and should be done.

Zero-Based Growth will almost certainly force companies to relook at historical structural divides between functional areas, particularly marketing and sales, but also marketing and insights or one part of the marketing function and another or strategy and operations or growth and optimization. All must be realigned and reconnected in different ways in order to focus on capturing tomorrow's uncomfortable growth.

Five attributes characterize companies that are winning through Zero-Based Growth strategies:

## 1 FORWARD-LOOKING MARKETPLACE VISION

Too much of what passes for forward-looking planning is little more than an Excel-style drag-and-drop extrapolation of the recent past. Companies cannot make waves without reimagining consumer needs-states. It will take zero-basing traditional definitions of categories, consumers and brands. Oftentimes, this will require realigning marketing and sales.

A Zero-Based Growth approach will provide one holistic view of growth and the sources of growth. It is also the only way to take full advantage of the true levers of growth found in the global analysis of brands by Kantar Worldpanel, particularly the findings on penetration and local giants. In turn, that will provide a roadmap for investing in the capabilities and talent needed to achieve that growth.

## 2 INTEGRATION EVERYWHERE

A big part of rebooting for growth is building an organizational structure that can integrate essential functions and processes seamlessly and easily. The critical enabler of this is an integrated data spine that provides companies with a singular, 'whole human' view of the consumer and shopper.

Planning processes should utilize integrated platforms to bring together brand, shopper, digital and retail in more collaborative ways that blow up the classic marketing-versus-sales divide. In particular, this integrated approach needs to be deployed against the new, holistic platforms of Amazon and Alibaba that act as everything from retailers to media to search to payments to service to social to entertainment, and more.



# 3

## FAST, AND EVENTUALLY, FASTER THAN HUMAN COMPREHENSION

Winning companies must get comfortable with the granular, real-time knowledge that is fueling the contemporary marketing and sales ecosystem. This requires faster experimentation and testing that leads to immediate action. Rapid, affordable failure must be part of the ways companies work, which requires eliminating unnecessary steps that slow speed to learning. Most companies are wired for slow, risk-averse innovation, so it will take zero-basing things in order to create a fast process of testing, learning and acting.

Winning companies must also build granular capabilities, using prescriptive, forward-looking algorithms and AI that can reap opportunities by utilizing these new data sets without human intervention.

# 4

## EXPERIENCE-CENTRIC THINKING

This entails a richer, 'whole human' understanding that breaks down walls between marketing and sales to deliver a consistent, seamless customer experience. Brand and category strategies will have to be reinvented to deliver improved experiences.

In order to test, develop and create these experiences, companies will need to invent next-generation processes and technologies.

# 5

## SMART OPTIMIZATION OF MARKETING AND SALES SPENDING AND RESOURCES

Zero-Based Growth is not fueled by magic – it requires cash. Winning companies must utilize best-in-class tools and intelligence to ensure that all investments and assets are driving returns. This means using a consumer-to-shelf, total-market view of investments and assets. Most companies use optimization tools to tweak plans in place in order to ensure smooth year-over-year comparisons. Zero-Based Growth requires that optimization be employed in more powerful ways to stop doing work that truly does not work.

Activities must be tied to results through an ongoing measurement loop built on the integrated data spine that assesses precisely the effectiveness of advertising and selling. And then, activities must be reshaped and reprioritized accordingly.







# ZERO-BASING

## GROWTH STRATEGIES, STRUCTURES, TOOLS AND CAPABILITIES

The marketplace ahead will require a new approach to winning, one rooted in zero-based realities but able to point companies beyond a zero-based mindset. What's needed is a Zero-Based Growth strategy, and that is exactly what Kantar Consulting delivers for clients.

The next thought-leadership white paper from Kantar Consulting will dig deeper into how to

apply Zero-Based Growth strategies. The old rules of growth no longer apply. The roadmap to future success begins with zero-basing established ways of doing business in order to implement new ways of working and provide new answers to the questions of where to play, how to win and how to keep winning. Kantar Consulting stands ready to spark success for clients through Zero-Based Growth strategies.



## TRANSFORM THE INCREMENTAL INTO THE EXTRAORDINARY

### 1. Are your current strategies continuing to perform like before?

If not, what new strategies fit better with the direction of the marketplace? If so, what more should you do to future-proof for the changing marketplace?

### 2. Are you looking for growth opportunities in “uncomfortable places”?

If not, how can you engineer a more innovative way of finding growth into your usual way of doing business? If so, what can you do to be even more innovative?

### 3. Is your business built to respond in real-time to competition and shifting market conditions?

If not, what infrastructure can be replaced with AI and data systems to automate decision-making? If so, what are you doing to get even faster?

### 4. Do your marketing and sales functions operate together as a single, integrated unit?

If not, how do you reinvent the customer experience to create seamless engagement without internal siloes? If so, have you fully exploited the opportunities for deepening customer loyalty?

### 5. Does your view of customers reflect a “whole human” understanding of their needs and wants?

If not, what else should you know in order to build a richer understanding of your customers? If so, how can you deepen your understanding even more, and are you taking full advantage of this perspective?

# KANTAR CONSULTING

Kantar Consulting is a collective of the best consulting talent and capabilities within Kantar across brand, marketing, retail and shopper. With expertise and capabilities drawn from Kantar Futures, Kantar Retail, Kantar Vermeer and Kantar Added Value, we operate globally to help clients unlock and sustain consumer- and shopper-centric growth.

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