Sevendots Growth Series / **Volume 5** / **Key Highlights**

A New Paradigm for Portfolio Management

Effectively managing increased complexity

sevendots

Portfolio Management

A mission to regain value

Providing relevant and actionable insights to Consumer Package Goods brand owners – to support long term growth and drive value – is what inspires the **Sevendots Growth Series.**

After the success of the Brand Penetration, Brand Purpose, Category Growth and Direct to consumer studies we have developed our Portfolio Management study following the same trusted path: leveraging a plethora of existing literature and case studies, mining the extensive knowledge of our senior partners, engaging major brand owners to capture their experience and interviewing a global sample of marketers to provide a well grounded set of key actionable considerations.

This document is a brief summary of the outcome of the study and outlines the 6 key conclusions we'd like to add to the Portfolio management debate.

Please contact opportunities@sevendots.com to learn more about the whole outcome of the project.

sevendots

01 Complexity is the Name of the Game

Complexity is becoming more of an asset than a liability, and the ability to manage it will strongly impact growth and success. Consequently, portfolio management is a powerful tool to cope with the forces that are violently and rapidly impacting the CPG industry (personalization, virtual shelf and speed of change). However, companies find it difficult to develop a real strategy behind it.

Marketers feel that CPG companies have difficulties defining a brand portfolio strategy

sevendots

Source: Sevendots quantitative survey amongst 151 senior marketers – 2018

02 Passive to Active

Recent disruptive trends have reshaped how CPG companies interpret and manage their brand portfolio. A new world is emerging, and companies now need to think about managing at the category, brand and SKU level to deliver both growth and profitability. At the same time, they need to develop the organizational approaches to succeed with both large and small brands.

The Heritage Era

Portfolio as a consequence of expansion and acquisitions

The Power Brand Era

Focus on fewer brands to reduce complexity

The Proactive Era

Recognizing the need to manage a broader portfolio

PRE-2000 → AROUND 2000 → POST-2000

sevendots

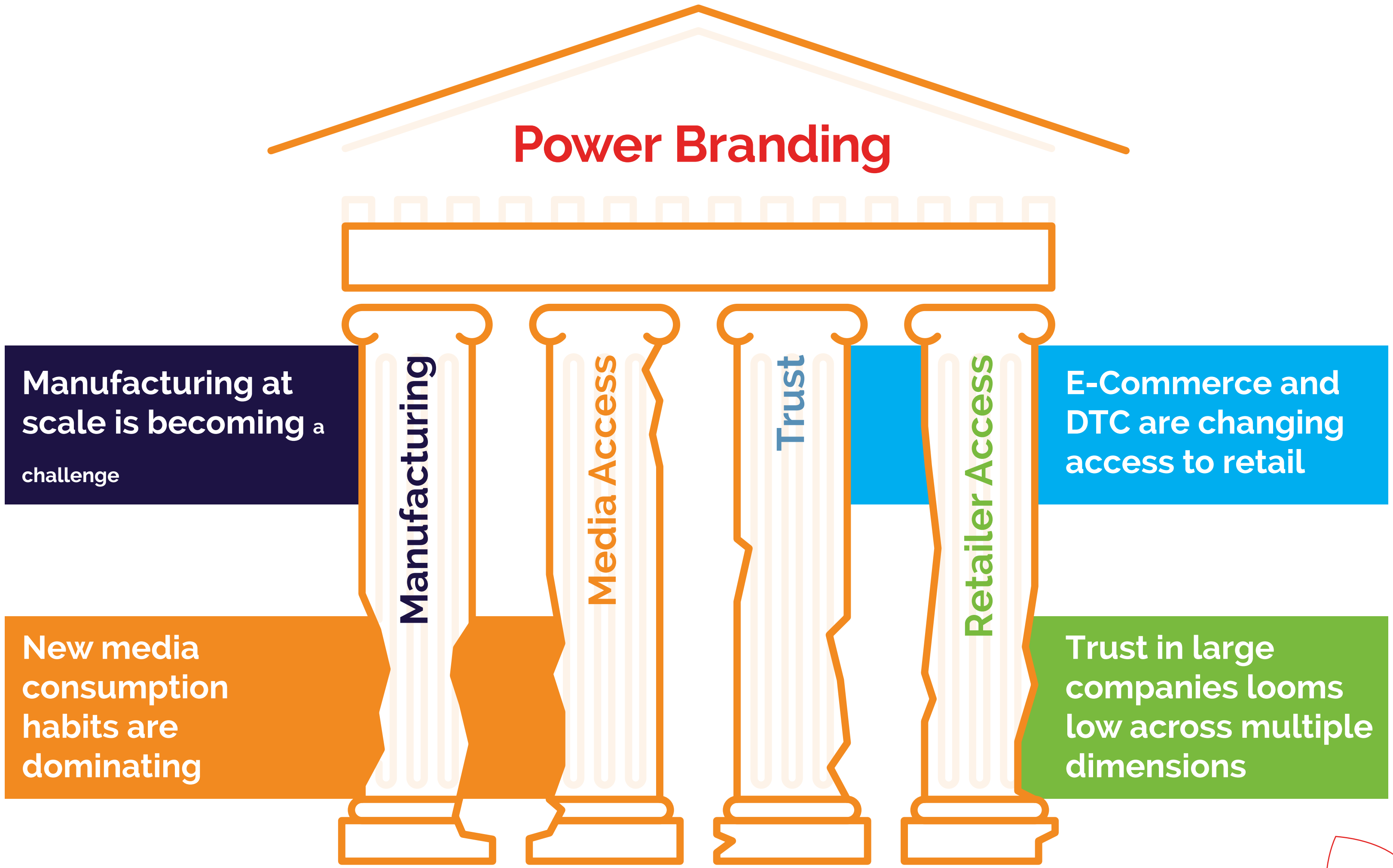
Source: Sevendots quantitative survey amongst 151 senior marketers – 2018

03 Beyond Power Branding

Power branding is no longer enough to drive growth. Brands need to now focus on extending their portfolio to meet the increasing demand for differentiation and personification.

Companies can no longer leverage on traditional channels (manufacturing, media access, trust and retail access) accessible through power brands to generate growth.

The four pillars of Power Branding



sevendots

04 Multiple Sizes Fit All

Simply relying on monolithic power brands is not enough. While power brand will remain to generate the core volumes and fund future development, growth is more likely to be achieved from new, smaller, tailored brands, that meet the changing consumer demand. Thus, the businesses that can manage diverse portfolios efficiently and effectively will be the most successful.

Big and small brands contribute differently to the business

	BIG BRANDS	SMALL BRANDS
Growth contribution	+	+++
Profit contribution	+++	++
Investment need	++	++
Short term payback	++	+

sevendots

05 New Approaches

Capabilities to manage small brands are different than those necessary to manage big brands. Different governance models are needed to make sure small brands are successful in large corporate environments. Skills such as speed and agility are extremely important for a small brand. Additionally, the need to stay true to the brand essence, preserving authenticity, is central, as 'small brand' is no longer a definition based on objective size but on the ability of the brand to remain authentic and agile.

A shift in relevance

Localization	Global Insights
Personalization	Global Positioning
Story-telling	Strong Awareness
Authenticity	Strong Visibility

sevendots

06 New Assessments

The new reality requires new measurements and different growth paradigms. As a result, traditional KPIs need to be reinforced with additional metrics that match the new reality. Managing a portfolio has to be linked to a mindset change: easier removal of brands from the portfolio if needed, and a more proactive search for new brands (maybe through acquisition) are important aspects.

Traditional Metrics:	Broader Metrics:
Growth	Share of Growth
Profit	DTC share of business
Market Share	Authenticity
	GFY/BFY share of portfolio
Return on investment capital (ROIC)	Capital investment (vs. outsourced manufacturing)

sevendots

Source: Mondelez Website, 2018

SQ

What did we base these insights on?

Sevendots insights are always based on a robust platform of knowledge and, dissatisfied with just one source, we always want to cross-check our conclusions with other sources of information. This exercise was no exception. 5 key stages of learning fueled our final conclusions.

1 **A detailed search and review of all relevant information sources and cases about Portfolio Management from academics, consulting firms and practitioners**

2 **An internal survey among 20 Sevendots partners from 10 countries– with strong experience in brand and general management or in consulting and consumer research – collecting, structuring and distilling all their experience on Direct To Consumers.**

3 **Qualitative interviews with 39 senior professionals in large CPG companies, including Danone, Colgate, Revlon, Ferrero, Henkel, J&J, Unilever, Mars, Coty, Heineken among others, from functions such as global and regional CMO's and CEO's, International Marketers and Global CMI.**

4 **A quantitative survey of 151 marketers and consumer insight professionals around the globe, all from leading multinational CPG companies.**

5 **And finally, an extensive search and review of case studies providing vivid support to our findings.**

sevendots

Sevendots Growth Series / **Volume 5** / **Key Highlights**

For a presentation of the
whole outcome of the project
please contact

opportunities@sevendots.com

sevendots