Providing increased value to your individual consumers

Personalization at Scale

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At Sevendots we are passionate about the Consumer Packaged Goods industry. We are on a mission to provide brand owners with valuable contributions on main topics affecting the future development of the industry. We do this with rigor and enthusiasm through our Growth Series.

After the latest releases on Sustainability and on Big vs. Small brands and how the latter can regain appeal for consumers, we have developed a brand new and encompassing study on Personalization at Scale.

To do that, we followed the proven path of our structured and rigorous approach 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, interviewing a global sample of marketers to provide a well-grounded set of key actionable considerations and running consumer research in USA, France and China to get a fresh consumer perspective on the topic.

This document is a brief summary of the outcome of the study and outlines the 5 key conclusions we'd like to bring to the CPG brand owners community about the role and potential of Personalization at Scale.

Please contact opportunities@sevendots.com to learn more about the outcome of the project including more analysis, case studies and a structured framework helping brand owners to make decision on how and where leveraging personalization.

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01 The future of value generation

For the brand owners' community perspective, personalization is going to play a fundamental role in the future of the CPG industry as it will release a consistent amount of additional growth and profitability.

The importance and relevance of this dimension is rooted in:

- Rising consumer expectation towards a higher level of personalization from packaged goods. This is also prompted by other consumer-facing sectors that are much more advanced in this area.
- Fast technological empowerment that is making things possible and affordable.

> **"Personalization at Scale will become a central aspect that will redefine the whole industry."**
> Global Business Unit Head – Multinational Food & Beverage Company

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Source: Qualitative Interviews with Brand Owners

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"It is a massive opportunity. Who can do it in a relevant way will win while the others will risk to commoditize."

Functional Leader – Multinational Food Company

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Source: Qualitative Interviews with Brand Owners

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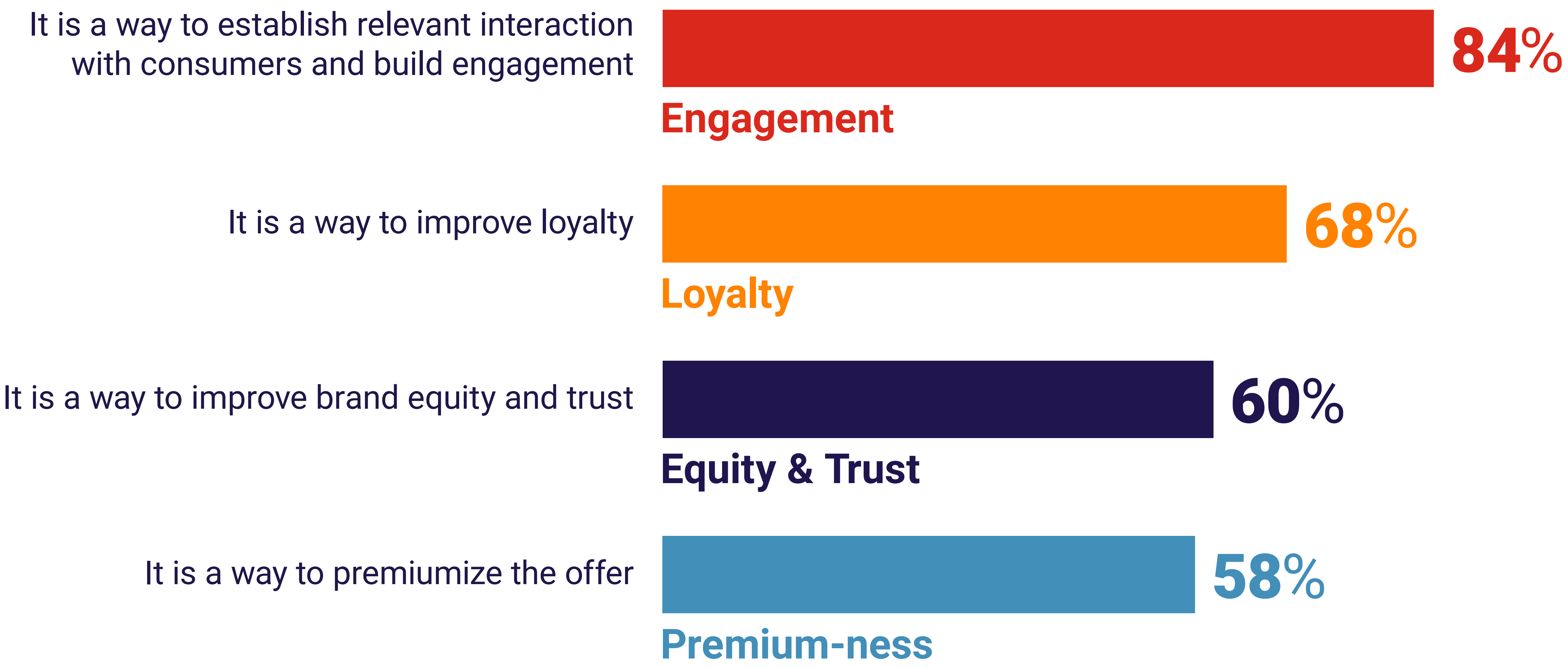
For brand owners, Personalization at Scale can deliver stronger Engagement, Loyalty, Equity, Trust and Premiumization opportunities

Why do you think Personalization at Scale is important for the future of the CPG industry?
(11 statements, please choose all that apply) – Top 4 statements



Source: Quantitative Survey with Brand Owners (91 respondents)

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Personalization allows for Lifetime Value extraction

Monetization of personalization leverages an enhanced perception of consumer value thanks to higher brand engagement that can transfer into a higher loyalty level and Lifetime Value extraction.

43%

of brand owners think that Personalization is a way to maximize the lifetime value of your consumers.

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Source: Quantitative Survey with Brand Owners(91 respondents), 11 statements, choose whatever apply

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02

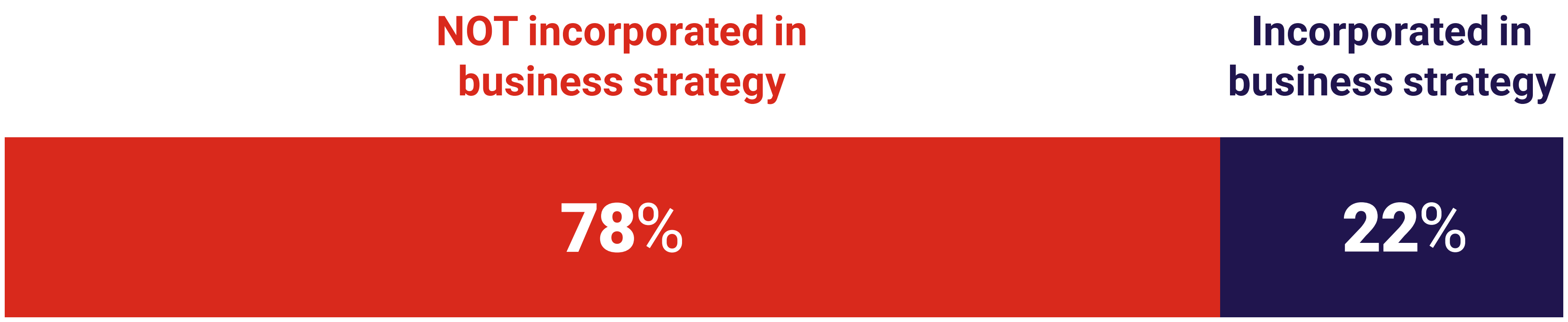
The challenge with implementation

There is still a major cognitive gap between the identified relevance and importance of personalization and the ability to implement it. Only 20% of the companies put personalization in their strategies and less than 10% implemented it in a structural way.

Barriers are mainly financial but there is also a cultural dimension linked to the underlying tension between personalization and the traditional industrial approach to value generation.

Only limited sections of CPG companies have a strategic perspective on Personalization at Scale

Do you think that, in your company, Personalization at Scale is:
(Please choose one answer)



Source: Quantitative Survey with Brand Owners (91 respondents)

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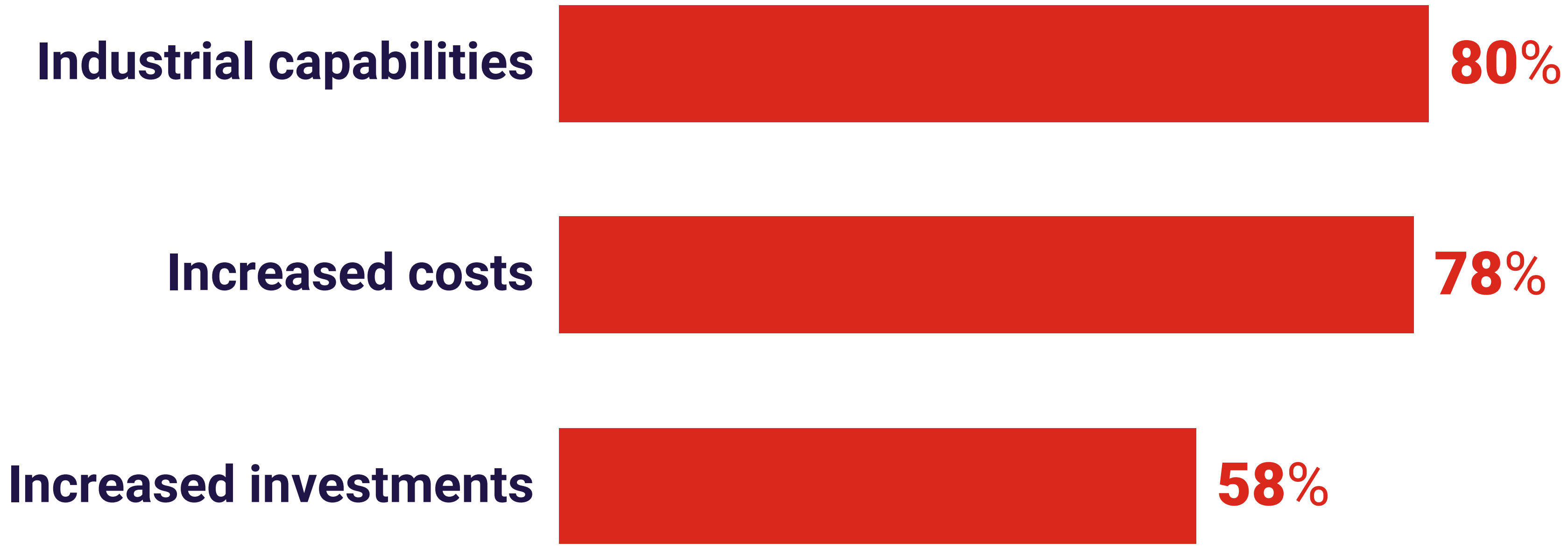
Barriers to Personalization at Scale are mostly financial

What do you think are the main barriers that prevent CPG companies from developing Personalization at Scale?
(Please choose all the answers that apply, 8 statements) Top 3



Source: Quantitative Survey with Brand Owners (91 respondents)

"Management in most companies lives in a bubble and has at its disposal well-oiled military machines to provide mass products to mass consumers. They struggle to think differently and make radical changes."

Global Marketing Director Innovation – Multinational Food Company

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Source: Qualitative Interviews with Brand Owners

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03 The many facets of personalization

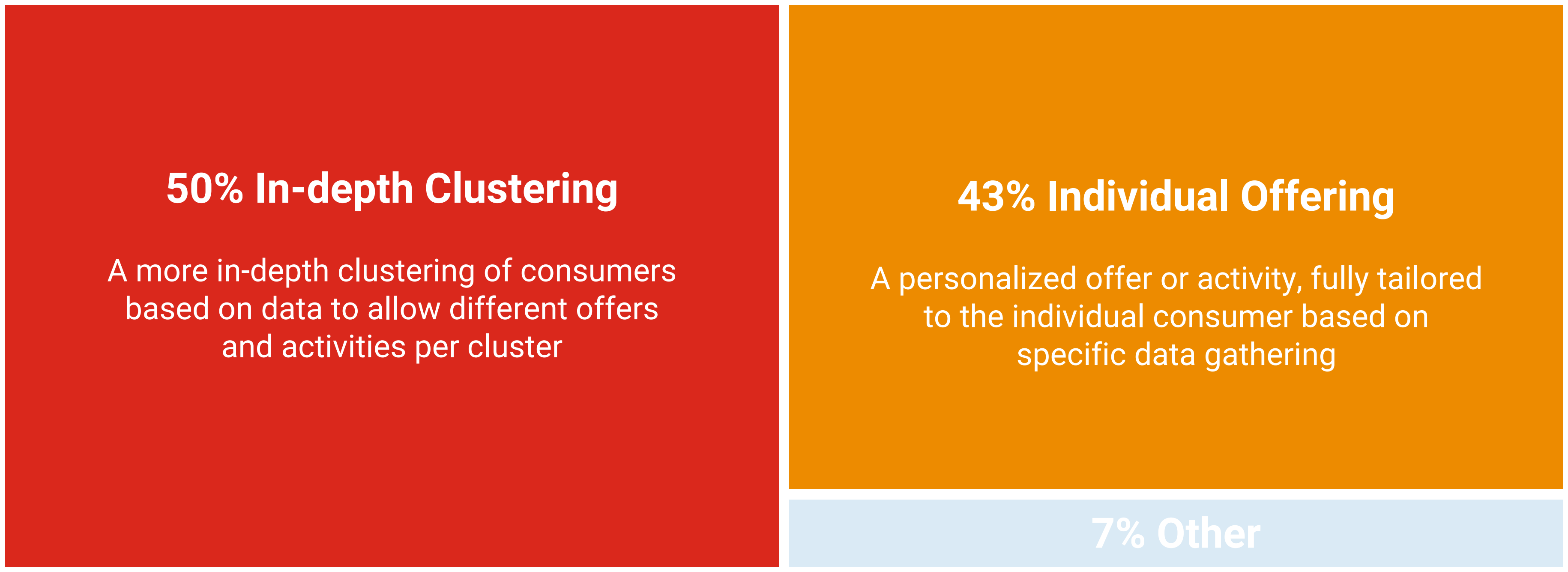
A key challenge in Personalization at Scale implementation is linked to the complexity of the topic and the broad territory it covers.

Besides other key variables helping to identify the personalization options, the level of personalization is a key entry point.

In fact, the level of scale you want or need to associate to personalization, in the continuum represented by a single offer to everybody towards a single offer for every individual, becomes a crucial element for defining the ambition and the risk associated to it.

Brand owners are split in defining the level of Personalization at Scale

Which of the following definitions do you think better describes Personalization at Scale?
(Please choose one answer.)



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Source: Quantitative Survey with Brand Owners (91 respondents)

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The level of personalization can be defined along a continuum

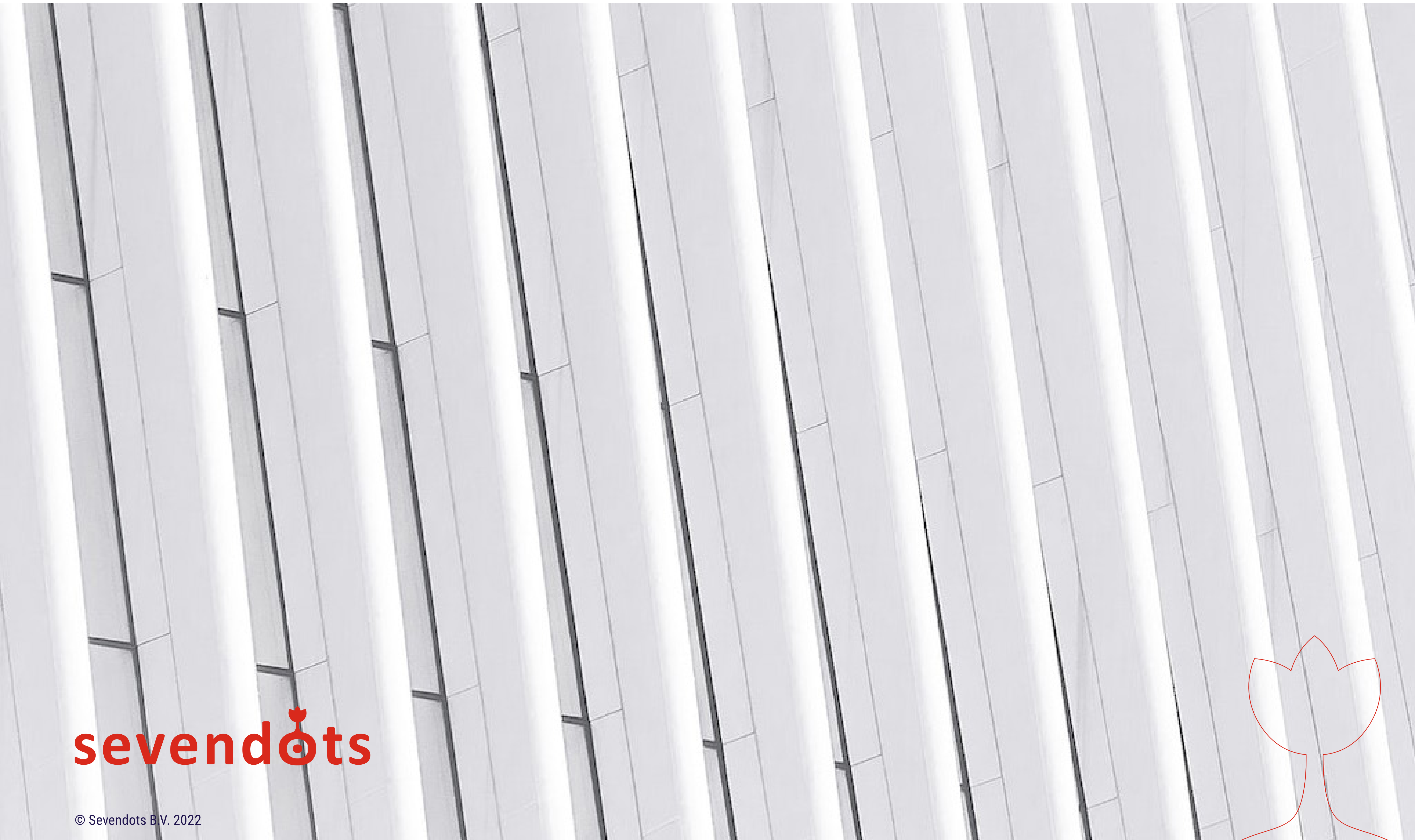
One offer for everybody

Macro-segmentation

Micro-segmentation

One offer for every consumer

Level of personalization



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The other variable defining the personalization territory is linked to which aspects of the offer to personalize. Here the choice is between intangible and tangible elements. In this case, the decision also indicates the level of complexity and risk that can be applied to personalization.

One or more different aspects of the offer can be used for personalization

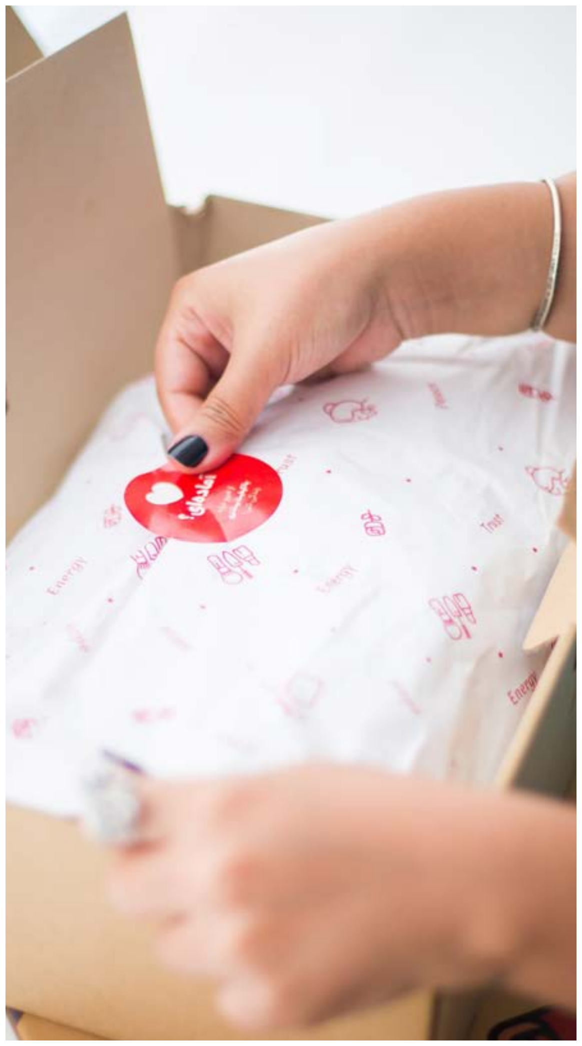
Communication

The ability to effectively personalize messaging.

Services

The ability to provide personalized added value services (advice, convenience…).

Packaging



The ability to provide personalized packaging (label, format…).

Product

The ability to provide personalized products (ingredient selection, personalized formulation…).

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04 The benefits of personalization

Consumers are ready for personalization but need to better understand the real benefit associated to it.

Personalization needs to be strongly linked to the brand system reinforcing the equity and value proposition. Benefits of personalization can be clustered in Convenience, Performance and Experience with different consumer expectations linked to them.

54%

of consumers claim personalization allows them to buy products that best suit their personal taste and needs

Source: MOMENT10, 2022 There could be lots of different reasons for wanting a more personalized product or service when shopping for grocery and household brands; we've listed some of the reasons other shoppers are motivated by below. Which of these reasons best represent why you might like to see more personalized products and services among the grocery brands (food & drink, household cleaning, personal care etc.) you usually buy? USA, France and China, Total base: All countries combined, N = 1.519

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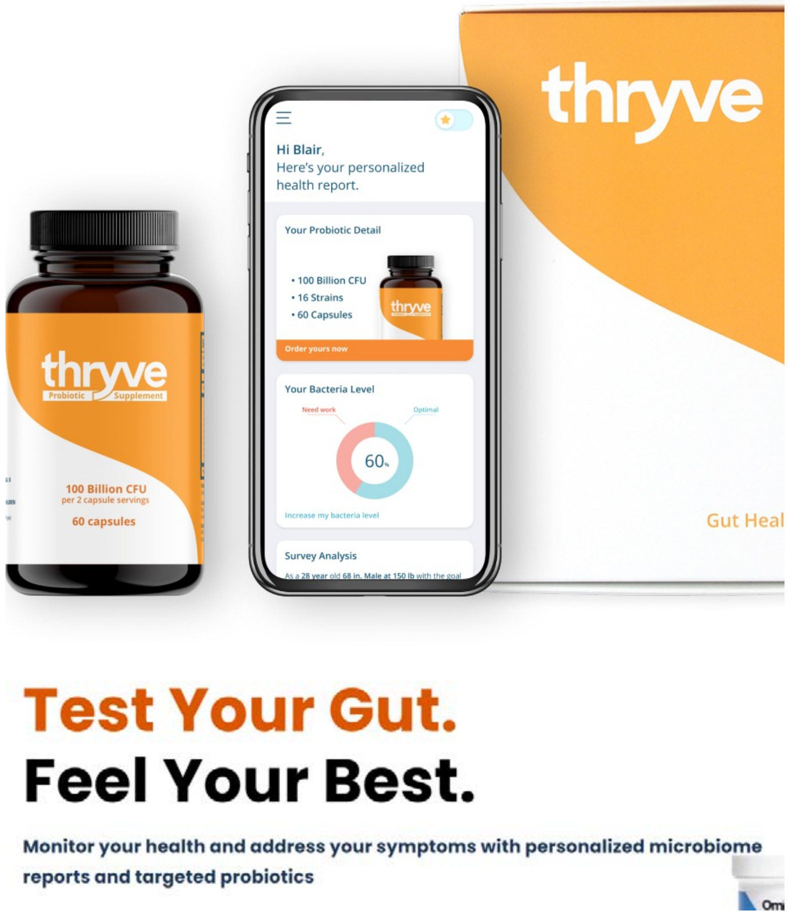
Three main benefit boosters for Personalization at Scale

Convenience

Personalization brings improved convenience

Particularly in using the product, such as receiving the right quantity, at the right refill time, delivered when needed, etc.

Performance



Personalization brings enhanced product performance

Namely a better fit for skin type in regards to cosmetics, or a specific nutritional profile match for foods.

Experience

Personalization boosts the experiential dimension of the product

Such as a preferred taste and flavor, a name on the label, tailored messaging about specific aspects of the product, a connection to other activities, etc.

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05 A path for implementation

Defining the ambition for personalization is a key step for successful implementation. This has to be linked to an evaluation of the category opportunity (where consumers presently have different expectations), the brand fit and the level of investment and risk that can be deployed.

This can then be mapped together with the level of personalization and to which dimensions of the offer personalization can be applied.

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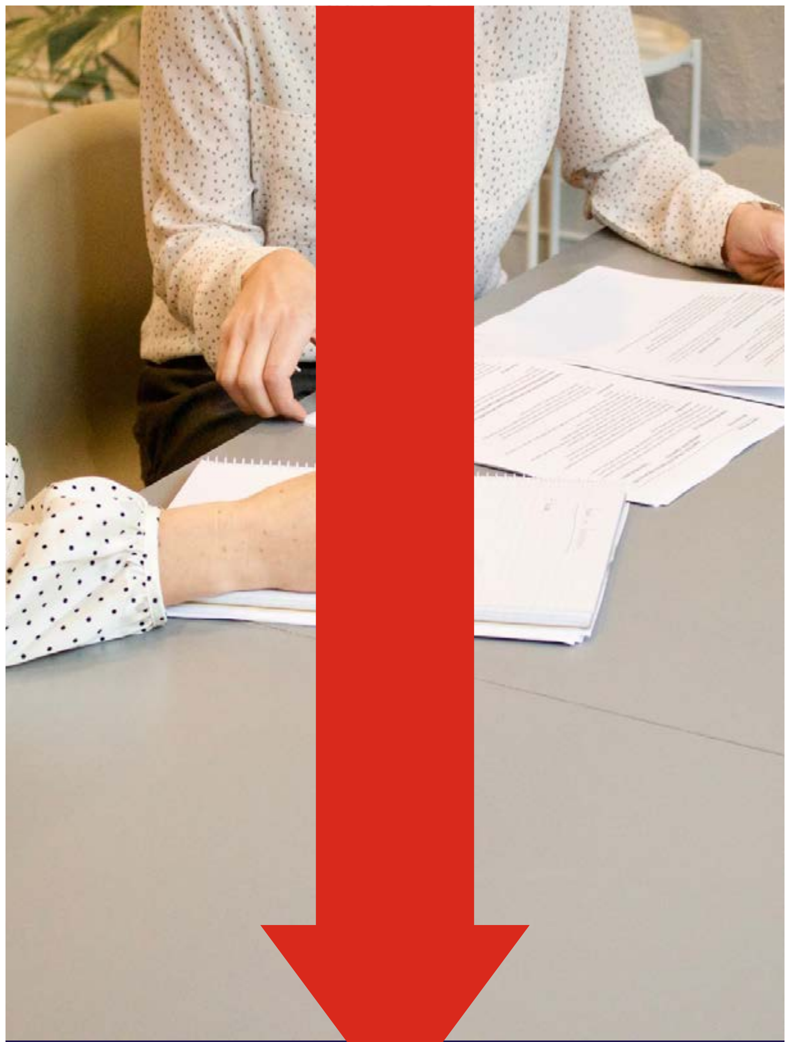
Define the ambition of Personalization at Scale and its strategic role

Assess Category Opportunity

To what extent is the category ready for a more personalized offer?

Assess Brand Fit



How can the brand support Personalization at Scale and integrate it in its overall system?

Assess Investment/Risk

What is the investment capability and the risk that can be taken for Personalization at Scale?

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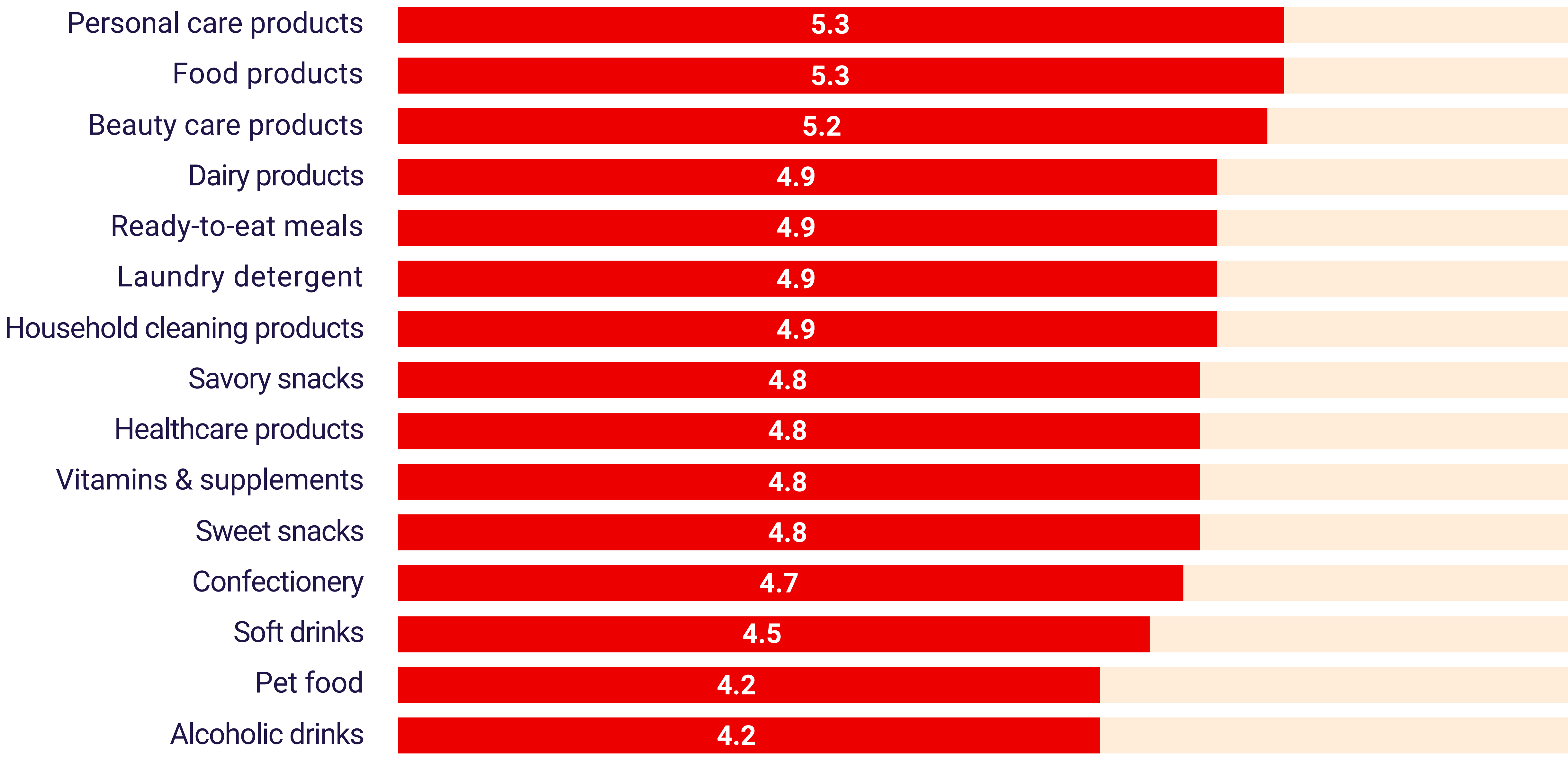
The concept of personalization within CPG still feels relatively new to consumers and this impacts perceived relevance

Perceived relevance of personalization by category

Global scores (average rating across USA, France & China) Mean score based on a 7-point scale*



Scores are average with little discrimination – an indication that this is a fairly new concept for consumers in CPG, where interest is still awakening.

Source: MOMENT10, 2022 There could be lots of different reasons for wanting a more personalized product or service when shopping for grocery and household brands; we've listed some of the reasons other shoppers are motivated by below. Which of these reasons best represent why you might like to see more personalized products and services among the grocery brands (food & drink, household cleaning, personal care etc.) you usually buy? USA, France and China, Total base: All countries combined, N = 1.519

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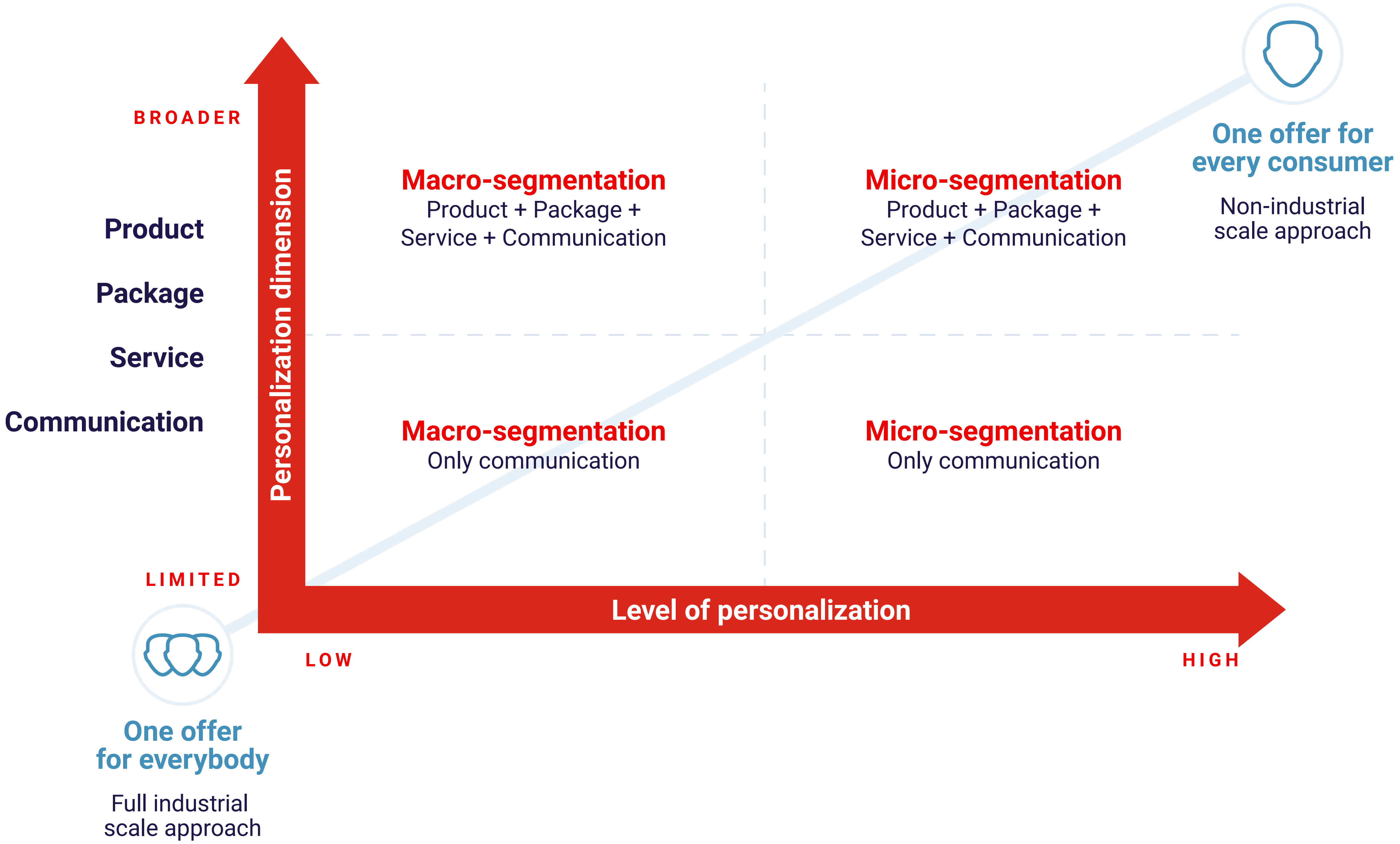
Defining the Personalization at Scale ambition and strategic role



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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 cross-check our conclusions with other sources of information. This exercise was no exception. **6 key stages of learning fueled our final conclusions.**

1 A detailed search and review of all relevant information sources and cases about personalization dynamics 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 Personalization.

3 Qualitative interviews with 40 senior professionals in large CPG companies, including Nestle', The Coca Cola Company, Unilever, Ferrero, SC Johnson, Danone, Heineken, Campari, Ferrero, Kimberly Clark, Barilla among others, from functions such as global and regional CMO's and CEO's, International Marketers and Global CMI.

4 A quantitative survey of 90 brand owners around the globe, all from leading multinational CPG companies.

5 A consumer research conducted in USA, France and China (1).

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

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(1) Moment10 survey conducted in October 2022 among 1.519 consumers across the three countries.

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The role of penetration is gaining additional importance

Purpose and social focus should be upgraded while reinforcing the basics

Category definitions could be reconsidered and the role of intangibles expanded

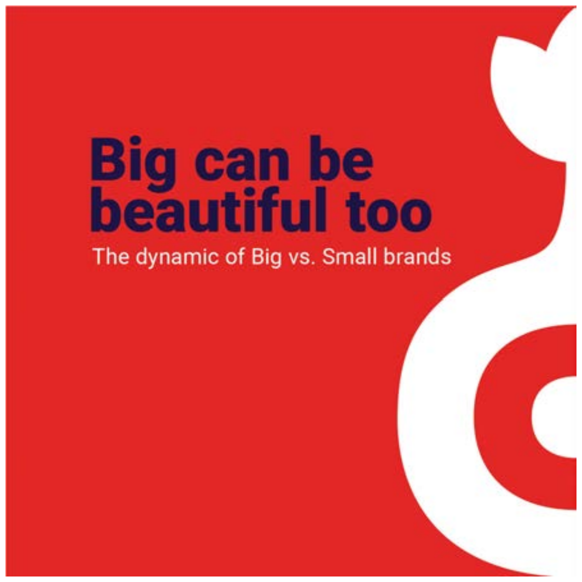
The need to evaluate and step into DTC with the right execution

The importance of a more proactive portfolio management

Companies and brands societal contribution is today more demanding and complex to manage

Developing the right mix of service and product as a key component of successful DTC implementation

Sustainability is a central asset and has to be managed through an effective value equation



Managing the different benefits level is a crucial component for coping with small brands developments

Sevendots Growth Series / **Volume 10** / **Key Highlights**

For a presentation of the
whole outcome of the project
please contact
opportunities@sevendots.com

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