

TEO CORREIA

THE FLUID CONSUMER

NEXT GENERATION GROWTH
AND BRANDING IN THE DIGITAL AGE

Advance
Excerpt from
Forthcoming
Book

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This is the page that usually matters only to the author and the other people whose contributions help turn an idea into a book. However, I would like to ask for the attention of all readers here because I truly believe that the names I list below are the best consumer goods practitioners in the world today. They deserve all the praise I am about to give them and more.

I have long felt privileged to be part of the consumer packaged goods and retailing industries and to serve those industries as best I can. But my fascination with the power that brands have over consumers started in my youth. The magnetic attraction we have to certain brands, and level of trust we have in them, astounded me then, and continues to do so now. Not only those brand names that I grew up with, but also, and importantly, those that have been created in recent years, quickly captivating us and commanding space in our lives.

However, I also believe that the formidable power of brands has never been more challenged than it is today. The emergence of digital technologies has brought with it significant threats to incumbent brands even as it reveals new opportunities for growth. My desire to understand how the threats can be addressed and the opportunities leveraged – and to share my learning with others – has been this book's core motivation.

Given the scope of the topic, I knew from the earliest days of this project that I couldn't do it alone. I had to tap into the knowledge of

the best in the industry to critique, provoke, challenge me, and to bring their own views to bear to inform, shape, and improve the concepts on the table. To develop and write this book, then, I turned to colleagues, mentors, and friends for input across a wide range of subject areas including marketing, technology, finance, logistics, analytics, and consumer behavior.

I am extremely grateful for their generosity of spirit – for their willingness to carve out time at a moment's notice to discuss, debate, and guide this manuscript as it evolved into the book it is today. And here, I would like to give special thanks in particular to the following individuals:

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To all of the above and to those I may have omitted (inadvertently, with my sincere apologies): the strengths in this book are to your credit.

Teo Correia, London/UK

Introduction

I recently bought a TAG Heuer watch. It's a venerable brand, a Swiss watchmaker in business since 1860, known for its high-quality precision craftsmanship, instantly classic designs, and unfailing reliability. But this watch – my new watch – embodies all that and more. It represents TAG Heuer's big leap forward into the digital future. It has an LED screen and an Intel Atom Z34XX processor. It has the ability to accommodate Android Wear apps, such as Google Fit, RaceChrono, Insiders, and Golfshot.

In short, with this offering, the very traditional TAG Heuer brand now offers much more than the best in timekeeping. It has added the promise of lifestyle assistance. TAG Heuer's brand decision makers understood the need to reconsider their brand in light of the tsunami of evolving digital technologies, and in doing so, they saw the opportunity to infuse one of their product lines with the capacity to provide a consumer experience. CEO Jean-Claude Biver understood that companies such as Apple have been "preparing the wrist" for the next generation of shoppers for a while now, elevating their expectations of what even a classic timepiece can and should do, and he acted on that understanding.¹

I love my new watch. More importantly, though, I also freely acknowledge that, like many consumers today, I'm impatient. I know very well how fast technology advances in the digital age. And if the currently cutting-edge technology that supports my new watch

seems old or stale tomorrow, I will once again seek the latest and best available.

What's more, I will shop for that future product on my own time and terms because I am a *Fluid Consumer* – one among millions upon millions of individuals who now use mobile digital technologies to flow easily between different types of transactions at almost any time, in almost any place. We Fluid Consumers can review, compare, consult, contrast, and contract at will. We are also constantly mentored and educated, not least through the reviews that other Fluid Consumers share with us on the digital channels we frequent.

We are more informed than we used to be, and also more demanding. In fact, we often seem to take the ever-improving standards of digital convenience as much for granted as we do that crucial 21 percent of oxygen saturation in the air we breathe.

Are we putting incredible pressure on the companies (such as TAG Heuer) that seek our business? To simply say “yes” would be a gross understatement. The pressure on consumer-facing companies to keep up with these dynamic mega trends in modern consumer minds is immense. And no industry is immune – *least of all consumer packaged goods and services (CPG)*. The Fluid Consumer is asking this sector for nothing less than to respond in kind – with fluidity in thinking, producing, designing, marketing, and delivering intelligent digital points of engagement in an environment where brand loyalty is fleeting and the challenge of growing strong brands can seem alien. As Rachel Rolfe, creative director at Fisher Productions, a London-based event company, has so adroitly observed, “For reasons of necessity and opportunity, every industry finds itself in the technology business.”²

I wrote this book to try to help CPG brand decision makers find their footing in this new era (though I believe that the ideas in these

pages are also applicable in other industries, for other types of brands, such as fashion, luxury, and to some extent, consumer electronics). I wrote it to explore and explain the Fluid Consumer in a way that allows CPG leaders and managers to make sense of how their brands can and might fit into their (our) world. I wrote it to remind CPG executives that brands are tremendous assets and to let them know that if they have an established brand to work with, then they are already in a position of relative strength; they have much to build on. I wrote it to help CPG executives identify the right place and profile for their brands and to help them figure out where to prioritize spending and how to boost agility to compete. From my vantage point, I'm fortunate to have the big picture of the industry's evolution constantly in my sights. In this book, I try to share that view.

The challenges of the digital era are real and immediate for CPG leaders. For many, I wouldn't be surprised if an average workday feels like riding on the Cheetah Hunt roller coaster at Busch Gardens in Tampa Bay, Florida. (Look it up; it is designed to make riders feel as if they are a predator on a chase. And since would-be riders can't see what's in store for them from the line, they have no idea what to expect before they have their turn.) But to my mind, these times are as exciting as they are unpredictable and tumultuous. Imagine the power of being the ride's designer. We in the CPG world have the potential to design Fluid Consumers' experiences and expectations just as much as we have the responsibility to react to them. With so much unfolding in digital technologies and so much potential only just coming into focus for harnessing even the little we currently comprehend, I can't think of a more invigorating time to be in the consumer goods and services field. I hope this book persuades you to feel the same way, and I would like to hear your thoughts on these ideas. Feel free to reach me at fluidconsumer@accenture.com. The journey is just beginning ...

PART I: The Outside Focus

Chapter One

Experience or Utility: Setting a Course to Please the Fluid Consumer

Rapidly evolving digital technologies have given rise to Fluid Consumers: people who can dip in and out of the consumer packaged goods and services (CPG) environment at will, wherever they are, at any time. These consumers embrace new product features or digitally driven enhancements, acclimate, then raise their expectations, seemingly in the blink of an eye, leaving many CPG decision makers feeling that they're always just behind the curve (and prone to making knee-jerk, ill-informed decisions).

To get ahead, brand guardians need to hit “pause” in a world where it can often seem as if pausing would be the worst thing to do. They need to carve out the time and brain space to examine the Fluid Consumer objectively. Then, they need to develop a clear and purposeful approach to brand building with Fluid Consumers in mind.

That process begins by answering one critical question for every brand in a portfolio: Is the brand better enhanced by offering consumers Experience or Utility? In other words, is it best suited to engage consumers directly in an ecosystem of activity and connections (experience) or focus on efficiency, “surfacing” only when needed, and leveraging unobtrusive connections to stay relevant and command loyalty (utility)?

When e-commerce first appeared in the late 1990s, most of us in and around consumer packaged goods and services (CPG) certainly believed that it heralded big changes in how consumers shopped and manufacturers and retailers delivered. Still, I don't think any of us had a real appreciation of just how "big" those changes would be. Even our wildest guesses about how the world of shopping would change were woefully shortsighted. Now, however, we have a better understanding of just what those first forays into e-commerce signaled. This trend is only just gathering in ferocity. We are all still very much in the first phases of the digital revolution.

Consider: In 2010, Internet retailing accounted for 0.8 percent of global packaged food sales, or \$15.4bn; by 2015 that share had grown to 1.6 percent, or an absolute dollar amount of \$34.6bn. Between 2014 and 2015, Internet retailing for packaged food grew 15.6 percent on a year-over-year basis, dwarfing the rate in other retail channels.³ The digitally empowered consumers who are reaching adulthood today won't remember a time when it wasn't possible to reserve, order, purchase, and review online. In fact, they won't even remember a time when it wasn't possible to do all of those things through a small, glowing, hand-held device, at will. Being more and more plugged-in to a complex array of different digital propositions, these consumers have begun to see the Internet and mobile devices – along with the transparency, support, and services they provide – as ever-present companions, and, increasingly, as advisors, friends, coaches, assistants, nannies, mentors, and curators of all aspects of their lives.

These are Fluid Consumers. For these members of the contemporary species *homo consumericus*, exploring commercial life and executing purchases through the omnipresent lens of handheld devices and apps has become as normal as brushing teeth, boarding a bus, or enjoying a meal. Most follow digital routines instinctively and expand upon them without much thought. And more join

their ranks each day. In 2015 there were approximately 2.6 billion smartphone users in the world, an increase of 23 percent from the prior year.⁴ Forty percent of consumers use their smartphones to track down goods and services today and 27 percent expect to purchase more via smartphone next year.⁵

Their power (*our* power, because most of us in the CPG arena *are* Fluid Consumers) to raise the bar for what CPG companies must deliver is still just gathering. In the next 10 years, the level of change driven by Fluid Consumers in the CPG industry will probably exceed the level it has experienced over the past 30 years.

In fact, the pressure that digitally powered markets and digitally enabled consumers are bringing to bear on CPG companies – to transform their brand promises, go-to-market strategies, and approaches to innovation and manufacturing – is enormous, unprecedented in the lives of most of us working in CPG today.

Figuring out how to be mindful and purposeful about building brands in the face of such tumult starts with understanding the Fluid Consumer in depth, really looking objectively at how this new breed behaves. Many of us probably think that because we are Fluid Consumers, we understand them. But, really, how often does looking in a mirror reveal useful knowledge? We need to use a wider lens and a higher vantage point.

High-Level Traits of Digitally Enabled Consumers

To that end, consider the following eight high-level traits of the Fluid Consumer as a general and broadly defined type of individual. Many people are becoming Fluid Consumers in stages, so although you personally may exhibit some of those attributes, you probably don't exhibit them all.

- Fluid Consumers have fluid expectations. Once they have a unique experience or encounter a particularly high standard of service in one area of their lives, they are ready and willing to expect the same other areas, raising the bar across brands, categories, even industries. (“Why can’t I have an Uber-like experience with my favorite restaurant, or my bank?”) The qualities they value are thus fluid, and that translates into enormous challenges for brand guardians; essentially, they are aiming at moving targets.
- They are generally not very brand loyal. They are easily put off by sub-par digital interactions with a company. They will switch brand allegiances quickly if a brand overpromises and under-delivers and if other options are available to them. They will also switch if another product offers features that are immediately relevant to their lives. They are easily swayed by improved convenience and by readily accessible peer reviews. Roughly 40 percent of younger shoppers take information on social media platforms into account before they make a purchase decision.⁶
- They are impulsive, particularly with regard to consumer packaged goods and fashion items. With a world of shopping possibilities literally at their fingertips, a well-placed, well-timed “suggestion” from a friend or company can prompt an immediate transaction. Fifty-nine percent of consumers do not perceive switching to be a hassle and 44 percent are open to shopping for better deals. Some 41 percent are happy to receive promotional offers and discounts.^{7,8}
- They are agreeable to sharing a lot of personal information. The rising generation of consumers, while arguably concerned about privacy, has already in large part resigned itself to sharing massive amounts of personal information in return for all of the conveniences that digital technologies offer. Three out of four consumers are generally comfortable with retailers collecting