MICROBRANDS – THE END GAME IN CONSUMER GOODS?

JANUARY 7, 2018

RETAIL & CONSUMER PRODUCTS

Microbrands are the biggest single challenge for consumer goods: Study covered over 2.000 companies

Die hungrigen Kleinen

Start-ups und lokale Hersteller werden für Konzerne wie Nestlé zur echten Bedrohung.

START-UPS ROLLEN DEN KONSUMGÜTERMARKT AUF

„Der Trend geht zur Wegwerfmarke“

20. Juli 2018 , aktualisiert 20. Juli 2018, 12:39 Uhr

NEUE MARKEN

Start-ups mischen den Konsumgütermarkt auf

Konsumgüter

19. Juli 2018 10:00 Uhr

Von Ankerkraut bis Little Lunch: Wie Start-ups den Handel aufwirbeln

Ob bei Matratzen, Rasierklingen oder Fertigsuppen - in immer mehr Bereichen machen kleine innovative Unternehmen den Platzhirschen Konkurrenz. Den Verbrauchern gefällt's.

OLIVER WYMAN

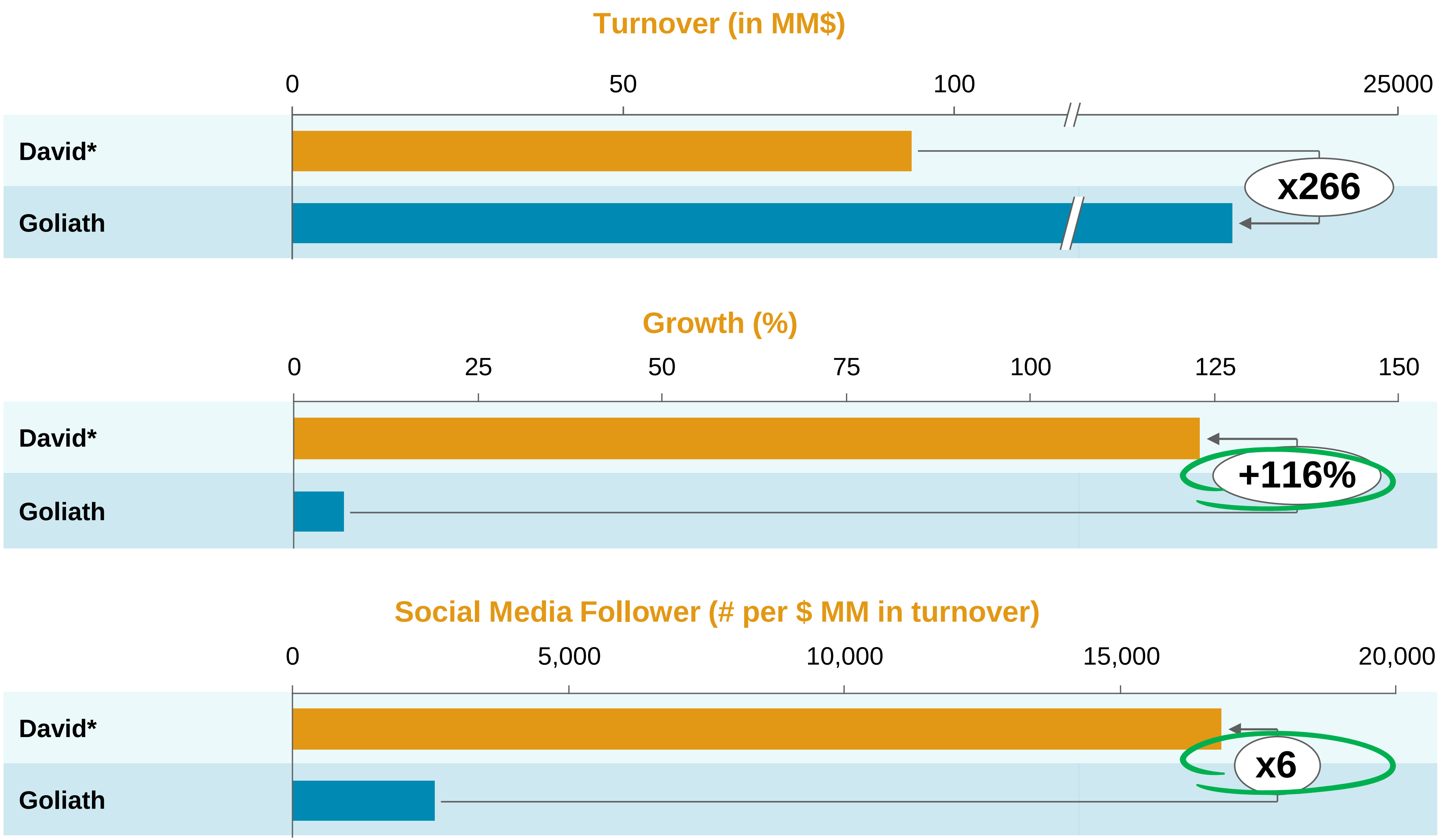
CONSUMER LEADERSHIP CIRCLE

DUSSELDORF, SEPTEMBER 21, 2018

Key things in the retail trade have changed and are firing this trend today - and tomorrow

	TODAY	TOMORROW
Brand-building	• **Brand building**: focus on classic ATL/BTL, mostly sell-in focus	• **New ways** to build a **brand** (social media, testimonials) • More innovative in using marketing mix • Sell-out focus
Distribution	• Consumers **paid** for **3rd party retail** • Goliaths **"owned" distribution** – could exercise pressure on retail partners	• **Taking out the middleman** • Davids in control of their eCom channels • Online retailers harder to control for a Goliaths
Innovation	• Size equalled **innovation power**	• Davids only pick very specific innovation fields, lots of passion • New sources of innovation, e.g. open source
Sourcing	• Nascent regional **supply markets** • **Economies of scale** win	• One **global economy** • The most powerful ecosystem and new revenue streams win
Organization	• Goliaths **leveraged strong organizations** for go-to-market optimization (e.g. large field face)	• Goliaths' **cost structure** rather a **burden** than a benefit • **Davids** are usually **more agile**, even succeed without large teams

The Davids are much smaller, but way more successful



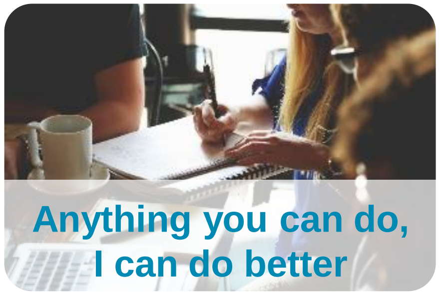
*Sample of about 70 companies where commercial data was accessible

Summary of success patterns: How Davids succeed against Goliaths

1. Bogged down attractive industries (e.g. with low barriers to entry)
2. Small group of entrepreneurs with distinct product idea
3. Launch of strong, focused product and/or service offering
4. Brand building through social media
5. Smart utilisation of testimonials and opinion leaders to create consumer engagement
6. Own distribution via own eCom channel
7. Third-party distribution for increased consumer reach
8. Market expansion to leverage brand and domestic momentum
9. Increased breath of product range to exploit full potential

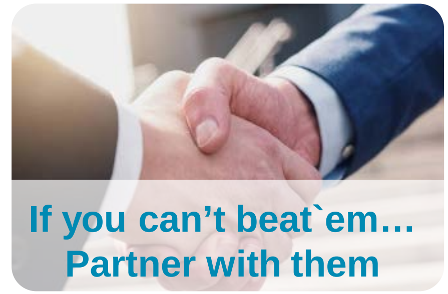
We see four main response types – acquisitions are often supplemented with additional approaches

- Acquisition of established brands
- Growth through standardized
  – Internationalization
  – Sales
  – marketing etc.



- In-house development of new brands
- “self-disruption” of the company
- Identification of future trends

- Seed investment in promising start-ups
- Valuation of potential and chances of success

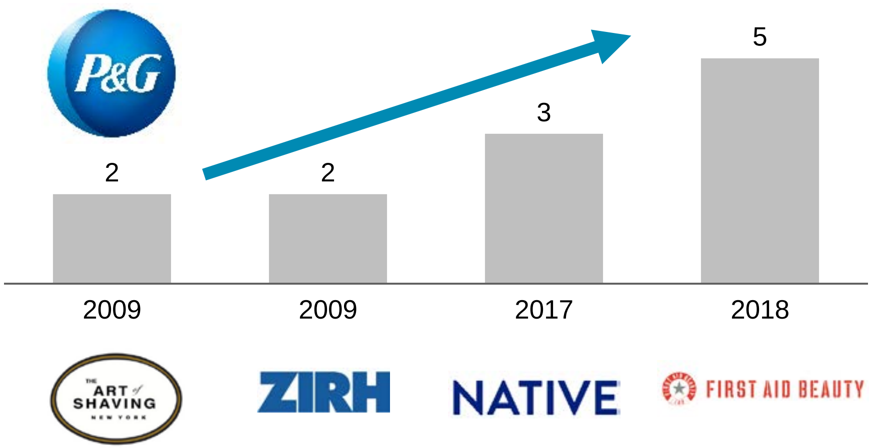


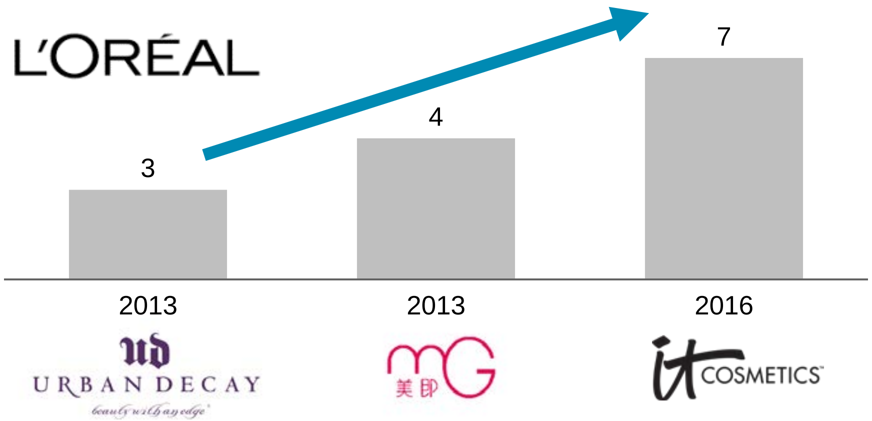
- Build Partnerships while partners remain independent
- Often sales and distribution focused

Early identification of trends as most important success factor

Acquisitions become increasingly expensive and more challenging…

Revenue multiples of example acquisitions





Source: Cincinnati Business Courier, Brandweek, WDD, NYT, L'Oréal, Bloomberg, Guardian

- Transactions become more expensive
- Micro brand landscape with more potential targets
- Higher complexity to screen for targets
- Faster market growth makes timing for acquisition more challenging

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