

Martin-Crepy Edited Transcript.mp3

[00:00:04] **Narrator** Welcome to The Better Growth Blueprint, a new podcast series from Simon-Kucher, a global consulting firm that focuses on helping our clients grow sustainably, increasing revenue and profit. Throughout this series, we will look at key trends shaping the future of business. We will cover all major sectors, giving you a full view of what's happening in the market and what you need to do to stay ahead. And today's episode, Kai is joined by Martin Crépy, senior partner and managing partner of consumer at Simon-Kucher. Martin is involved in top line improvement for consumer and retail companies, bringing expertise in price strategy, promotion, excellence, consumer knowledge and much more. Martin and Kai discussed customer polarization, what consumers are thinking as we head into 2025 and the importance of proper segmentation.

[00:00:55] **Kai Bandilla** Welcome to The Better Growth Blueprint, the new podcast of Simon-Kucher. I'm your host, Kai Bandilla. In this episode, I'm joined by Martin Crépy from our Paris office. He's a senior partner in the global sector consumer head. Martin is based in France and out of France overseas all the projects that Simon-Kucher does when it comes to top line growth with companies that have consumers as their focal point.

[00:01:24] **Martin Crepy** Hi, Kai. Nice to, nice to be here with you today. Yes, it's fully right, Kai. Everything that is linked to top line growth or says excellence is our footprint. And we are trying to help companies to do the best and to capture the growth that is available on the market. And if it's not available on the market, try to find another place, another area, another region where they can do so. So we're really here to tell them for that.

[00:01:49] **Kai Bandilla** That sounds cool. So so you do that one out of Paris covering the whole world, right?

[00:01:55] **Martin Crepy** Yes. And that's that's the beauty of being the sector head. We see exactly what is happening across the world, and then we know exactly what are the trends happening in the US, for example. And we know that will come, you know, in Europe show months, weeks later. So we are really head to head of what is happening on the market and then sharing those ideas, those benchmark with our client to make the most efficient decision regarding the profitability.

[00:02:18] **Kai Bandilla** So if I understand you right, the sun is not rising in the East, but in the West, right? It's the US sun that rises and then shines on Europe or is it the Asian sun that brings in trends into Europe?

[00:02:30] **Martin Crepy** It's very often those, but I would say for 2024, we have seen that China was not the most growing industry, most growing place. I think that's the first time ever that the Chinese market has been exposed to a GDP growth that is close to five percent and not a double GDP one. So it's nice. It may have changed. It has changed a lot the way Chinese people consume and also how brands are offering and proposing the product in China. So, yes, China is not always in the head. The US market is also super interesting one now. It's a very resilient market, despite the fact that our high inflation and high interest rates, the conception is super high. So we see also very new trend and behavior.

[00:03:15] **Kai Bandilla** Interesting. So it's basically the sun goes up in the US, they set the trend and then probably other parts of the world follow, especially Europe. So, Martin, indeed, we're going to talk in two seconds about basically what's ahead for 25. That's why

we are on this call in this podcast. But nevertheless, you already mentioned a little bit. Where do we start? What what has happened in 24? How are consumers in 24? You know, what's the starting situation? Are we feeling good? Are we feeling bad? Is the mood there? Is the mood not there? Your thoughts?

[00:03:50] **Martin Crepy** So difficult to answer for the world. But 20 to 23 has been, you know, high growth for for companies, for CPG companies. They have been backed by inflation, but it was high variation period of time. 2025 is slightly different. We see some volume drop and we see some new consumption behavior. And that's really something important to understand. The main one and the most important one is polarization, meaning consumers are not the same. They don't behave the same. They don't shop the same way. And meaning that companies need to to react and to change their offer, their portfolio, the way they talk to consumer, the pricing, their promotions. So it's a bold move for for companies.

[00:04:31] **Kai Bandilla** Tell me more about polarization. I mean, we hear about polarization when we talk politics and election across the world. What means polarization for consumers? That's interesting?

[00:04:42] **Martin Crepy** For consumer polarization, I mean, if I would try to summarize a very simple sentence. If we can be all money in the evening and little in the morning. So it's mean that you are not spending and buying everything to the same place and then you are doing some saving on some product categories to be able to buy more, you know, luxury products. The example could be also the fragrance. You can, for example, use a perfume that is a quite cheap one for the week and you want to a very expensive one for the weekends because you want to prove to to your friends or to the people that you made that you can afford to have more expensive products. So this is polarization, meaning that you the middle market is squeezed and then you are doing saving on some product categories and investing in the other ones.

[00:05:28] **Kai Bandilla** So it's a saving on some shopping items and overspending on some others, right?

[00:05:35] **Martin Crepy** Exactly.

[00:05:36] **Kai Bandilla** All right. And so it's and you call this Lidl in the morning and Armani in the evening. Interesting.

[00:05:43] **Martin Crepy** And then the consumer that was used to go in Armani was not the one that were willing to go in Lidl because for them, it was something really that acceptable. And today there is no more boundaries. You shop everywhere, and then you can do and plan to do some savings on some product categories to invest more in others.

[00:06:00] **Kai Bandilla** Does Simon-Kucher have data across the world with which you track this polarization?

[00:06:09] **Martin Crepy** Yes, we do, because it's super interesting to assess how the consumer is going and buying the different channels. So we do consumer survey and we track their preferences in terms of brand, in terms of channels. And then we have really understood that there is no more boundaries between the different channel online, offline, but also between the different type of retailers. And the same person could go from our discount to the luxury brand in the same day. So we track, we modalized, and based on

that, we advise our client what does it mean for them in terms of portfolio optimization, price positioning, promo activation and even type of communication to the customer? Because the way the tone that you use and the way you talk to the customer might change or may change.

[00:06:57] **Kai Bandilla** Can you give him an example of typically how to best address a polarized consumer?

[00:07:04] **Martin Crepy** Yes. First of all, you need to understand. So below the polarization, there are, I would say, five different type of behavioral. The first one is the down trading, meaning the consumer is not capable or not willing to spend too much money, international brand and then switch to private label inside of the same product category. This is really impacting our clients because we see that there is a high boom in terms of volume for private labels and in terms of shelf space. So you need to react to that. Down trading inside of the same product category. I give you a simple example. I used to buy champagne. Then suddenly the price of champagne is too expensive for you. You buy prosecco. You remain in the sparkling wine. But this is an example of down trading. Another one is, instead of buying a Coke, you buy the private label of the retailer that you are visiting. You still buy a Coke, but it's not a Coca Cola, a Pepsi. It's another brand. The private label one. Those cities the down trading that we see a lot could be inside of the category or could be between categories. That was my first example.

[00:08:12] **Kai Bandilla** All right. Interesting. So you call that one down trading. It's within one category. You just go into another brand, a white label, a discount your brand, which which is less expensive. Interesting. Going on, so that was the first trend. What is the second trend?

[00:08:28] **Martin Crepy** The second one is the increase of of shopping frequency, meaning consumers are really taking care very carefully of their budget. What does it mean? It's mean that they prefer to go three times per week into the store with a very dedicated budget that they don't want to spend more. But like this, they have a huge control of their budget. So instead of going out doing shopping every two weeks and doing a bulk, you know, shopping, we call that a stock up approach. They prefer to do on the top approach, meaning they go every two days and they buy exactly what they need like this. They have better control of their budget, which is important now in the time that we're facing.

[00:09:08] **Kai Bandilla** Stock up against top up. All right. So this is the frequency with which consumers go into into the store. So this is the second big trend. What is the third one?

[00:09:19] **Martin Crepy** So third one is the packaging preferences. Consumers are also changing how they purchase goods based on the packaging size. Some of the consumer hub for a larger product, a larger size of the product. Instead of buying, I don't know, a bottle of one liter of water, they buy a bottle of seven liter because they know that it will be a savings. The Europe, a little will be cheaper. And then in the meantime, you have all the consumer that prefer to buy a very small size product because they want to have a better control of their budget. So instead of buying one liter, they will buy 0.25. So this is really important. We see this polarization in terms of formats. Are there you are looking for a very family big one to have a savings? Are there you want to control your euro budget and then you are looking for small pack size.

[00:10:08] **Kai Bandilla** All right. So it's the format and the pack size. Okay.

[00:10:11] **Martin Crepy** And the last one is more the creative consumer. We customer find a way to be very creative to save money. For example, they are looking for pre-owned product so that they are not afraid to buy a product that has been wear by someone or own by someone. We see lots of home consumption. People prefer to, you know, to have a dinner at home than to go into restaurant and ball, and then to do it yourself. It's very often that customer prefer to to cook or to prepare something instead of buying a finished goods. Which is also impacting a lot of companies because yes, the consumption is not the same and the product they are looking for is not the same anymore.

[00:10:52] **Kai Bandilla** So that is scary what you're saying. Let me just understand. So that basically means that if I'm selling sports equipment or electronics equipment, I need to basically keep my customer. I need to sell him also recycled equipments. Right. Or I need to be a little bit more engaging towards him to say, listen, I know that you have less money.

[00:11:18] **Martin Crepy** Yeah, exactly. That's the second life of the product and that's exactly where company, you know, need to invest. I think it has been done quite efficiently on the apparel business, but now has, as you mentioned, all the electronics revel good players need to do so also. People cannot afford to buy the full price, but they're happy to buy a product with a 30, 40 percent discount, even it have been pre-owned. You see the same for the watch, the leather goods, bags and stuff like this.

[00:11:47] **Kai Bandilla** And these customers that basically these new customers that start now hopefully buying my goods in 25 and 26 and onwards, are these customers I do I do already have in my database? Or are these new customers that that somehow I have to catch and engage elsewhere and then bring them into my ecosystem?

[00:12:10] **Martin Crepy** The answer is both, because, as I say, polarization means changing of behavior in the way you want to spend into a category. So you may have a customer that was already buying the full price and they change their behavior to save money on this category. And then also you have all the customer that you are addressing and tackling things of this, I would say pre-owned approach. So both. But it means that for companies you may have a different type of hook to attract them. As you say, some are already in use your database, you need to know them. You need to to talk to them the right way. The other are not in your CRM database. So you need to find a way to to activate them to create awareness for your brand. So the the investment that you need to do will be slightly different.

[00:12:54] **Kai Bandilla** Now, we don't talk about specific companies in this podcast, but if we now take it at a business line or industry levels, are there other typical lines of business which are more advanced than others? Is everybody facing the same polarized consumer at the same time with the same intensity?

[00:13:16] **Martin Crepy** It's a common trend across different vertical, across categories, across geographies. I think if you asked me who is the most advanced, it's not linked to a vertical. The companies are the most advanced, are the one where the DNA is really based on consumer centricity. Company that understood that, they need to better understand their consumer are the one that are the winning one now today. It's very often that companies think that the consumer is quite unique, the consumer is not unique. You need to segment them, you need to size them. You need to understand what's better for

them. You need to understand what their consumption occasion, what are the reason why they need to process your brand. So this is really the winning are the one that put the consumer at the heart of any other decision.

[00:14:04] **Kai Bandilla** Let me talk to a second, if we can, around pricing for basically the winning price to get those customers. Now, you said earlier that indeed, the span within a category between the high end on the low end, that span is getting probably wider or the people who said down trade, what is the future of pricing models for 25, 26? Are we talking more packages? Are we talking more bundles? Are we talking more almost recurring loyalty schemes?

[00:14:38] **Martin Crepy** I will not isolate pricing because from from a consumer point of view, it's always, you know, the product and the price that that make the difference. So understanding willingness to pay for your product is important, but also understanding how all the different product attributes arise and understand what we call the price curve. What is the the willingness to be, of course, about the product attributes that that's what matters. And this is the way you can defend your price positioning versus private labels and versus competitors. Because as soon as you have understood what matters for consumer, you can also use that as in your communication in the, you know, in the way you promote your product on the on the point of sale, the way you you you navigate into the category. So this is very important. That's why price and product is always to be perceived as one.

[00:15:30] **Kai Bandilla** So, Martin, you just used this almost magic word of consumer centricity. Well, we all know a main, a well-known Seattle-based online company that put consumer centricity at the heart of its promise ever since it was created. Is this what you mean? Is this consumer centricity? Is this the blueprint?

[00:15:52] **Martin Crepy** Yes, it is. It's really understanding, you know, what your consumer looks like, what they are looking for. And I think what is important, we even differentiate two things. We talk about consumer and shopper. It's really two concept that are very different. The first one consumer is the one that is going to consume your products. What is important is the real understand what is the consumption occasion? What is the reason why you are going to consumer products or when you're going to consume it with room for what purpose? And it will have lots of implication on the product you are going to offer. I take a very simple example. We stay in the in the beverage industry because it was the, I would say, the main topic of today. If you want to drink a beer after a long Sunday gathering, maybe you want to have a very fresh single serve low alcohol beer. If tonight you want to enjoy beer, it's more and the relax and unplugged moment. Maybe you are looking for something that is more tasty, more strong. So you see the moments and the consumption occasion will have an impact on the product you want to buy it and you want to consume. So companies need to understand that. But they need also to understand the shopper. The shopper is the one going into the store, and the shopper might be different from the consumer. You might buy product for your kids. You are not the customer one, but you are the one shopping for that. So from the shopper perspective, we need to understand what are the channel you consider, the channel that you like to go? And also, what is a shopping trip? Are you going to a store to to make an order to buy for the full week? In that case, you want to buy a pack of beer of 24. If tomorrow you want to buy, you know, a convenience store because you just missed a beer for tonight, you don't want to buy a pack of 24. You want to buy maybe a single serve. So understanding the shopping mission is also important. So companies that providing vision on the consumer side mission and on the shopper mission, both, they are super efficient on providing the right products in the right channel with the right activation, with the right

pack size and the right communication. So on this thing, both, is the success of growth for companies.

[00:17:54] **Kai Bandilla** And this is what you call revenue growth management, right?

[00:17:57] **Martin Crepy** It's part of the revenue growth management. Exactly. So that that's a buzzword that many companies use. We see a bold transformation. All the CPG company know of this type of function. It's the type of function that try to erase the silo effect that you have between says marketing and finance, and putting the customer in the in the middle of each of any decision.

[00:18:20] **Kai Bandilla** So we have today a polarized consumer probably across the world in terms of behavior because of less money and uncertainties, etc.. And this consumer basically needs to be addressed by professional revenue growth management that is able to embrace this complexity of the consumer by having at the right moment, the right product at the right channels, at the right price. Right. So this is this is really the the success formula, right? Whether you are being called Amazon or if you called any other consumer company or consumer goods company. Right?

[00:18:59] **Martin Crepy** Yeah, that's exactly that's. And what is the beauty of that is that now we have new tools even to make the life of, you know, the RGM team even easier. We have AI, machine learning, generative AI, and this is really changing the way the RGM team could better understand their consumer and and better, you know, offer find the right product and the right price. With AI, you can do dynamic pricing. You can do easy price matching. You really know what is happening on them of pricing. You can understand the consumer sentiment, what the consumer is saying about your brand on Internet, on the on the on the product reviews, you can develop, you know, new forecasting for the for the promo from the promo volume. So yeah, AI will be a key enabler out to make, you know, to have a better understanding of this consumer polarization and in finding efficient and agile answer for the RGM team.

[00:19:57] **Kai Bandilla** So basically what you're saying, Martin, is don't lose hope. If you do RGM, revenue growth management, with the right enablers, and AI is probably an an enabler, a very powerful one, companies can cope, can grasp these consumers which are difficult otherwise to engage or to keep us loyal consumer. Right. So this is the message. So there is hope going into 25.

[00:20:27] **Martin Crepy** Yes, there there is hope. And the message is that you need to be agile and then you need to don't take as granted what you have done in the past. You need to reinvent yourself and the customer has change. So don't apply the same recipe. You need to think from a new point of view with a better understanding of your customer and trying to find the way, the best way to seduce them, to look, to make them loyal and to keep them along. That's why company also put in place this customer lifetime value approach. They're really to understand what is the value of the customer over a long period of time.

[00:21:05] **Kai Bandilla** Customer lifetime value is this not the metric used already since a long time? Is this metric now entering companies in a new way or are they just taking it out of the cupboard and are revisiting it? Or is your experience that companies actually are discovering it?

[00:21:24] **Martin Crepy** No, I think it has been the buzz word since ever. But now it's in the it's really materialized into company. Thanks to data, because we know much more it's easier to understand, you know, the behavior of the consumer. So you can really track a consumer from what is being on social network, the way you shop, the loyalty card. So there are many ways to understand your consumer. As soon as you better understand your consumer, you can also understand how indirect is your brand and how much is spent over a long period of time. So customer lifetime value is now a key topic for boardroom, and companies are moving in that direction. Thanks to data and AI.

[00:21:59] **Kai Bandilla** Martin, if I understand you right, you are, you said, data drives revenue growth management, probably also because we just have more segments of customers, right? I mean, polarization, new customers. So polarization of our existing customer base, new customers coming in, buying us that we never saw before. All that calls probably indeed for much more data and hence a better understanding of of the customers. Right.

[00:22:26] **Martin Crepy** Yeah, better understanding of the customer and also leveraging and tackling those customer. I would take a very simple example. If you are a beer company and you want to distribute your product in bar and restaurant, how do you use a wall server? How do you use a distributors? But most of the time they will propose you, you know, the place where they want to put your product. Now, if you really want to find the right place where you want that, your brand would be present because you think there is a perfect match between the point of sales and your brand. You can use data. You can, you know, access all the data from TripAdvisor or any of those, you know, websites. And through AI you can really understand, you know, what is what is the atmosphere into the bar, what type of consumer are going there, what they are looking for. And then you can segment them. And if you segment them, they can say which one are relevant for my brand, which one are very far away from my brand. So you segment the point of sales and then you want to secure to be present in those point of sales. So data enable you to really be more accurate in the way you serve and you address the consumer and how it match with your brand positioning and and your brand DNA.

[00:23:31] **Kai Bandilla** If I understand you right, the kidding question, me as a CEO, I could ask my marketing teams to say, give me the numbers of segments that you had five years ago and the number of segments you're having today. And if a company has not increased the number of its segments, that means that they haven't analyzed their consumer-based accurately enough. Right? Is this it kind of shortcut?

[00:23:58] **Martin Crepy** That's a good shortcut and that's a good KPI. Exactly. The number of consumers segment you tackle and the number of and how you describe them and how you know them and what is the size of them and how they are growing and what is the perfect match between what they are looking for and what you offer. And this is a good KPI and this is what exactly revenue growth management is addressing. And this is where also Simon-Kucher is helping on that. We are really putting consumer at the heart of any of our approach, doing a lot of consumer segments and consumer survey, also understanding what are the trends in the different countries, and then challenging the way your team are approaching those consumer segment. And as we say, we need to it's a 2.0 approach that we need for 2025. Consumer is not the same. So we do need to be disruptive in the way you address them.

[00:24:48] **Kai Bandilla** Let me just come back on the megatrends. What about probably the elephant in the room sustainability? Is this still something that triggers consumer dynamics in in 25?

[00:25:01] **Martin Crepy** Yes, for sure. And even more than than before. I think now sustainability will be the new norm and there will be no more age for a company, you know, providing sustainable product. That's maybe the long term vision. The main channel is that we see today there is a fatal disconnect between what the company is offering and what consumers are willing to to pay or willing to to buy. Now, there is a kind of idea that if you offer a sustainable product is must it must be more expensive, which is not what the customer are willing to pay. So this is what we call the fatal disconnect. And we did a survey recently across the world. And what we have seen is that 78 percent of the customer puts sustainability as one of the main criteria of purchase. They are in the top five of their criteria. And if you zoom, it's even 38 percent of the customer that says criteria number one. And if you zoom in that, you say there's even more than that. There is like 58 percent of the customers say that they are loyal to a brand if the brand is sustainable. So we can see that now, it's really it will be the new norm. And then companies need to to change the way they address the topic. It's not just hiding on top of what you have a substantial product is really defining a new business model, reviewing your shoe, your your value chain. And what is interesting, it it will take a lot of time for a company to change. Being the first one in that direction gives you hedge. So that's very important. Being the follower could be quite a quite risky. So, yes, companies need to change and need to act because it's going to be even more important for consumer, even maybe in the future the criteria number one of purchase.

[00:26:41] **Kai Bandilla** That was an exciting conversation. Thank you, Martin. And looking forward. Thank you.

[00:26:46] **Narrator** Thank you for listening to this episode. Here are some key takeaways. Polarized consumer behavior is reshaping the market. As we move into 2025, we're seeing an increasingly polarized consumer landscape leading to a squeeze on the middle market. Consumers are willing to spend on luxury goods but are seeking more price effective options in other categories. The consumer and the shopper are not always the same person, while the consumer is the one who ultimately uses your product, the shopper may be someone entirely different. It's important to consider both when building your strategy. Proper segmentation is key. To effectively reach your audience, you need a clear understanding of who your consumers are. While people are unique, they share commonalities that allow you to group them into distinct segments for targeted engagement. Thank you for listening. If you enjoyed this episode, please consider leaving us a rating or review. For more insights, visit simon-kucher.com.