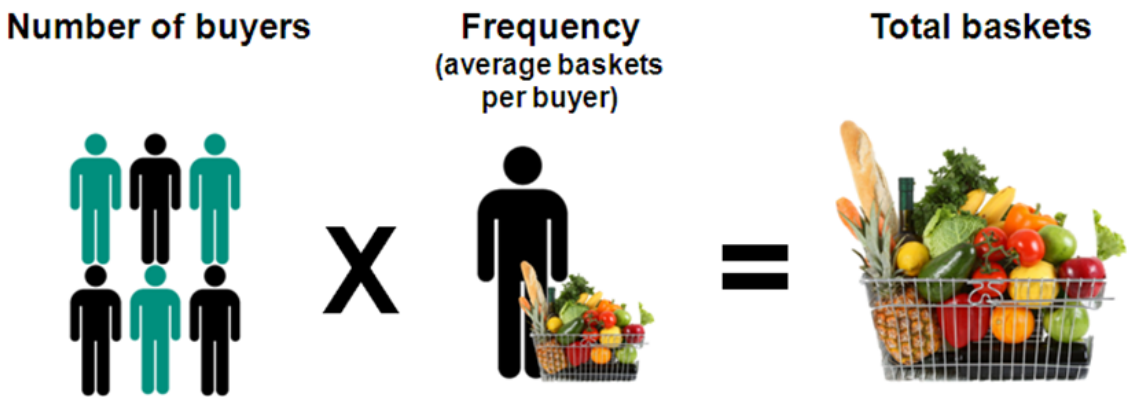
KANTAR WORLDPANEL

SETTING TARGETS FOR GROWTH

China is on the way to become the world's biggest battleground for consumer goods sales and companies aggressively compete for shoppers with rising income. However, the market for fast-moving consumer goods (FMCGs) in China is characterized by slowing growth rates declining from approximately 15% in the second quarter of 2011 to 7% in the second quarter of 2013. So when brands are asked to deliver double digit growth, they are facing more severe challenges. It is therefore critical to clearly identify how the growth can be achieved and what the levers are to use.

But setting a target is not easy. If a brand is expected to grow over by 10%, what are the levers marketing and commercial departments can employ? From a fundamental consumer perspective, there are 2 main ways a brand can grow in a healthy manner:

- Attract new buyers to the brand -> Increase penetration.
- Increase number of times actual buyers purchase the brand -> Increase frequency of purchase by shopper



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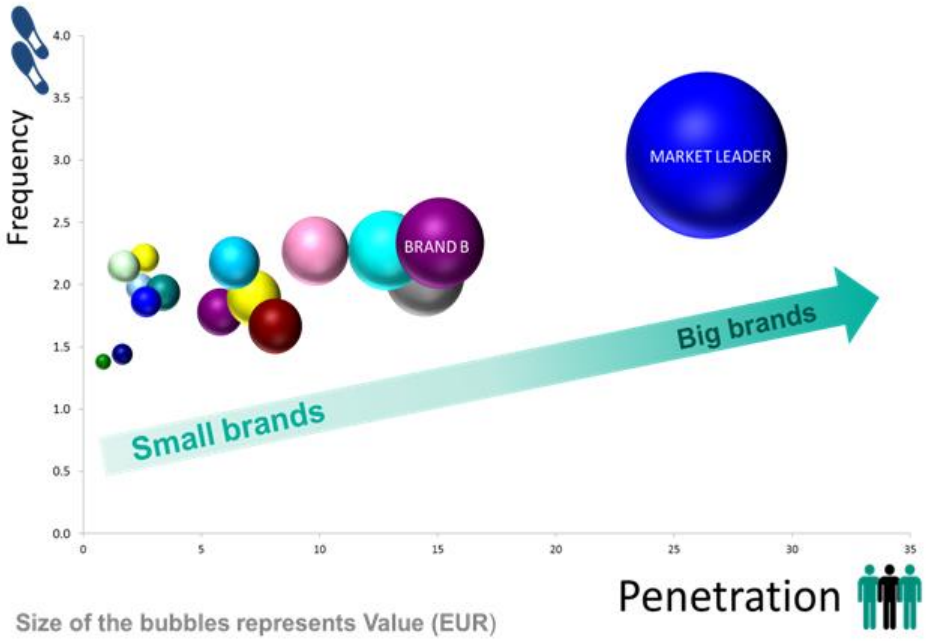
So if a brand is asked to grow by 10%, we could think to set a target of increasing number of shoppers by 5% and increase their purchase frequency by another 5%. But is this a realistic target to achieve?

Penetration and frequency are not variables independent of each other. Double Jeopardy Law states that bigger brands have much bigger customer bases (higher penetration) and those consumers buy the brand slightly more often (slightly higher purchase frequency).



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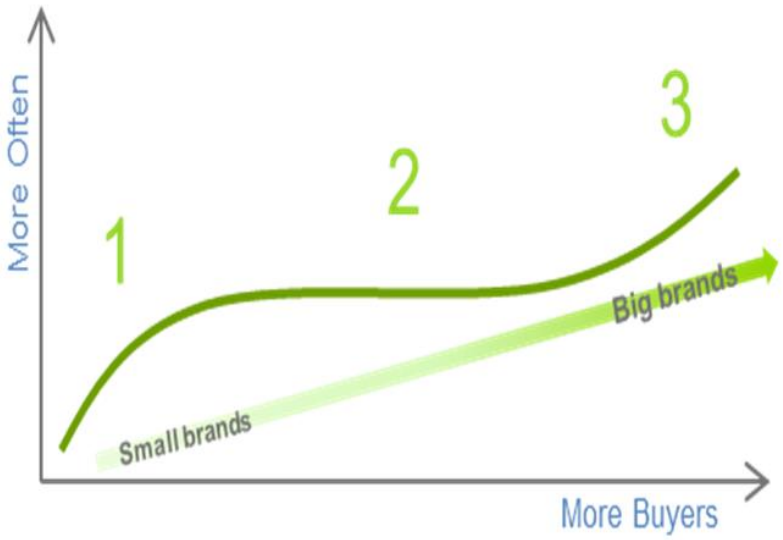
While Penetration is paramount, penetration and frequency are not isolated measures. Growing one measure will change the other. In fact, the relationship between penetration and frequency is curvilinear. Their relative importance as drivers for growth depends on the size of the brand. So in general, bigger brands tend to have higher penetration and higher frequency levels.
We can identify 3 different stages in a brand's life cycle.



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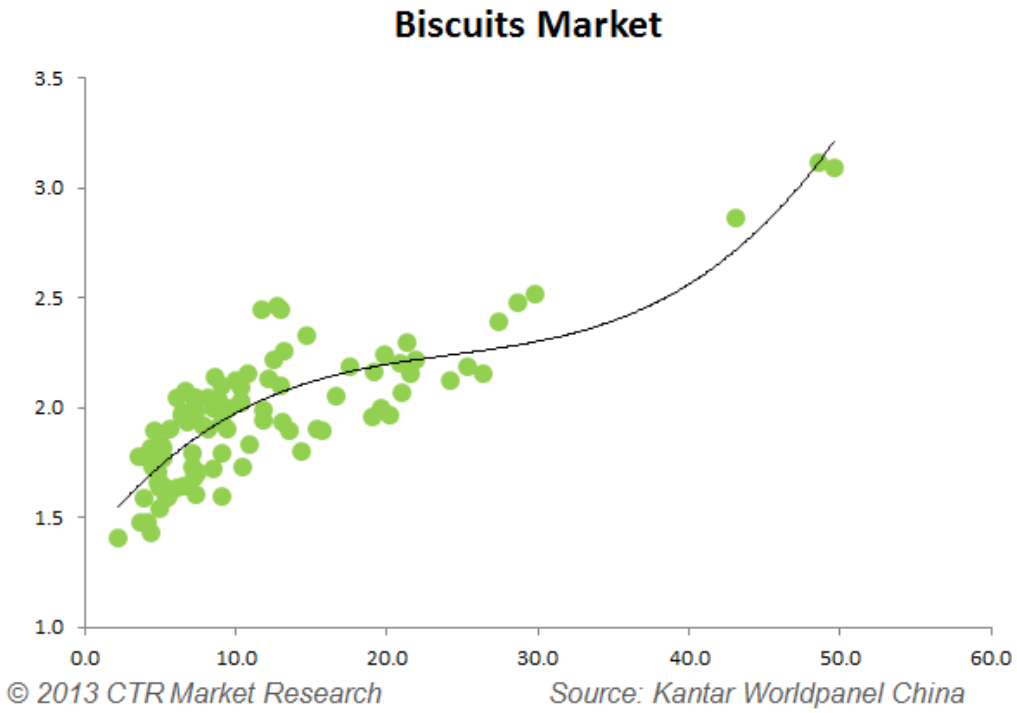
1- In the introduction phase, for every penetration gained, brands will also gain through frequency.
2- As brand grows, it do so through by gaining new buyers mainly

3- When brands penetration reach saturation, they will grow mainly through frequency, though penetration can still play a role

Every market has slightly different growth curves, but in principle the pattern remains the same. So once we identified the curve for the market, setting a target for a brand becomes more realistic, as we can identify where a brand is in its product life cycle.

At Kantar Worldpanel, we have been applied a model that uses the growth series for the brands in past years to define the market growth curve and to identify what measure to focus in order to achieve the target.

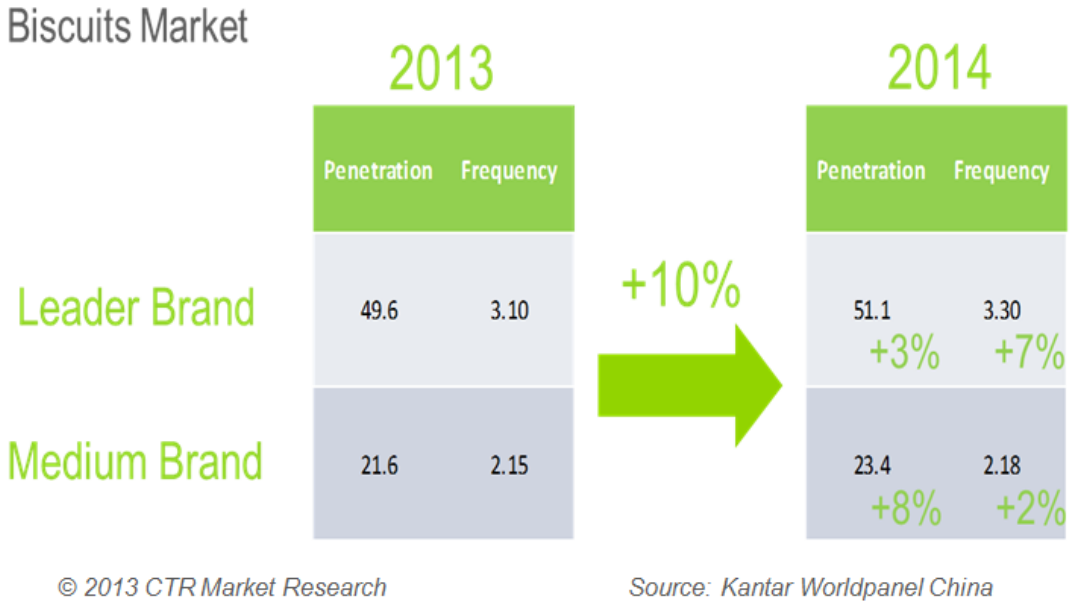
An example from the biscuit category in China shows the relationship between brands and their growth follows a curvilinear line where, for small brands, growth comes both from penetration and frequency at the beginning, then lever up basically on penetration to end with growing both measures.



Using this model we can set targets for the brands depending on where they are on its lifecycle.

With other levers like price or purchase per occasion stable, for a biscuits brand leader, to get a growth target of +10% focus should be mainly on get more frequency of purchase from his clients (+7%), but also with little increase on buyers (+3%).

On the other hand, a medium size biscuit brand with a target of 10% growth should focus basically on penetration (8.5%).



Of course, there are other factors that can influence the growth of a brand. Yet the growth model based on long term observation of consumers will provide you confidence in setting a realistic target for brand growth. At Kantar Worldpanel, we aim to help marketers identify what the growth curve is for your brands and decide which levels to focus on in the new year.