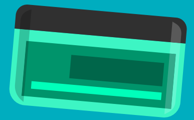

Insight

Sustainability

Consumer trust hinges on social responsibility

In Latin America, sustainable personal care products are gaining increasing interest, particularly with young early adopters. With the undeniable effects of climate change impacting the core of the region, informed consumers are doing their part to make more eco-friendly choices. There also exists pressure to appear environmentally responsible. As such, some smaller sustainable brands leverage social commerce to effectively create brand loyalty among their audience. This eases access to brand information and enables people to showcase their social responsibility with pride. Global brands still experience a substantial amount of distrust, as they continue to include unsustainable products in their portfolio. It is a critical time for brands to keep their pulse on audience sentiment towards the impact of their product ingredients, packaging, and supply chain.

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Insight

Purpose

Gen Z values drive category makeover

The personal care category is about to get another makeover, thanks to the rising power of Gen Z. Environmentally friendly... Socially responsible... Inclusive... Transparent... Vegan... Cruelty-free... To younger consumers, these are not buzz words. They are not about luxury. Rather, they are the expectation of what personal care products should be. In the coming years, these trends will continue to mainstream at accelerated pace, accompanied by an increasing pressure on brands to deliver these benefits without the premium price tag.

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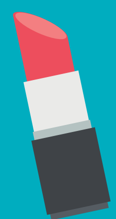

Marketing challenges

Given the multiplicity of forces shaping the personal care category, the challenge for brands is to first hit all the right notes—being natural, sustainable, and an advocate for a vision of beauty that emanates from within—and then to market that appeal effectively.

Glossier, barely five-years old, has become a sensation among young women by delivering these qualities exclusively online except for a few experiential stores or pop-ups. Having expanded the notion of beauty over 15 years ago with its Real Beauty campaign, Dove is reclaiming that space with a campaigned called "Show Us," which argues that media perpetuates idealized versions of female beauty.

Brands often are popularized by online influencers. The founder of Glossier herself was an online influencer before she developed her own brand. Micro-influencers, people focused on a narrow niche, have particular appeal. Although younger women are the primary audience for online influencers, one of the best-known Instagram celebrities is 90-year-old Baddie Winkle who launched a line in cooperation with INC.redible Cosmetics and Sephora.

Meanwhile, some of the sustainability initiatives, especially the reduction of packaging, presented challenges for brands. Reduced packaging limits the space available for brand marketing communications, which is critical for retail shelf presence.

Asian and own-label brands

In an effort to win back some of the personal care business that diverted to Sephora or Amazon, mass merchants worldwide reassessed their personal care offerings. The online availability of lower-priced but high performing personal care products, often from Asia, opened the possibility for other challengers, such as the own-label, value-priced Lacura range of beauty and personal care brands from the Germany-based food discounter Aldi.

In the US, retailers offer own-label brands at a range price point segments. Target offers its Smartly, Up and Up, and Marlowe brands. With is Cleen Beauty brand, Wal-Mart tried to tick all the beauty product boxes about natural ingredients and inclusivity and add one more—affordability, with products priced under $10.

Some of the trend-setting brands come from Asia, such as the Korean Glow Recipe, or are influenced by Asian beauty regimes. Tatcha, a Japanese American creation, was recently acquired by Unilever. Similarly, Unilever purchased the popular start-up IT Cosmetics several years ago. Unilever also bid for Drunk Elephant, another Sephora best-selling brand that ultimately was purchased by Shiseido.

Asia has not only been the origin of many beauty trends, it is also a key market for many of the multinational brands. L'Oréal Paris, Lancôme, Garnier, and Estée Lauder enjoyed strong sales in China, particularly from accessible luxury. Skincare and makeup revenue in China increased 11 percent and 12 percent, respectively, during 2019, according to Kantar Worldpanel. While demand in China declined during the peak of the pandemic, it rebounded quickly as the country recovered.

Insight

Simplification

Simplification challenges brands to be easy choice

Routine simplification continues in the UK (along with Europe) with a 5 percent drop in weekly personal care occasions between 2019 and 2018. For example, a more relaxed work environment has led to 40 percent of employed men now no longer face shaving in the average week, impacting the entire male face grooming product offering. Consumers are placing more value on their time which translates to a decline in beauty categories such as cosmetics and styling, especially in the morning routine. To re-engage consumers, brands need to focus on expanding new untapped occasions such as the gym, as exemplified by Clinique's Gym Bag Heroes. Simplification can be seen in face care routines, where over 60 percent of events feature only one product, a moisturizer. Although in some categories this results in consumers looking for multi-benefits—a quarter of men now use shower gel to wash their hair—in face care, those using just the one product are looking for it to truly perform on its core benefit. Smaller, more agile brands, like Harry's, are succeeding in disrupting the market by tapping into these benefits With the backdrop of routine simplification, this makes it not only a category issue but a brand share game too! With consumers increasingly savvy about the choices they have, brands have a big job ahead in truly understanding their consumers, gaining their trust, and becoming the easy choice.

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Insight

Experience

Experience distinguishes beer brands

The beer offer is expanding as ever, and consumers are inundated with beer choices both for consumption at home and in restaurants and bars. New craft beer brands are emerging with some becoming household names, while legacy brands continue to dominate and search for new pockets of growth. Offering a unique and distinctive experience will be crucial to stand out. By experience, we mean not only how the beer tastes, but, even more, how the beer makes people feel as they drink and savor it. Each touchpoint needs to elevate consumers' experience so the brand can become or remain its customers' go-to brand. BrewDog, an independent Scottish brewer and operator, has been on a mission to blaze a trail in the industry through a disruptive direct-to-consumer model. In an effective strategy, people can enjoy BrewDog's range of beers in BrewDog's pubs all around the world. Experimentation will also enable brands to stand out. By experimentation, we mean being bold and tapping into the emerging consumer trends early on through innovation. For example, the appeal of low- and no-alcohol and low-calorie drinks is growing, in line with people approaching indulgence self-consciously. Yet, the offer for this segment remains fairly limited across markets and represents a major opportunity.

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In addition, AB In Bev purchased Cutwater Spirits, which makes ready-to-drink cocktails, and Babe Wine, a sparkling wine in a can. Molson Coors introduced Movo Wine Spritzers in the US. It introduced Vizzy Hard Selzer but, unlike AB InBev and Constellation Brands, Molson Coors did not rely on the power of the master brand.

Connecting with the health and wellness trend, Molson Coors is also marketing Clearly Kombucha, a California-based drink it acquired a couple of years ago and reformulated and rebranded to compete with other mass market beverages. In addition, Molson Coors tested La Colombe Hard Cold Brew Coffee in several fruit flavors.

In partnership with Keurig Dr Pepper, AB InBev introduced Drinkworks, a machine that uses K-Cup cartridges for making cocktails at home.

Marketing and culture

Creating an experience that identifies and differentiates the brand continued to be an important aspect of the beer marketing. In certain markets, Peroni tried to create a more holistic experience with elaborate pop-up venues, often with food and music, where the beer is served in a Peroni glass.

Stella Artois relied on its glass chalice to premiumize the brand. In the UK, Carling introduced a pub innovation—branded glasses that interlocked, making it possible for one person to wrap two hands around four pint-glasses of beer and carry them with relative ease from the bar to the table.

The premiumization trend extended worldwide. In China, AB InBev promoted Budweiser as premium, and Corona, Stella Artois and Hoegaarden as super-premium brands. Heineken's ownership of a major stake in Snow Beer—in partnership with the China Resources Beer (Holdings) Company Limited—positioned Snow Beer to push into the premium end of the market.

Premiumization was a factor in one of the year's larger acquisitions when Japan's Asahi Group bought Fuller Brewery, adding brands like London Pride to its portfolio of premium brands in the UK, which also include Asahi and Peroni.

Many of the beer brands increased their marketing spending, focusing on social media or TV to reach a younger audience during a drinking occasion. Miller Lite ran a campaign incentivizing people to unfollow the brand on social media and instead to actually socialize with friends.

Insight

Loyalty

Retaining loyalty of core audience is a key challenge

Most of the recent trends in beer marketing are aimed at younger people, not at the core audience of beer drinkers. For most of the major beer brands, the largest group of customers is not the 18-to-34-year-olds going to a fancy bar in London or New York. It's older people. And the challenge is to retain the loyalty of these customers. The beer brands understandably are responding to category disruption, but they also need to look at the needs of their regular drinkers.

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Insight

Experience

Gin sets example of experience defining a brand

As beer brands attempt to create a differentiating experience, many of the brands, particularly in the UK, look at the success of gin. One of the things that gin has managed to do well is the "experience." It is not simply the old "ice and a slice." Instead, it's about a particular gin that has been distilled with specific flavors and botanicals. The product has a narrative and the serve has theatre and visual drama—Instagram-worthy or even just something to ruminate on and recount offline. There are beers that have had some measure of success with a stronger, more memorable experience like Corona with its iconic wedge of lime or Blue Moon, brewed with orange peel and served with an orange slice, and of course Guinness is known for the two-part pour. It is no coincidence that these are brands that are inherently unique and memorable. A lesson as to the value of a distinctive, iconic experience in making for a distinctive, enduring brand and there is certainly more scope for beer brands to craft these experiences in future.

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Insight

Customer Centricity

Insurers shift from policy focus to people

Insurance brands are thinking about the individual rather than the product as they seek opportunities to help people insure their car, home, health, travel, even their pets. After years of being commoditized, insurance brands are becoming more emotive, particularly in health insurance. In the UK, the Vitality brand is a good example. In their communications, Vitality never talks about insurance. It talks about keeping fit and healthy, being the best person, you can be. Policy holders can buy an Apple Watch at a substantially discounted price and pay premiums based on their health and fitness habits.

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The clearest example of stretching an insurance brand is Ping An, No. 1 in the BrandZ™ Insurance Top 10. China's largest insurer, Ping An has expanded into a financial services conglomerate that operates in five core service areas: financial, health care, real estate, auto, and smart city. Ping An's financial businesses continued to grow and benefited from cross-selling.

Also driving Ping An's growth were the relatively low penetration of the insurance category in China, and the increase in insurable assets owned by members of China's middle class. Robust economic growth in Asia also helped AIA, which is based in Hong Kong.

Insight

Reputation

Human approach complements tech, boosts reputation

Technology has taken the pain out of the yearly purchase of general insurance, but it has also removed the human element for many of us. This may seem unimportant, but it has two probable consequences. Firstly, it makes insurance more of a commodity. Secondly, it does little to build reputation in a sector encumbered with the misperception that companies are slow to pay claims. Recognizing this, the communications of a number of leading UK providers including Direct Line, the market leader, are now focusing far more on the human consequences of motor and home insurance. Other insurers, such as the AA (Automobile Association) are using their reputation for assisting motorists when they breakdown to emphasize the family inside the car rather than the car itself. Vitality, a relative newcomer in health and life insurance, is focusing on wellness and rewarding those with healthy behaviors. Consumers rarely talk about a great process, but they do talk about great people and research has identified providers that are giving their call center staff the freedom to move away from their scripts and use their initiative to tailor their offer. Examples of this which get talked about have the power to rebuild the industry's reputation.

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Emotion and salience

Many insurance brands adopted a more emotive rather than a transactional approach in their communications. Even in the UK, a market known for insurance price aggregators, brands such as Compare-the-Market, Money Supermarket, and Confused.com, part of the Admiral Group, saw the need to be more emotive and consumer-centric.

Brands became more consultative to help lessen the anxiety of financial decision-making. Admiral, which began as a car insurer, has added homeowners' insurance, part of a more holistic focus on individual customers and their range of insurance needs.

Insurance marketing in the US remained mostly about advertising to build salience. Allstate, Geico, and State Farm score high in the BrandZ™ measurement of salience, meaning that the brands come easily to mind the time of purchase. Geico also scores well in being differentiated as a brand, according to BrandZ™ analysis.

For over 20 years, Geico has driven awareness with an engaging cartoon lizard that delivers amusing commentary in Cockney accent, gaining the audience's attention before a voiceover delivers the punchline: "15 minutes could save you 15 percent or more."

With around $1.5 billion devoted to advertising, Geico is American's No. 1 brand in media spending, according to Kantar. Progressive, the No. 3 brand in ad spending, emphasizes salience and price with ads that feature a personable character named Flo and end with a voiceover promising: "The best place to find a great deal."

To reach a younger audience and compete against Geico and Progressive, which relies on humor and memorable characters, Allstate created a character named Mayhem to personify events that can unexpectedly disrupt life and require insurance. To reach a more traditional audience, Allstate relies on the reassuring presence of a veteran actor to deliver the brand's purposeful question: "Are you in good hands?"

Health and wellness

The health insurers, such as United Healthcare, Aetna, and Blue Cross Blue Shield, also advertised to build brand awareness and they expanded their digital presence. They relied on agents or independent brokers because the audience for these US brands usually needs consultative assistance to select the most appropriate Medicare Advantage plan.

These plans supplement the amount of medical coverage Americans receive as part of their social security entitlement. To differentiate with added benefits and services, health insurance brands often partner with service providers such as Silver Sneakers, which offers gym programs. These providers can lower insurer expenses with programs that promote health and potentially reduce claims.

Humana, a major US health insurer, expanded into total protection rather than total care. In part to lower the cost of in-home care, Humana acquired a minority stake in Kindred At Home, a home care and hospice services provider.

Insight

Trust

Growth depends on cultivating strong trust

It is increasingly important for insurers to build their brand and corporate reputation in order to establish a high level of trust with consumers. Insurers see an opportunity to provide a wider portfolio of products and collect more useful consumer data. But without a high level of trust, consumers will view each new innovative product offering skeptically, even as a threat.

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Insight

Moderation

People wonder, how much tech do I really need?

For the longest time, technology has been about improving your life. People are starting to ask, how much improvement do I need? There's an increasing skepticism around whether technology is all for good. There's also concern that the technology used for tracking our behaviors and monitoring our health can encourage obsessiveness. We've heard about people having sleep problems, for example, because they've become fixated on monitoring their sleep. It feels as if people are seeing a dark side to tech and do not accept it automatically as a force for good. Brands who present these technologies in a way that directly calls this out will be praised for both their innovation and transparency.

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Geopolitical complications

The privacy issue is significant but less contentious in China, where consumers are more willing to trade personal information for the extreme convenience provided by super apps like Alipay or WeChat, owned by Tencent Holdings Ltd. Tencent revised its purpose to advancing technological innovation that improves society, expressed in English as "Value for Users. Tech for Good."

Europe and the US disagreed contentiously about the security threat posed by having Huawei participate in the development of 5G infrastructure. Huawei's intention to develop its own operating system means that mobility could operate on three separate platforms worldwide, and at least two distinct 5G systems.

Meanwhile, the European Union strictly regulates technology brands with its General Data Protection Regulations. Although the debate about regulation is heating up in the US, the federal government has not imposed significant restraints, while California, the home of Silicon Valley, has adopted European-like regulations.

The ultimate implication is that brands that once envisioned technology as a way to unify humanity, may eventually face the difficult prospect of operating in a world divided into at least three distinctive and incompatible regulatory dominions: American, Chinese, and European. For now, technology brands are operating in the economically interdependent world as it exists today, when a virus that begins in a Chinese city can disrupt life everywhere.

Insight

Politics

Brands enter uncomfortable political space

Technology brands, particularly those in social media, like Facebook, are increasingly entering areas they don't feel comfortable in, where they will need to take a stand on political and social issues. Particularly in the West, politics is creeping into the tech space. The tech brands have tried to avoid politics with the notion that they are neutral platforms for information exchange. But the political dispute around Huawei and the appearance of disinformation to affect the outcome of elections is forcing brands to take a stand. Although being put in that position makes brands feel uncomfortable, it's a decision they'll have to make.

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Insight

Personality

Move into services raises importance of personality

The focus of the technology category seems to have shifted from the products that the brands create to the personalities that the brands project. Facebook has a personality. Amazon has a personality. It feels as if conversations about the big technology companies have pivoted from individual innovations to the brand as an entity or personality, and the values the brand represents. The focus on personality seems related to the presence of some of these brands in streaming services and other entertainment.

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