Archetypes: Winning in a Geographically Diverse and Digital World
In A Digital World, An Archetypes Strategy Will be More Successful than Organizing by Geography
Consumer packaged goods (CPG) companies face a seemingly impossible task: how to profitably target over 7 billion individual consumers in a world that continues to rapidly globalize as well as localize. Most of these consumers are no longer simply defined by where they live, but are highly fragmented, with rapidly changing preferences. They are also increasingly digital and mobile, sharing their purchasing ideas and preferences via social media.

These 7 billion consumers span both emerging and developed markets—54 percent of global middle class spending is expected to come from emerging markets by 2020\(^1\); equally, nine out of the top 10 markets in the world today with the highest GDP per capita are developed economies\(^2\). But it is no longer as simple as serving developed versus emerging markets. It is much more complex today with multi-tiered economies that prompt a more tailored strategy than before, and given rising cost pressures, CPG companies need to do this with a high degree of efficiency. This requires balancing global best practices with a tailored approach to local markets.

To capture the growth opportunity in this environment, CPG companies need to effectively serve the 1.5 billion new consumers in emerging markets and the new digital and social consumers around the world. These are two fundamental opportunities that CPG companies can seize if you evolve to a Super Global/Super Local model to drive efficiency, speed and scale, and then to a Consumer Centric Network to increase consumer engagement and loyalty (see figure 1).

An archetypes strategy accelerates the evolution of the CPG operating model to Super Global/Super Local by organizing capabilities by market archetype, and then to a Consumer Centric Network by tailoring offers to consumer archetypes.

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**Figure 1:** CPG companies have leveraged macroeconomic changes to grow volume and profitability by evolving the operating model

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\(^1\) “The Emerging Middle Class in Developing Countries”, OECD Development Centre, January 2010

\(^2\) “World Development Indicators”, World Bank, 2014
This operating model evolution is underpinned by an archetypes strategy, rather than the traditional geographic focus.

1. This approach—known as managing by archetype—allows you to balance relevance with the benefits of global scale.

2. As you do business in hundreds of markets, a one-size-fits-all approach does not work, nor is it economically viable to tailor-make offerings to each market. By grouping markets with similar commercial environments, routes to market, consumer and customer types, KPIs and required capabilities to succeed, you can develop fit-for-purpose programs that build capability in line with common market needs.

3. Pockets of consumers with similar needs and preferences are found throughout the globe, rather than in any single region. Grouping consumers by these similarities, regardless of geography, enables you to drive consumer engagement, relevance and loyalty. Each consumer archetype requires a customized approach and dedicated marketing and media teams to deliver tailored offers.

4. Digital technologies are critical to an archetypes strategy, enabling agile and flexible IT solutions to accommodate different levels of capabilities around the world. Mobile technologies and the cloud offer economically viable visibility and enable execution through long and indirect channels.

Pool common characteristics, rather than geographic proximity:

Organize R&D, marketing and media by consumer archetypes:

Focus sales and distribution capabilities on market archetypes:

Use digital to enable change and scale at speed:
Archetype
(ahr-ki-tahyp)—noun

A pattern or model from which all other things of the same kind are copied or on which they are based.
Market archetypes—Redrawing the map
In yesterday’s world of high communications and transport costs, it was logical to organize primarily by geography: grouping Australia and Indonesia due to their proximity, for example, despite their vast differences in market maturity or consumer behaviors. But these structures leave businesses facing some complex problems today:

- As CPG firms continue to globalize, it becomes difficult to manage margins and drive profitable growth. A one-size-fits-all approach is not effective and not every market requires advanced capabilities to succeed. For example, while modern trade accounts for 85 percent of packaged food sales in the UK, it represents less than 6 percent in Nigeria. But it is also not economically viable to have a custom approach by market³.
- Poor execution at the point of sale—failing to ensure goods are in stock, for example, or to properly merchandise them—can reduce sales by as much as 14 percent, according to Accenture analysis. This is a common challenge CPG companies face without fit-for-purpose capabilities by market type.

Instead you can seek to define and cluster by market archetype (see figure 2). This approach helps CPG companies be more targeted in enabling the relevant capabilities required to deliver a market level strategy, but with the commonality required to economically scale globally.

³ Euromonitor International Ltd June 2014
You can look at the countries you operate in through different dimensions and you will easily find different combinations of market situation, trade structure and route to market. There are recurring combinations, though, and by grouping these into market archetypes, you can reduce the complexity from 50-200 countries down to 5-10 similar situations. The net result is a set of groupings that are not geographically contiguous (see figure 3).

Indeed, companies should not be surprised to discover that some archetypes end up including markets that would not at first sight belong together—or, equally, that markets which would seem an obvious fit end up in different archetypes. Groupings that emphasize rates of digital penetration might see South Africa and Poland end up in the same archetype, while groupings based primarily on distribution model might see the US and UK separated. Russia and Brazil, two leading BRIC economies that share so much in common—rapid industrialization, valuable natural resources and market reform—would never be included in the same geographical business unit. Market archetype groupings don’t necessarily have to be at a country level, though; some CPG businesses may choose to group markets at the city level.

Reckitt Benckiser Group plc. is at the forefront of organizing by market archetype. For example, in 2012 it restructured into three distinct area structures: two focusing on specific sets of emerging markets, and a third focusing on Europe and North America, which were previously separated. These two new groupings have been dubbed Lapac (encompassing Latin America, North Asia, South and South East Asia, and Australia and New Zealand) and Rumea (Russia and CIS, Middle East, North Africa and Turkey, and sub-Saharan Africa). The firm’s core aim is to increase the speed, quality and consistency of its in-market execution, while also driving savings. This revised market archetypes approach is set up to help Reckitt Benckiser target net revenue growth of 200 basis points above average market growth each year.

Figure 3: Illustrative CPG example where markets have been grouped according to their attractiveness and market complexity and general maturity/stability

*Markets have been grouped according to their attractiveness (size and growth) and the complexity inherent in their route to market structure and general maturity/stability.

Organize sales and distribution teams by market archetype

It is possible to target different levels of commercial capabilities where they are most needed (see figure 4) and improve execution at the point of sale by organizing your sales and distribution teams by market archetype. By deploying capabilities to all markets in the applicable archetype, you are not “reinventing the wheel”, can seize opportunities to reuse existing capabilities and technologies from across your enterprise, and can design and implement new capabilities and technologies where you identify gaps. This enables your organization to drive efficiency and accuracy, increase speed, expand reach into new markets, reduce costs and right-size your business.

Figure 4: Markets have different commercial characteristics
How to get started with market archetypes:

1. Cluster markets with a common commercial context
2. Define the capabilities required to deliver against the commercial priorities
3. Define the organization and the portfolio of solutions required to deliver the capabilities
Examples of market archetypes:

**Organized**

Organized markets feature a modern retail proposition with sophisticated physical offerings as well as an advanced range of digital sales tools. Mobility is an increasingly important theme, with retailers, product providers and consumers always connected. A tailored proposition is possible given the availability of information and data on consumers. Examples of countries that might be included in such an archetype are France, Germany, Japan, the US and the UK.

**Developing**

Developing markets have been experiencing significant growth, but are still building their transportation and retail infrastructures. Thus they have a mixed route to market including both modern and traditional trade. Examples of countries that might fit this archetype include Brazil and Turkey.

**Fragmented emerging**

In many emerging markets, CPG companies work through distributors to get their products to a hugely fragmented customer base of small independent retailers—the ‘mom and pop shops’. This makes efficient distribution and coverage very challenging and it can be difficult to obtain good visibility of the customer and end consumer. Examples that might fit the archetype include much of South East Asia, mainstream Africa and much of Latin America.

**Super digital city**

In some mega cities, consumers have embraced digital sales channels particularly enthusiastically—retailers and CPG companies are increasingly seeing digital as a lever to effectively and economically share data and drive collaboration. This data rich partnership is already shaping their strategies accordingly, increasing the proportion of goods they sell online, reconsidering the amount of physical space they occupy and focusing on new opportunities such as social media. Examples within this potential archetype include London, England; New York City, USA; Paris, France; San Francisco, USA; Shanghai, China; and Seoul, Korea.
Organize R&D, media and marketing by consumer archetypes
CPG companies also need to reconsider how you create and cluster specific groups of target consumers, recognizing that certain sets of individuals—personas—share fundamentally similar needs and preferences that transcend geography. Of course, different firms will approach these consumer archetypes in different ways. Groupings should be made in the context of the products and services you offer, the context of your brand and reputation, and your underlying business goals.

The aim of these consumer archetypes is to enable CPG firms to specifically tailor both your products and related offers in ways that help increase consumer engagement, relevance and loyalty.

How the consumer archetypes approach works:

- Group target personas into consumer archetypes
- Focus R&D, marketing and media strategies and efforts by consumer archetype to ensure your propositions are developed and marketed appropriately
- Form dedicated marketing and media teams for each persona, decreasing regional marketing and media teams and focus
- Personalize offers to focus on individuals
- Work horizontally across often siloed departments including sales, marketing, service, supply chain and technology to be more consumer-centric
- Become an extended enterprise, collaborating with retailers and other partners to better serve consumers
- Deliver a seamless experience across channels all day, every day, globally and locally
Figure 5: Consumers expect relevance, convenience and quality service

- **89%** of consumers use at least one online channel to learn about products & services
- **66%** of consumers have switched due to poor service
- **87%** will buy the same amount and **51%** more from the companies in at least one industry they currently do business with
- **59%** of consumers believe online channels offer convenience and speed
- **79%** of prospective buyers would get frustrated when companies do not deliver what they promise
- **82%** could have been prevented from switching if the company had done something
- **32%** are very satisfied with their providers, yet only **23%** feel loyal
- **64%** of switchers due to poor service are driven by price

Expectation

Promise

Reality

Delivery

Discover

Evaluate

Purchase

Consider

Use

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Consumer Archetype

A group of consumers that transcend geography and share similar needs and preferences
Of course, structuring by consumer archetype will mean that CPG companies end up with groupings that are not geographically contiguous. But in a digital world, this is less of a concern, with companies and teams better able to collaborate virtually across the globe. The priority now is to identify groupings that can be effectively and economically targeted, then, by designing and implementing end-to-end consumer experience journeys by persona, CPG companies can deliver tailored experiences. These journeys cross channels and rely on analytic insights and a holistic view of consumers to build on past interactions and appeal to their preferences. Digital technologies are a key enabler for this consumer engagement (see figure 5).

Figure 6: Designing consumer journeys by persona enable tailored messages and interactions and a seamless experience.
Examples of consumer archetypes:

**Health-conscious**

It is no longer only developed markets where consumers focused on healthy lifestyles are to be found, with spending in countries such as Brazil and China growing quickly. The market ranges from health and wellness food and drinks to the increasing focus of many consumers on organic goods. Grand View Research estimates that the organic food and drink market will grow at 15.7 percent a year over the next five years to be worth $211 billion by 2020. Accordingly, a diverse range of related product sets are now emerging, including: health and convenience (e.g. Kellogg’s whole grain and real fruit snack bars); health and indulgence (e.g. Ben & Jerry’s Greek Frozen Yogurt); and health and beauty (e.g. Clear Scalp & Hair Therapy), among many others.

**Over 50**

Between 2020 and 2030, according to the UN, the over 65s category will have doubled from 2000, to represent about one billion people. And by 2020, the over 60s group will represent $15 trillion in spend, says Euromonitor International Ltd. Many countries have rapidly ageing populations and have seen significant increases in the numbers of elderly consumers, making them an appealing archetype. Amazon, for example, now targets over 50s with its 50+ Active & Healthy Living site, which offers a variety of beauty, personal care, and health and fitness products. It allows for automatic reordering of certain goods, along with a coupons section for digital promotions. Some CPG firms go even further: several have been developing products making greater use of ingredients rich in umami, the fifth taste, which individuals are able to continue appreciating even after the loss of taste bud sensitivity, a characteristic of old age.

**Super-premium**

Wealthy consumers are found in pockets in markets all around the world, in both developed and developing economies. CPG companies can target these consumers with premium products. For example, Diageo’s Reserve division is now making sales of £1.2 billion a year from a range of premium versions of its spirits brands, with products such as Johnnie Walker Blue helping the unit post double-digit growth.

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Digital technology plays a crucial role

Digital technologies enable the capabilities required to win across multiple market archetypes by providing connectivity across internal functions, with the consumer and throughout the supply chain with customers, distributors and other partners. Here mobile devices and the cloud play a vital role, as do digital collaboration platforms, all helping to enable cost effective management across a diverse set of target geographies.

Similarly, in identifying and tracking dynamic consumer archetypes, companies need to implement applications that help you gather actionable insights from data. You also need to be flexible on social sensing to pick up and respond to global trends. Alongside these, rapid prototyping tools, such as 3D printers, can help increase the speed and success of related R&D efforts, helping speed time to market.

Collectively, digital provides the agility, speed, dialog and relevance that CPG companies need to win with consumers today (see figure 6).

Figure 7: Digital is critical to an archetypes strategy
The size of the prize

An archetypes strategy is a key enabler of the evolution to a Super Global/Super Local operating model and then a Consumer Centric Network. To implement an archetypes strategy, CPG companies must organize your systems and processes, supply chains, distribution, sales, R&D, marketing and media activities around your archetypes. The end game is an organization that is capable of reaching specific sets of both markets and consumers quickly and cost-effectively. The organizations that do so will realize efficiencies and scale that drive competitive advantage and profitable growth.

Expand reach in new markets and consumer segments

Reduce cost to develop new capabilities

Increase speed to market

Increase consumer relevance

Win at POS in all routes to market

Enable margin improvement
Shaping the Future of High Performance in Consumer Goods

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The Authors:

Till Dudler
Managing Director, Global Strategy-Consumer Goods
Accenture
till.dudler@accenture.com

Larry Thomas
Managing Director, North America Strategy-Consumer Goods
Accenture
larry.thomas@accenture.com

Oliver Grange
Director, Strategy-Consumer Goods
Accenture
oliver.grange@accenture.com

Duncan Knight
Director, Strategy-Consumer Goods
Accenture
duncan.s.knight@accenture.com

Alessandro Diana
Managing Director, Accenture Interactive-Consumer Goods
Accenture
alessandro.diana@accenture.com

Mac Karlekar
Director, Accenture Interactive-Consumer Goods
Accenture
mac.karlekar@accenture.com

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