

The Growth Blueprint Podcast

Balancing value and emotion: Redefining growth in consumer & retail

[00:00:08] **Narrator** Welcome to the second series of The Growth Blueprint, a podcast from Simon-Kucher, a global consulting firm with 40 years of experience in helping companies unlock smarter, more sustainable growth. As the world's leading pricing and growth specialist, we work with clients to increase both revenue and profits, helping them turn commercial strategy into measurable results. Throughout this series, we will look at the key trends shaping the future of business. We will cover all major sectors, giving you a panoramic view of what's happening in the market and what you can do to stay ahead.

In today's episode, Ellen Kan, partner in our New York office and expert in consumer-packaged goods, joins Tobias Maria Guenter, head of Simon-Kucher's retail sector, to unpack how brands and retailers are adapting to today's complex consumer landscape. Together, they explore how to navigate a K-shaped economy, balancing affordability with aspiration, and using data and AI to get closer to their consumers than ever before.

[00:01:07] **Ellen Kan** Hi everyone, my name is Ellen, Partner at Simon-Kucher based here in New York. Spent the last fourteen years of my life working on all things related to commercial excellence and revenue growth management in the very exciting world of consumer-packaged goods. And I'm joined here by my colleague, Tobi.

[00:01:23] **Tobias Maria Guenter** Thanks, Ellen. So my name's Tobi. I'm a Partner at Simon-Kucher, Head of Retail within our company.

[00:01:30] **Ellen Kan** We're here today to really talk about the state of our two industries in this day and age. And I think you and I both have this perspective that consumer industries, whether that's on the brand side or the retailer side, always about emotion, right? You're selling consumers like some joy, aspiration, a dream, some sort of comfort, a connection. But I think what we're seeing these days in 2026 is that it's really become a very challenging environment, both for our clients as well as the consumers that they serve. As we have all sorts of pressures coming from the economy, tighter wallets, years of inflationary pressures, all this change coming of technology, AI, algorithms, and all that. Let's kick it off to you, Tobi, on representing the voice of your retailers. What are they facing right now in this very challenging time?

[00:02:20] **Tobias Maria Guenter** Yeah, thanks, Ellen. So normally retailers are always complaining about tough times. So that's it, the DNA of retailers. Let me touch upon the emotion you just said. And from a retail world, it's very important to see what are the needs that you have when you go to retail. And it's so different. We have to buy things, maybe on a daily base or on a weekly base. This is when it comes to grocery. You go there, you just buy whatever you need for your fridge. On the other hand side, when it comes to emotions, there are other kinds of purchases you're doing. It's like shopping more in the sense of satisfaction of desire when it comes to fashion, new clothes or something else from a retailer's perspective is to understand that the retail business is the business of feelings. Even if you have these fulfillment of the bond kind of shopping or retail shopping, you need to understand what it's about, the feelings the customers have.

[00:03:21] **Ellen Kan** Yeah, I think that's super interesting because if I think about it from both the manufacturers and the retailers, the question really is like, how do you meet the consumer where they are and still, you know, make the purchasing process frictionless? And what we're really seeing is what I would call almost like a K-shaped dimension. And you have this element where on the one hand, there's a lot of pressure on everyday purchases, what with inflation, wallets are tighter. And then on the flip side, what we're also seeing is this interesting trend of continued premiumization. There's still a portion of people who are going out of their way to really spend money in the stuff that's important to them. So I think it's a very interesting challenge as you think about it from those two angles.

[00:04:07] **Tobias Maria Guenter** It's so true. And this is reflected in the retail store formats we face. On the one hand side, you have the discount segment, and on the other hand side, you have something like the premium shops. But if you ask me, hey, what can you do now? I think it's now time to concentrate on the DNA of retailers. And the DNA is really to understand what's the value of my retail business. What do I mean with value? It's not in the sense of getting a bargain. It's about what's the perceived value for customers. So my advice in these times, I just touched upon my projects I have as a consultant is first you really have to be, it's always true, be customer oriented. It's easily said, but it's not that easily done. And this custom orientation means really your data, not market data. You know what they bought in the past, and you can derive from that deep insights. So it's so important really to be more custom-oriented by understanding your customers. It's the first one. We advise in these times. And this is true for discounters, but as well for premium retailers. Second one is the differentiation. It's not that new, but it's more important than in the past. You have to differ all your effort when it comes to assortment, pricing, promotion, whatever, you have to be very customer specific. You have to think in exceptions. So the third imperative I would advise my clients these days is be efficient. And that's very important. You have to be you can analyze whatever you want. You can differ your assortment across channels. Yes, you can do, but be efficient and be cost efficient and time efficient. So these three with custom orientation, differentiation, efficiency, I think these are the key ingredients, independent of what type of retailer you are.

[00:06:02] **Ellen Kan** I think that totally makes sense. And I think from the point of view of the manufacturers, what I would tell them is two-fold. One is the basics of portfolio management, the idea of portfolio differentiation. How do you make sure you understand if your portfolio is fully covering all the needs of the consumer base, both in terms of preserving accessibility? How can I make sure I continue to preserve accessibility for my consumer base, all the way up to this idea of premiumization? Do I have the right premium offering the right incentives for people to premiumize and to go up to that where it's critical? And then on top of that, I think it's a little bit related to what you were saying. But this whole idea of mixed management, do I understand the profiles of the different customers? In which retailers should I be leaning more heavily into accessibility? Is it actually more of a premium play? And I actually need to be leaning more heavily into a premium assortment and encouraging trade-up and all that. And I think it's to your point, it's really about getting granular down into the details in order to win. And I think what is what a very fragmented or differentiated economy.

[00:07:09] **Tobias Maria Guenter** Yeah, that's true. It's very interesting that we're looking at the same different sides of the same metal, right? So you put you, the can you the CPG companies produce it and we sell it. And same is true. But I'm sometimes really surprised that what's so obviously what you also just said, to really look into the data. So just thinking of

a current project we're doing for an integrated retailer who has a strong web shop, but also very good presence and store formats. We just analyzed the differences between the purchasing behavior of the customers between channels and across categories. This is not rocket science, but really to drill it down on a category and item level across channels was eye-opening for my retailer because they never looked at this way. And now you might ask, yeah, why is it that way? Because they normally often retailers are more purchase driven, buying driven companies, negotiation with CPG companies, but they forget sometimes really to think then the next step in the value chain. So they buy goods from CPG companies, have them on stock, put in on shelf, but then they sometimes forget really to think about the selling process in a differentiated way. So there's a saying that profit for retailers lies in purchasing. The purchasing power. But I would add on that, yes, that's true, but you only realize it if you sell a good. If you don't sell it, the value chain will fall apart.

[00:08:46] **Ellen Kan** Yeah. Yeah. No, totally. Cause the same principle, right? They always say that the key for manufacturers in terms of winning and winning shares availability, mental like mental emotional availability, physical availability. But I would add to that it's not just about availability, it's about availability of the right stuff. Do you have the right offer in the right places for the right shopping occasions when people are looking for them? I feel that gets even more critical in this day and age.

[00:09:13] **Tobias Maria Guenter** When you talk about your clients and there's this, of course, this topic, AI. So but obviously you can't avoid to talk about AI. But when I talk with my retailers, normally the retail sector is very ahead of other industries when it comes to use data, because retailers always depend on data. So how would you see this hype or reality?

[00:09:42] **Ellen Kan** Yeah, I think that AI is powerful to help us do some of what you and I were just discussing in terms of data, getting much more granular, being able to, for example, are you able to segment your customers not just on a retailer level, but can you actually get down to a regional level, zone level, store level, in terms of getting super differentiated on the insights and therefore being able to get to the right mix. And I think what AI does is it unlocks some of that ability to process through that sort of granularity and get to that level of insights. But what I don't think it changes is really in order for you to actually be able to action on those insights in a way that is aligned with your strategy, in a way that is aligned with your big picture objectives, it is contingent that you have the right ways of working in terms of how that how you are going to use those insights, how you are going to translate those insights into action. And I feel like that's where maybe the organizational reality is a little behind the technological theoretical ability, so to speak, in terms of bringing this to life.

[00:10:52] **Tobias Maria Guenter** It's a race between the tech companies now, who has the best LLM and who will win the race. But I just have an interesting observation to share with you. So look into the retail world. You can do, of course, predictive pricing, dynamic pricing. You can do whatever you like. And this an interesting observation we see. You can do it mathematically right. But on the other hand side, there's this emotional part in it. And retailers are so keen on having the best price image. And what we advise, and this is beyond data, is to anticipate the emotional reaction of a decision. And this is where I see another layer on AI. It's human intelligence, not to follow just because it's the algorithm is telling you to do X, Y, Z.

[00:11:46] **Ellen Kan** Yeah, no, I totally agree because at the end of the day, AI is just going to automate the stuff that's already in place. And so if you don't have the right foundation in place, if you don't right have the right human intelligence strategy, the right capabilities in place in the organization, it's just going to take what's there and make it more efficient. But it doesn't mean that it's going to make it better. And so I think what we tell a lot of the companies is that they need to think about AI and AI adoption not as a technology project, but really starting from the business outcomes that you're trying to drive and really build the AI capabilities around that and around the right sort of processes on the outcomes that you're trying to drive. Otherwise, it's just another expensive piece of hype software that doesn't go anywhere.

Maybe I come back to something that like you said earlier, which is a lot of retail has become about price image and preserving your price image. And we've also talked about how the K shape economy has maybe created a bit of a squeeze on the people, on the brands in the middle, the retailers in the middle. What do you think the role is of the rise of e-commerce in all of this? Because I think what's super interesting is that at least here in the US, e-commerce has driven almost a race to the bottom in commoditization. I feel like e-commerce has now mostly been. Used to drive all this price matching, where initially you would have thought the promise of e-commerce in terms of being able to directly own the relationship in a more live way with the consumer should actually have been used to drive more loyalty and more of a relationship as opposed to this commoditization of the buying experience.

[00:13:33] **Tobias Maria Guenter** Oh, that's interesting because we said at the very beginning it's about emotion and retail is a business of feelings. And when you look at on the focus retailers had in the past or they had is to be efficient, to be more transactional oriented. So there are more or less no real emotions because they just what they called the performance driven marketing. It was really like very technical optimization. And maybe there's one cool example where you can really see this mismatch of emotional kind of purchase also via the e-commerce is when I receive an email which is from the sender, no reply. I mean, I get emails from retailers. I order something, I get an order confirmation, but it's called no reply. But I never went into a department store or in a fashion store, bought something, and then the cashier said, No reply. This is the receipt, no reply, please. And this brings me back to value. You need really also a value that's beyond price and beyond transaction. It's about emotion. And now we are facing different times that's beyond just to match a price, because this is not a competitive advantage. You need real value. And of course the question is where is my value? Yes. This is why what you can do is to identify your value. And where customers expect and want to have more value. And even if you have identified, you have to do everything to create it and then to realize it. And the more you are transactional based, I think the more it would be become not easy to grow in this environment.

[00:15:24] **Ellen Kan** I think this is what we encourage manufacturers to think about as well. How do you think about an omni-channel path to purchase where you have obviously the role of the brick and mortar stores, you have the role of all the digital communications, you have the role of online. And how do you surface the right inspiration at the right points in the path to purchase where you're really inspiring the consumer to buy, whether that's to try something new or what have you. And I think to some of the points that we were talking about earlier, I think e-comm, I think AI and technology, like it unlocks some of those possibilities, but it needs to be done well, right? And so this perfect example of personalization has been this holy grail for both manufacturers and retailers for the longest time. If like, can I send you

personalized offers, personalized promotions, personalized price points? The other day I got this email from an apparel company, and they were like, here's our new choices created just for you. And then the email was a whole bunch of menswear. And that's sort of a little bit when we talk about the possibilities of AI, is like it has so much possibility, but you can also go about it and not really realize the benefits.

[00:16:40] **Tobias Maria Guenter** Cool hiccups you observed, and maybe just a very cool example on that. When you said, okay, now I identified Ellen's preferences, and this is most individualized offer I can give you. There's another way, it's already existing hyper-personalized promotions. You know what? It's a well-established one in some of the grocery chains I know in Germany. They just have a sticker. You can peel it off, put it on that product you want to have a price of, and you get it. And guess what? The decision was not made on AI, it was made by the customer himself or herself. And this shows a little bit sometimes where I say, yeah, what's really new when it comes to personalization, give it to the customer. They can decide where to put on the sticker to have a better price. And what I what you just talked also upon is about the topic of loyalty and the personalization. So normally you say, yeah, the better I know customers they can offer better and more new products or whatever. What I like to stress with retailers is don't think with loyalty as a program and as an analytical exercise. It's better to see loyalty as a result of your day-to-day retail revenue business. It's not about I introduce a loyalty program and now have loyal customers. No, this is just a vehicle. For me it's more loyalty as a result of everything I do.

[00:18:12] **Ellen Kan** I think that's a super good point. Maybe from my clients or manufacturer perspective, you don't fully own the experience of the consumer. So people don't often think about loyalty in the same way. But I think we can certainly, from that perspective, of how do you get a higher share of wallet of the different occasions that a consumer is going after, and how do you make sure that they consider your brand for all of those occasions? And to me, that again comes back to do you really understand what the consumer is looking for in that space? And do you have the right offer and the right format and everything else for that? And so I think very related to what you said is I don't think it's about a program. I think it's about thinking about how you can really service the true needs of the consumer in the different occasions in the path to purchase that they're thinking about buying your product.

[00:19:05] **Tobias Maria Guenter** I have a question now, referring to what you call the premiumization and the more affordable part. So there's also really a reaction when it comes to assortment optimization on the retailer side. They have also that's a yeah, that's competition, of course, to national brands is the own brands. So what I see more and more is this a more professionalized brand management on the own brands when it comes to the own brands management. And what I see as what you call the K-shaped economy is that even retailers now manage their good, better, best kind of home brands in a really nice way to play around. For example, if you say we need more affordable products, they put another own brands out of the shelf and put the affordable ones more in. So how do you see this from my perspective more and more professionalized own brands? And there's a huge potential. How do you see this? And how does the CPG company see this phenomenon?

[00:20:11] **Ellen Kan** It's definitely interesting. And I think that's why I was saying like the key is like from a branded manufacturer's perspective, if you don't have an eye on affordability and accessibility, the retailer will. And that's where their own brands come in, is to fill that gap in terms of the affordability and the accessibility as well. At the same time, I've also seen some

interesting case studies where actually putting more emphasis on the own brand has not actually grown the category for the retailer. I think it's super important for every retailer to really consider what is the role of the store brand or the own brand in different categories and take it from that perspective. Because I think there's not a one size fits all in terms of how you approach it and how much value that it has. And you need to consider what also the consumer's value in a brand, so to speak. What do you think in terms of whether retailers should be, you know, very actively trying to grow their own brand or not? Or does it really depend?

[00:21:12] **Tobias Maria Guenter** It's the balance. You have to offer it because then you can fight also against other retailers. So it's always a competition between retailers. And sometimes it's also important to have the variety in your assortment. And it could also be a good chance for national brands to get bought because then you have a higher quality, a better image, or whatever. So this is always a good question you just raise. I get asked what's the fair share of own brands in a certain category. And it's of course it depends on your price positioning. If you are a discounter, you need more of them. If you are more premium superstore, whatever, you need less of this because there's as a halo effect as not to perceive as very quality-driven store. So but this is a good this shape of assortment, it's not an easy task. And then you have to mix around. You need always as a retailer some kind of human intelligence. I already referred to that.

[00:22:08] **Ellen Kan** I think that all makes sense. So as we're gearing up for the end of the year, I guess there's a lot of uncertainty facing consumers. What would you offer as an outlook for your retailers thinking about 2026 as they gear up for a uncertain environment?

[00:22:25] **Tobias Maria Guenter** So definitely keep focus and keep focus the perceived value to customer and don't get confused by new technology. And as said, if you do so, then you will realize that you need to be strictly customer oriented, to be differentiated, but do not lose focus for efficiency. And I think this would be the advice for retailers in 2026 to navigate through turbulent times. And what is your advice for CPG companies?

[00:22:59] **Ellen Kan** I think for me it's going back to the basics, having a laser focus on where is the consumer, where is the shopper, and what are they looking for, and how can you make sure you meet them with the right offer and the right price? And that comes through very active portfolio management and very active mix management. And then two, I think to really think about how do we use new technologies to enable us to get more differentiated, but always making sure that we're doing that in a way that really focuses on tangible, achievable business outcomes as opposed to technological exercise or a data exercise.

Cool. It's great chatting with you.

[00:23:37] **Tobias Maria Guenter** Yes, it is, and it's always enlightening to get a different view from a CPG side. Thanks for sharing your ideas.

[00:23:47] **Narrator** Thank you for listening. If you enjoyed this episode, please consider leaving a rating or review. For more insights, visit www.Simon-Kucher.com.