Season 5 Episode 1

Unlocking MVP™ Brands Status: How Brands Deliver More-Value-for-the-Price™

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Bobby Stephens: Hi, everybody. I'm Bobby Stephens. Welcome or welcome back to That Makes Cents, the podcast where we break down consumer industry trends and explore their impact on businesses and on us as consumers. Today we're diving into a topic that is top of mind for many brands: the value seeking consumer. Consumers today are savvier and far less forgiving when it comes to brands delivering on the promise of value. So that's where our focus is—understanding what sets more value for the price (or for short, MVP) brands apart, and how companies can build the right capabilities to join that club.

But before we dive in, let's share a little bit about why this topic is so important. In recent years, we've seen a significant shift in consumer behavior. People are more informed than ever, thanks to the internet, social media, and other tools. This shift has created a new challenge for brands: how to consistently deliver value and meet these heightened expectations.

So I'm thrilled to be joined today by Mike Daher, Deloitte's vice chair and US consumer industry leader, and Ed Johnson, a colleague in the consumer industry, who've been at the forefront of Deloitte's understanding of this issue as leaders in the consumer industry. So, Mike, welcome, and Ed, welcome back since you've been here before.

Mike Daher: Thanks a lot, Bobby. Delighted to be here.

Ed Johnson: Same here, Bobby. This is a critical conversation for our industry and happy to be a part of it.

Bobby Stephens: All right. All right. So before we do get started, Mike and Ed, why don't you go ahead and give the audience just a quick primer on the work that you do and how you've seen the consumer move towards a value-seeking habit.

Mike Daher: Sure. Well, Bobby, I have the privilege of leading all of our Deloitte teams that serve consumer clients, and we organize our client portfolio all around discretionary consumer spending. So think things like in automotive, retail, consumer products, travel, hospitality, transportation—all things after consumers are done paying for their rents, their health care costs, or education costs. It's everything kind of left over. And Deloitte has three major businesses in which we serve consumer clients—in our Audit & Assurance, Consulting, and Tax.

Bobby Stephens: Cool. What about you, Ed?

Ed Johnson: Thanks, Bobby. I sit on Mike's team, and I lead what we call IndustryAdvantage™ for our consumer industry at Deloitte. And this is basically all of our consumer industry-specific research, eminence, talent, technology development, and our business development engine around these topics. In my client work, and related to your question around value-seeking habits, I spend all my time focused on the commercial value proposition of these consumer brands, whether that's pricing, promotions, personalized offers, assortment, and all of the ways that retailers and brands collaborate to deliver on that promise to consumers.

Bobby Stephens: All right, I love it. OK. So when we talk about MVP brands and the term MVP, right—that sports connotation—has a technical products connotation, but this is talking about brands and how they deliver on their promise to value. We really know that in our study, only about one in three brands tend to make the cut. So that tells us delivering value is not actually that easy. So, Mike, Ed, when you pull back the curtain, what really enables brands to consistently deliver more value for the price or be MVPs?

Mike Daher: Sure, Bobby. Well, at its foundation, it's about strategic capabilities—those behind-the-scenes muscles that allow a brand to perform under pressure. So think things like supply chain resilience or data decision. Without those, even the best intentions would fall flat.

Ed Johnson: Mike's right, and if you think about this topic, what it feels like to a consumer to be interacting with one of these MVP brands, is really three things. You're getting quality. That brand is offering quality products and a very distinct and relevant selection. You're getting trust. That brand has built trust with you by reliably stocking what consumers need and when they need it. And you're getting a winning attitude. The associates win with standout, in-store experience and a strong digital presence where you feel welcome in that store, you feel like the associates are helping you, and you feel like the associates are also very knowledgeable about the topics.

And in our research, we found that the brands that deliver on those feelings to consumers are actually doing that by embedding agility, insight, and operational discipline—the things that Mike talked about—directly into their DNA. And so a lot of times that includes leveraging advanced technologies and now even artificial intelligence or AI.

Bobby Stephens: So, Ed, you mentioned technology, and AI technology plays a huge role in this. How do you see AI transforming consumer experiences both today and in the years ahead?

Ed Johnson: Look, AI is already everywhere in the industry. Machine learning powers most of the demand forecasting that

happens. And so if you think about a grocery store trying to predict exactly what shoppers want on the shelves or how many cartons of raspberries are going to sell in a given week, that's AI already doing that work. Waste is minimized. Consumers see reliability. They are excited by a more relevant assortment. Again, AI at its core.

Personalized marketing, another great example. So all of the emails that we get that seem personal based on what you left in your basket or what things you might want to consider based on your browser history. That's AI, and it's creating targeted offers that actually are resonating more often than annoying, which is a good thing.

And if you look ahead—and if you remember the last time I was here, Bobby, I talked about everything that we saw this year at the Consumer Electronics Show—we're thinking about experiences like multilingual customer service avatars where you walk in to the store and there's a virtual associate that speaks any language that you need to speak in that moment, whether it's Chinese or English or Spanish, that can help you without having to have an associate that speaks that native language.

We're seeing use cases around virtual fitting rooms and apparel, virtual test drives for cars, and even digital displays—physical displays in stores that have cameras on top of them, that sense who you are, that puts you into a segment based on maybe what you're wearing that day or how old the image believes that you are. It's a concept called computer vision. And then changes the display board based on the products that the algorithm thinks are most relevant to you in that moment.

And so for consumers, this should feel like increased relevancy, but it should also feel seamless. It should feel like just a part of the interaction. And for brands, increasingly, this type of AI is a way to deliver convenience and perceived value.

Bobby Stephens: Yeah, it's interesting that because the clients we serve are really generally competing for the discretionary consumer spending, the investment in the experience, the investment in convenience, the investment in price for value is really important.

So, now that we know a little bit more about these value-seeking behaviors and how companies can lean in, let's maybe talk a little bit about how these brands could be perceived in the marketplace. So I believe, again, MVP brands tend to consistently earn valuation premiums on the market. Can you talk a little bit more about that, Mike?

Mike Daher: Of course. Yeah, that's right, Bobby. Brands that deliver more value for the price are linked to up to 40% higher in trading multiples in industries where consumer value matters most. So, for example, in grocery, a category with daily consumption touchpoints, MVP grocers translate everyday value perception to up to 30% richer multiples. And that's clear evidence that loyalty plus frequency drives a valuation.

Another example in our industry would be auto parts. When customers and consumers feel parts and services are priced fairly, multiples expand. MVPs in this space show 30% to 40% higher EBITDA multiples compared to their peers. These analyses essentially show us that brands that incorporate value signifiers are receiving higher valuations.

Ed Johnson: Mike's totally right. Another thing they consider though, Bobby, is that in some cases, management teams are delivering that value without getting credit in the market. And so this framework, this idea about thinking about the value that consumers are receiving from the brand or from the experience, is also a way to identify pockets of potential appreciation in the stock market. There's a set of companies that trade below their peers relative to the value that they're delivering, leaving billions of potential upside on the table in terms of their market cap.

And so I think this, for me, leaves us with a couple of strategic implications. One, if you're an MVP, protect that position. We've seen empirically that it leads to increase in share in some subsectors as much as 2% of share shifting year over year towards the MVPs.

And if you're not yet an MVP, close the gap by pulling the fastest lever based on what consumers are saying matter to them, where you're deficient in your value prop today. And then really dive into the data on what your shoppers are telling you is important and focus on improving that and also telling your customers about it—and telling investors about it too.

Bobby Stephens: Yeah, it's really interesting. Mike, you brought up the grocery example and grocery convenience. A lot of that is the value is not just about price, but it's about the time and the convenience. And so thinking about the investments that the grocery or convenience chain—most of them—have made around self-checkout and/or loyalty programs in ways to get you feeling like you're getting the most out of every single visit, not just every dollar, but every second that you spend with them.

I think that's moved over into the hospitality industry as well with hotel check-in and airline—making sure that I've committed to spend some time and money with you. How do I make the start of that experience to be as early as possible and as seamless as possible? And so I think that you've seen winners in this space really invest and listen to their customers or their consumers in that.

So speaking of that, how could our listeners find out if they or their favorite brand is considered an MVP? That's probably an award that a lot of our clients would want to win if it's a real award!

Mike Daher: All of our clients are VIPs.

Bobby Stephens: There you go!

Mike Daher: Now whether they're an MVP or not, it's up to us to help them get there. So they could start out by looking at our newly released value-seeking consumer point of view, which I'm sure Bobby, you're going to have tagged to this podcast. It is up on our Deloitte.com website. All you have to do is type in "value-seeking consumer" and that's a great first place to start.

Bobby Stephens: Yeah, we will definitely put that in the show notes. So whatever podcast platform you like to listen on, you can easily also link to it as well. But going to Deloitte.com is always an easy option as well. So thanks, Mike, for the plug.

And you know, generally to round out these quick conversations on value seeking, I'd actually like to know if you two have noticed any categories in you or your family's life that you tend to lean into real value-seeking behaviors? Maybe Ed, you go first and, Mike, you go second.

Ed Johnson: Yeah, well, happy to. What the podcast—my voice—will never reveal is that in real life, I'm 6-foot-6. And so when I think about my car, the attribute that matters most to me is leg room. And so I have found myself looking away from higher-end cars in certain instances and going with lower-cost alternatives that offer more leg room—and definitely willing to pay more anytime I can get just a couple of extra inches on an airline seat.

Bobby Stephens: All right. What about you, Mike?

Mike Daher: Well, I'm a son of immigrants who spent our whole lives making sure that we were diligent about what we spent money on. So, for me, grocery store shopping. One of my favorite grocery store chains is considered an MVP brand. And, now thinking about it, it's probably because they just provide more value for the price. I enjoy shopping there too. It's actually kind of fun.

Bobby Stephens: There you go. Mine is actually interesting. It's more of a virtual product. So I have noticed in the last year or two that I've started to become a lot more mindful of the digital subscriptions, especially those that deliver content to my screen and making sure, hey, is that monthly fee that I'm paying worth it? Are they putting out content that's relevant to me, that my kids enjoy, that really is an escape or is informative? So I may have canceled a subscription or two that maybe two or three years ago I would've just said, "Hey, that's a sunk cost. That's part of doing business today." So, slimming down the number of subscriptions is a place that we're headed around my house.

Mike Daher: I'll throw out a tip that I actually look at that every New Year's. In minutes, I go through all my subscriptions and cancel as many that I don't feel like I use frequently enough.

Bobby Stephens: Yeah.

Mike Daher: That might be a tip.

Bobby Stephens: The fitness ones are the ones I have trouble canceling because I feel like I'm giving up, but it's the content ones—I'm good getting rid of those. They can try to win me back if they want to.

Well, Mike, Ed, thank you very much for your insights. I really would encourage all of our listeners to go out and learn more and read the value-seeking consumer article on Deloitte.com. But thank you guys both for your quick insights and passion about this topic.

Ed Johnson: Thank you, Bobby.

Mike Daher: Thanks for having us.

Bobby Stephens: Yeah. So, all right. This has absolutely been a fantastic conversation. We explored the importance of being a more value for the price, or an MVP, brand and some of the early strategies for achieving or maintaining that status. So Mike and Ed highlighted that MVP positioning not only secures loyalty and market share, but when combined with growth for operational improvements can actually unlock a higher valuation multiple.

Ed also mentioned, hey, don't be shy about sharing it. Make sure you get credit in the market for it. There's a segment of these brands that do the right thing, but maybe don't market enough of what they're doing here, both to their consumers and to the market.

I also love that we talked about how important this is in the discretionary part of consumer spending, but you're going to start to see this move into nondiscretionary areas as well. Those important three things around quality, trust, and attitude, I think are something that any brand that serves our value-seeking consumers can take to heart on an everyday basis.

So to the audience, thank you so much for joining us, and especially for this episode. I'd also like to challenge you to think about what strategic investments could help your brand become an MVP, and how can you foster that culture of agility and customer centricity that's important and critical to making that happen.

So that's it for today's episode of That Makes Cents. Don't forget to subscribe so you don't miss out on our next episode. And go ahead and take a look at our description for more content. Even go back in time and see a few of our old episodes that maybe hit on this topic a little bit as well. Or if you liked what Ed had to say, you can go back and listen to his recap of CES. We're sort of in the middle of the summer as we're about as far away from CES as you could be. So with that, let's keep making sense of our world. This is Bobby Stephens. Thank you, and take care.

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