Press Review
Summer Reading: How to Navigate Change

Technological disruption, changing consumer habits and activist investors are all headwinds causing many companies to run in order to simply stand still. Organizations that are rising to the challenge, however, are thriving on change.

The following recent articles examine how successful companies are adapting to change, and how some organizations are responding under scrutiny.

Betting on Big Brands / Millennials Seek to Slake Thirst for Authenticity

Between 2011 and 2016, large brands in the U.S. lost three percentage points of market share to smaller companies, the equivalent of $22 billion in lost sales. This is the first time this has happened in 50 years, according to Boston Consulting Group research.

In response, Nestlé, Unilever, Diageo and other consumer goods giants bought smaller brands that had struck a chord with younger consumers. Nestle's acquisition of the Blue Bottle coffee shop chain last year and Unilever's purchase of Dollar Shave Club serve as evidence of the emerging trend.

Big brands are uncertain about this path, as there is still doubt regarding "whether the days of global iconic brands are over, or whether iconic brands are infinitely malleable and can be adapted to today's trends," Nick Fereday at Rabobank told the *Financial Times.*

Nestlé, the world's largest food and drinks company, has had an activist investor on its shareholder register for a year. This month, Daniel Loeb's Third Point hedge fund wrote to the Swiss company with a "call for urgency – rather than incrementalism – to capitalize on fleeting opportunities and innovations that competitors will capture if Nestlé does not energize itself." In response, Nestlé CEO Mark Schneider defended the company's size and performance in an interview published in the *FT* the same week.

"'Too big' is a notion I disagree with," Mr. Schneider told the newspaper. "Size, if you can handle it, should be nothing to be afraid of; in fact size gives you a whole lot of good things."

When Amazon Goes From Partner to Rival

In a recent article, the *Wall Street Journal* took an in-depth look at Amazon Web Services, the company's successful cloud computing division, to extrapolate the strategies that Amazon uses to disrupt and then win.

The first lesson is innovation. Amazon Web Services (AWS) now accounts for 73 percent of Amazon's operating income ($1.4 billion) on around 11 per cent of the $51 billion of revenue in the latest quarterly results (yet it started out as an idea that surfaced during a brainstorming session at CEO Jeff Bezos's home in 2003). Amazon had built data centers to support its online retail business, and wanted to build a business on that expertise. It became one of the first companies to sell cloud services, and since then, AWS engineers "never let up on the gas pedal," according to Mr. Bezos. AWS has added more than 1,400 new features and services last year, making it the largest public cloud company in the world.

The next lesson is data, Amazon's most powerful tool. AWS has used data from its cloud platform, along with customer requests, to understand how companies are replacing their own servers with cloud services. This in turn has informed AWS' own expansion.

The last lesson is successful partnerships. AWS manages to be both an ally and a competitor of the companies it works with, according to the *WSJ*, just as it has done with its online retail business. AWS began as a place where technology companies could build code and store data, and from there they began offering services to companies who wanted to use the cloud rather than their own data centers. This had appeal for startups in particular. AWS now offers services in competition with its technology partners.

'Le cost killer': the relentless drive of Carlos Ghosn

Carlos Ghosn, CEO and chairman of the world's second largest carmaker Renault Nissan, gained the nickname 'Le cost killer' after his transformation of Renault in the 1990s. He went on to repeat his success at Nissan. In an interview in the *FT*, he explains how this experience has become useful at a time when the auto industry is again being "fundamentally disrupted."

"Everybody starts by being *Le cost killer*," he says. "If a revival plan is only about cost-cutting, it will last two years: revival is when after 15 years the company is still on the right track."

"When I arrived at Nissan in 1999…the company was going bankrupt and everyone was sleeping well at night. I wanted people to make a commitment, which doesn't have to reflect everything they could do but ensured that they did it. I also wanted them to express via a target what else they could do. If they don't reach their commitments, I have a problem."

The approach was seen as "ruthless" but bore fruit, he adds. "The company went like a rocket, up in the first two years."

Another key part of performance improvement is benchmarking: "The only way I can push Mitsubishi is to say 'Go take a look at what Nissan is doing in this area'. I am telling them 'You are engineers, you respect facts and data and I'm going to give you facts and data'."

What pulls these elements together is leadership: "He admits that none of his techniques work unless the company feels the person leading it is engaged, believes in the mission, and sets his own commitments and targets," the *FT* reported.

Forbes' Summer Reading List for Marketers

"Optimizing Growth: Predictive and Profitable Strategies to Understand Demand and Outsmart Your Competitors," a book co-authored by Jason Green, Managing Director with A&M Chicago is featured on Forbes' Summer Reading List for Marketers. "This is a new playbook for business leaders on how to successfully drive growth in a rapidly changing and increasingly digital world," says Green. "Throughout the book we show business leaders how to develop a deeper understanding of market demand, customers, competitors and growth opportunities by using proven approaches that have been turbo-charged with big data analytics and digital capabilities."

What's on your summer reading list? We want to know. Email corptransformationnewsletter@alvarezandmarsal.com with your recommendations!

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