

# U.K. Transformation Champions 2023

Six Companies Delivering Outsize  
Performance through Dual Transformation

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**C**ompanies in the United Kingdom are well positioned to turn disruptive change into opportunities for growth. While the country’s economy has faced significant challenges in the last decade, it still boasts numerous underlying strengths, including a diverse talent base; world-class financial services, science, and creative institutions; global connectedness and access to global markets; and a thriving innovation ecosystem.

Innosight has developed a methodology to identify those companies that are thriving and stand out among industry peers, generating outsized returns for shareholders through their strategic transformation efforts. Our aim is to understand the dynamics of why and how transformation happens and identify lessons for leaders. Three crucial questions we consider:

- How effectively has a company adapted its traditional core to market changes or disruptions?
- How successful has a company been at creating new products, services, and business models?
- Has the company posted strong financial and stock market performance, or has it turned around its business from losses or slow growth?

Applying this methodology to U.K.-based companies listed on the FTSE 350, we identified six that delivered outsized shareholder returns relative to industry peers, both within the U.K. and globally, through “dual transformation.” This means they transformed their core businesses to ensure they can thrive in an increasingly competitive environment while simultaneously creating new growth engines.

## The U.K. Transformation Champions

Company	Industry	Annualized TSR (EOY 2017-2022)	Transformation
Drax Group	Electric utilities	27%	Transformed into a carbon-neutral, biomass-powered generator of electricity from a coal-based operator, while launching a biomass supply chain business and the retailing of emissions credits.
Experian	Information Services	13%	Transformed from a credit bureau into a data, software, and analytics company with a portfolio of services for helping consumers improve their financial health and businesses manage their customer relationships and make better decisions.

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 Data: Innosight Analysis

Company	Industry	Annualized TSR (EOY 2017-2022)	Transformation
<b>Greggs</b>	Bakery chain	13%	Transformed from a traditional high street take-home bakery chain into a food-on-the-go brand by reconceptualizing its offerings for instant consumption, refitting store formats for convenience and establishing digital platforms.
<b>London Stock Exchange Group</b>	Stock exchange	15%	Used partnerships and acquisitions to reposition its core business, expanding into private markets from publicly traded securities as well as into data and analytics; expanded its geographic reach.
<b>Pearson</b>	Education publishing	8%	Divested non-education assets to focus on a digital-first learning platform and direct-to-consumer channels; launched digital courseware units and subscription-based learning platform.
<b>Pets at Home</b>	Pet supplies retailer	14%	Transitioned from a brick-and-mortar retailer to omnichannel pet product and care with online and delivery options; developed U.K.'s largest branded veterinarian chain using a strategic acquisition.

Data: Innosight Analysis

## What Makes a Transformation Champion?

There are many elements that determine Transformation Champions. They must sustain financial performance while finding ways to transform to cope with more challenging market environments.

Transformation is a multi-year and multi-faceted journey. As a senior executive at one U.K. Champion put it during our interview: "This is not one transformation journey. It is a series of concurrent transformations." While the performance of our champions is not linear and they are at different stages in their respective transformation journeys, the five-year timeframe we used is long enough to distinguish the best from the rest.

In this instance, the six companies we identified outperformed the FTSE 350 in annualised total shareholder returns by a factor of five from 2017 to 2022. An investor who had taken positions in the Champions in 2017 would have realised annual gains of 15% on a TSR basis in the five years to 2022, compared to just 3% from the FTSE350 index.

# Behind the Success: Six Strategies to Drive Transformation

While our Champions span a spectrum of market focus, from solely U.K.-focused businesses to highly globalized companies, they share six success factors.

## 1. Set a Strategic Vision Then Execute With Conviction

Leadership teams at Transformation Champions play a critical role navigating rough seas, setting a vision that enables swift execution with unwavering conviction. They also unlock transformation through their people and culture, something often cited in our interviews with executives. For instance, London Stock Exchange Group (LSEG) CFO Anna Manz remarked: “It’s all about people. There’s one of me and 24,999 others in this organization. I can have all the will in the world, but we only make progress if all 25,000 people work toward the right goal.”

**Drax’s** leadership team set a transformative strategy and built a supportive culture to realize a vision to enable a zero-carbon future. In 2005, the team tasked with finding an alternative fuel to coal made an initial breakthrough using a mix of wood flour and coal. It took another four years to overcome the last of numerous technological challenges and settle on wood pellets as the solution to deliver its vision. Despite the scaled technology not existing yet in 2009, Drax’s CEO at the time, Dorothy Thompson, asked, “So we can do 10%. What does it take to get to 50%?” This is an example of the purpose-driven leadership it takes to transform a business.

**Gregg’s** transformation was led by former CEO Roger Whiteside, who took over in 2003 when the business was losing share in its core market to supermarket chains while getting beat in a coffee battle by big brands like Starbucks. Whiteside announced a vision and five-year growth strategy only months into the role to transform into a pure play for food-on-the-go. The results were rapid. Within two years, Gregg’s share price tripled. Whiteside attributed this success to “giving customers what they want, and what they want before they know they want it. And that is hard.”

Soon after joining the company as CEO in 2018, David Schwimmer set a vision to transform **LSEG** from being a U.K.-centric capital markets business to helping customers manage transactions through the entirety of the trading lifecycle, across asset classes and increasingly globally. The company’s acquisition of Refinitiv enabled this by providing traders access to data to evaluate and make decisions both pre-trade and post-trade, with the existing core business continuing to provide the venue for executing trades.

“Foundational to our transformation was getting clear around our identity and purpose as a company, and our value to consumers and society. Aligning on a mission to drive financial inclusion and enable economic health for both consumers and businesses informed many of the investments we make.” — **Brian Cassin**, CEO of Experian

## 2. Reposition the Core Towards Growth Trends

Successful transformers understand that an existing business cannot be extended in time indefinitely by continuously making improvements to it, what we at Innosight call the present-forward fallacy. They instead take a “future-back” view, anticipating growth trends and adapting strategic choices accordingly. This enables them to transform their core business while creating new growth engines. For instance:

**LSEG’s** bedrock business is trading in public securities, but it has repositioned its core to be more agnostic to market type, for instance partnering with the platform Floww, which connects private companies to capital markets. It also enabled the trading of digital asset classes on blockchain technologies and expanded its geographic reach to Asia, where it recently agreed to collaborate with the Shenzhen Stock Exchange, enhancing the potential for effective capital formation.

**Drax** set a goal of moving away from coal-generated electricity 10 years ago. The company had spent years experimenting with alternative power sources, achieving a breakthrough using wood fibre-based biomass pellets to co-fire its plants in 2009. Drax has since converted all six of its powerplants to biomass, achieving carbon neutrality in broad terms while staying ahead of disruptive change by envisioning what it needed for future success, then working backwards to determine the right path.

**Greggs**, founded in 1939, began noticing shifts in consumer preferences toward increasing convenience and healthier items around 2013. It saw this as an opportunity to reposition its business from being a bakery of take-home goods to a food-on-the-go chain catering to instant consumption. Its refitted store formats and digital platforms optimized speed of purchase while new offerings such as the popular vegan sausage roll appealed to shifting preferences.

“People were skeptical and said we would lose our heritage if we changed [from a baker], but we could see from consumer insight that over 80% of visits were for food-on-the-go. It wasn’t as if we had to convert our customers, we just had to do a better job of serving them.” — former Greggs CEO **Roger Whiteside**

## 3. Create New Growth Engines That Complement the Core

Transformation Champions also build new growth engines that catalyze core assets to create advantages as part of their dual transformations. For instance:

Once a brick-and-mortar pet supplies store, **Pets at Home’s** new growth engines are service offerings such as grooming, which it introduced in 2009, and veterinary care. The company expanded its vet services with the acquisition of Vets4Pets in 2013 and, by 2022, it had a

total of 443 practices, making it the largest branded vet business in the U.K. In the same year, services represented close to 32% of total revenues, moving the business closer to its 50% target.

After wood pellets became a key input in its energy production, **Drax** developed a pellet production business that includes 17 plants and counting. In 2021, this new business contributed 8% to total revenue with US\$4.5 billion sold to third parties. Drax is exploring advancing its transformation by becoming a retailer of negative emissions through Bioenergy with Carbon Capture and Storage (BECCS) technology.

“In a few years’ time, our business model will not only be electricity. It’ll be the retailing of negative emissions, so that other companies can achieve their net-zero targets.” — **Alan Knight**, Director of Sustainability at Drax

#### 4. Reshape Portfolios Through Strategic Transactions and External Alliances

Transformation Champions have mastered the capability to pursue strategic priorities in ways that create value through mergers and acquisitions as well as the disposal of non-strategic assets to free up resources to invest in required capabilities or access new markets.

**Experian** has established a strong track record of repositioning its portfolio towards new and growing markets. It has established new business models in its consumer services business through the introduction of marketplaces, created unique analytics and decision-making platforms to power underwriting, and expanded into new markets such as health, automotive and marketing services. It has also pursued significant growth opportunities outside of its U.K. and U.S. home geographies. Many of these portfolio moves were enabled by transactions, including divestments of legacy businesses and non-strategic assets to free up resources, and strategic acquisitions of capabilities and market positions that enabled accelerated new growth.

**LSEG** used transactions and alliances to reshape its portfolio. Through its acquisition of Refinitiv in 2021, approximately 70% of LSEG’s revenues are now recurring or subscription based. It also announced a 10-year strategic partnership with Microsoft to provide next-generation data and analytics and cloud infrastructure solutions. As a result of building this larger portfolio, the historic core exchange business represents only 3-4% of total group revenue.

An important foundation for **Pearson’s** transformation was reshaping its portfolio from a diversified one to a focused one. Since 2015, the company has divested non-education assets including its stakes in The Economist and Financial Times newspapers and its stake in the book publisher Penguin Random House. In parallel, it has made a series of acquisitions of education technology companies to build capabilities in areas including personalized learning, languages, and cloud-based courseware development, consistent with its digital education strategy.

“Everyone wants to do cloud deals. We decided there was an opportunity to do something different. We envisioned the power of combining our data and analytics with Microsoft’s workflow tools in an integrated way that is genuinely transformational for our customers. What sets the deal apart is not only the combination of data and tools, but our open cultures and ethos. ” — **Anna Manz**, CFO, London Stock Exchange Group

## 5. Execute Outcomes-Driven Digital Strategies

Imagine getting into an arms race to create tools that demonstrate digital prowess without knowing if your customers want them; or simply digitizing without considering if the ecosystem where you operate has fundamentally changed. These examples fall into the “one-size-fits-none” trap, where initiatives lack customer or market-backed input to guide them. The Transformation Champions have stepped over this trap by executing what we term an outcomes-driven approach where priorities are explicitly defined to advance the growth strategy through impact on outcomes that can be measured.

Leaving behind its legacy as a diversified media holding company, **Pearson** is becoming a lifelong learning partner of choice. It has divested non-education assets to focus on becoming a digital-first learning platform and opened new D2C channels. Within its Higher Education business, it launched digital courseware units such as Mastering and MyLabs and a subscription-based learning platform called Pearson+. The vision is to establish Pearson+ as the premier digital ecosystem for lifelong learning.

**Pets at Home** doubled down on efforts to meet pet owners wherever they are, offering products online with convenient, reliable delivery options such as one-hour in-store collection and two-hour home delivery. Customers can also make purchases in-store that are delivered to their homes. This seamless, offline-to-online experience is enabled by numerous digital initiatives. The strategy paid off during COVID-19 when, in the first quarter after lockdown, omnichannel sales grew by a 71% to offset the drop in in-store retail and services.

**Experian’s** consumer subscription activities came under threat as new entrants with freemium business models took market share in the 2010s. The company responded by reorienting its growth strategy to empower consumers to control their data and improve their financial lives, launching Experian Boost in 2019, a free digital service helping customers improve credit scores through bill payments. Within a year’s time, 3 million US consumers connected accounts to the service, contributing to overall membership growth from 19 million in 2019 to 29.5 million in 2020. This helped propel revenue in other credit product sales and is an example of where Experian transformed a legacy business for the digital age.

“We put our customers at the centre of our innovation and technology program. How we solved their needs and delighted them in new innovative ways to drive our competitive advantage was our North Star.”  
— **Lloyd Pitchford**, CFO of Experian

## 6. Catalyze Unique Data Assets to Drive Growth

Successful transformers leverage difficult to replicate core assets such as distribution, brand, and accumulated knowledge to help new growth efforts gain a competitive advantage. Our research reveals the role unique data assets and content has played in catalysing the new growth engines of Transformation Champions.

**Experian** sits on a wealth of business and consumer data and combines this with leading capabilities in analytics and workflow solutions. The company has catalyzed these assets to help solve one of the biggest threats consumers face, identity theft and fraud. Experian introduced identity protection and web scanning to build a solution, IdentityWorks, an identity protection service launched in 2018. Identity theft and fraud solutions represented 11% of total revenues in 2022.

**Pets at Home** has over a decade of data from over seven million active VIP loyalty club members. After bringing its CRM systems in house, it catalyzed the value of over 150 billion data points to predict future pet care requirements and provide personalized solutions. The ability to use data-driven insights to pinpoint customers most likely to demand additional products and services led to a 70% growth in subscription plans 2020-2022.

“Our Refinitiv acquisition enables customers to decide what to trade and why, and the ability to execute and clear the trade. This throws off data to evaluate whether it was a good trade. Our logic is, the more liquidity, the more data, a self-fulfilling flywheel, which is what we’re building towards. We’ve accelerated the Refinitiv business from 1.5% annual growth to more than 7%.” — **Anna Manz**, CFO, London Stock Exchange Group

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While disruptive change is inevitable and presents risks, it also creates opportunities. The six U.K. Transformation Champions provide inspiration and a practical set of lessons for others to follow and create the next version of themselves.

## About the Methodology

We screened the 350 constituents of the FTSE350 index for superior performance against domestic and global peers, using total stakeholder returns (TSR) as an indicator over the last five years, producing a shortlist of 84 companies. We then conducted the following qualitative and quantitative research to assess the degree and outcome of transformation:

1. Collected primary data such as dividend-adjusted stock prices, industry classifications, and operational headquarters for each FTSE350 constituent. Obtained total returns data for MSCI World indexes by industry. Filtered out companies not headquartered in the U.K. and aligned industry classifications of FTSE350 companies to MSCI classifications.
2. Calculated and compared 5-year TSR performance of each constituent to 1) 3rd quartile TSR of U.K. peers and 2) 2nd quartile TSR of global peers. Identified companies that outperformed in face of unique circumstances in the U.K. and demonstrated above average performance when benchmarked against other developed countries.
3. Conducted in-depth analysis on the 84 companies that passed the screen to determine if value creation was attributable to business transformation. Leveraged sources such as annual reports, investor materials, analyst reports, and press coverage to obtain information.

### Six Success Factors

1. Set a strategic vision and then execute with conviction.
2. Reposition the core towards growth trends.
3. Create new growth engines that complement the core.
4. Reshape portfolios through strategic transactions and external alliances.
5. Execute outcomes-driven digital strategies.
6. Catalyze unique data assets to drive growth.

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## ABOUT INNOSIGHT

Innosight is a strategy and innovation consulting firm that helps organizations navigate disruptive change and manage strategic transformation. Now a member of the Huron Consulting Group, we work with leaders to create new growth strategies, accelerate critical innovation initiatives, and build innovation capabilities. Discover how we can help your organization navigate disruption at [www.innosight.com](http://www.innosight.com).

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