

60<sup>TH</sup> ANNIVERSARY!

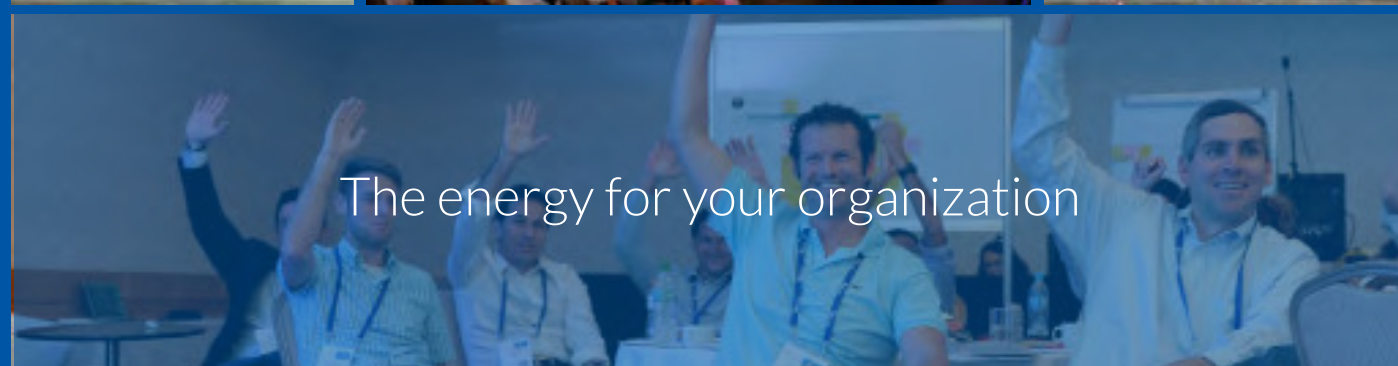
# LEADING GROWTH

## ACROSS EMERGING FRONTIERS



# EXECUTIVE SUMMARY

RIO DE JANEIRO, BRAZIL  
22<sup>nd</sup> to 24<sup>th</sup> October 2015



The energy for your organization



# THIS WAS THE 60<sup>TH</sup> FUTURE LEADERS PROGRAMME RIO DE JANEIRO



# FUTURE LEADERS PROGRAMME 2015

The 60th anniversary Congress of the Future Leaders Programme took place in Rio de Janeiro, Brazil, from 22-24 October 2015. Over the 3 days of the event, speakers and moderators facilitated relevant discussions and shared ideas on the theme “Leading growth across emerging frontiers”, bringing to life an international programme tailored to reflect the challenges and opportunities that future leaders from the FMCG industry are facing.



## FLP RIO 2015- FLP COMMITTEE Chairman: John Jove, PespiCo Inc., USA

**Demir Aytaç**, Migros Ticaret, Turkey  
**Patrick Bacher**, TCC, Germany  
**John Bradshaw**, Pick n' Pay, South Africa  
**Annika Engström**, ICA, Sweden  
**Jerry Fleeman**, Food Lion LLC, USA  
**Richard Flint**, NIKE, China  
**Brian Horrigan**, IGA, USA  
**Karsten Kamin**, The Coca-Cola Company, Germany

**Jens Küpper**, Develey Senf & Feinkost GmbH, Germany  
**Rhoda Lane-O'Kelly**, The Consumer Goods Forum  
**Yoep Man**, SPAR, China  
**James Naylor**, McKinsey, United Kingdom  
**Karin Von Funck**, BCG, Germany  
**Emily Waldorf**, Campbell Soup Company, USA

## 2015 RIO TASKFORCE

**Laurent Elisabeth**, DIA, Brazil  
**Bruno Furtado**, McKinsey & CO. INC., Brazil

**Fernando Soares**, Ambev, Brazil  
**Silvia Sonneveld**, BCG, Brazil

## ABOUT THE FUTURE LEADERS CONGRESS

The Future Leaders Congress is designed for high potential young leaders who represent the future leaders of the consumer goods industry. It includes strategic, operational and leadership modules for an interactive learning experience in an international setting. It represents an investment both in the individual and in the future of their company, and is designed to support internal management programmes.



[www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com)





*"You're all great leaders to whom much has been given and from whom much is expected"*

**- John JOVE | Pepsi Co -**

*"Always ask yourself, would you like to be led by you?"*

**- Jaime SOLER | Cencosud SA -**

*"We often know what customers are going to buy before they do. It's not magic. It's just technology."*

**- Antonio COTO | Dia -**

*"I think it comes back to simple questions - what's in it for the customers? And who are the trusted editors in their lives? Who are they being influenced by? It's often peer to peer and in their communities. Getting dialed in on that is critical."*

**- Richard FLINT | NIKE -**

*"Find the health and wellness moments in your own businesses and ask whether you are helping consumers live them out."*

**- Kim KIRCHHERR | IGA -**

*"Get the right idea before getting*



*work in pretty much every setting."*

**- Flavio CAMELIER | Rio 2016 -**

*"Be uncompromising about hiring. It's better to have a hole than an a\*\*hole."*

**- Gustavo DIAMENT | Spotify -**

*"Think about customer-back process first, and budget second. If you think about budget first, you'll miss half the great ideas."*



**- Alex SZAPIRO | Amazon -**

*"Sometimes in life it's all or nothing. Make that gamble only a very few times, but sometimes you have to do it."*

**- Sidney Levy | Rio 2016 -**

*"Be present and fully engage. Great leaders do not multitask."*

**- Chris Jordan | The J&J Human Performance Institute -**

## Thursday 22th October

8:30am	Opening of the 60th Future Leaders Congress <b>John JOVE - Pepsi Co</b>	6
8:45am	Growth in Brazil? Create Your Own Destiny <b>Silvia SONNEVELD - The Boston Consulting Group</b>	7
9:15am	Personal leadership insights gained from the Cencosud growth story <b>Jaime SOLER BOTTINELLI - Cencosud SA</b>	8
9:45am	Answering the Unanswered Question: Why Will Customers Choose You? <b>Antonio COTO GUTIERREZ - Dia</b>	9
10:45am	Young Leaders in Emerging Markets <b>Demir AYTAC - Migros Ticaret A.S.</b> <b>John Bradshaw - Pick n Pay Retailers</b> <b>Richard Flint - NIKE Store</b>	10
11:15am	Health and Wellness <b>Kim KIRCHHERR - IGA</b>	11
11:15am	Sustainable Business Success <b>Ricardo VALENCIA RAMÍREZ - Inclusive Regional Recycling Initiative</b>	12
2:00pm	Growth Strategy Workshop <b>Alan INY - The Boston Consulting Group</b>	14

## Friday 23th October

8:10am	The Brazilian Retail Landscape <b>Bruno FURTADO - McKinsey &amp; Co</b>	13
9:00am	Out And About In Rio <b>Store Tour</b>	23
2:00pm	Putting Power in the Hands of Consumers <b>Pedro TOLIPAN - McKinsey &amp; Co</b>	16

## Saturday 24th October

9:05am	Key Leadership Lessons <b>Flavio CAMELIER - Rio 2016 Olympic Games &amp; The Coca-Cola Co.</b>	18
9:35am	Leadership in a Digital World <b>Alex SZAPIRO - Amazon</b> <b>Gustavo DIAMENT - Spotify</b> <b>Alex HOHAGEN - Google &amp; Facebook</b>	19
10:20am	Four Leadership Stories <b>Sidney LEVY - Committee of the Olympic Games Rio2016</b>	20
11:20am	How to Become the Corporate Athlete That Can Truly Embrace Growth <b>Chris JORDAN - The Johnson &amp; Johnson Human Performance Institute</b>	21

## OPENING OF THE 60TH FUTURE LEADERS CONGRESS

John Jove said it was an honour to welcome everyone to Rio – a city known for leading companies as well as its culture and sport – and the Olympic Games would be here in just nine months. The great thing about Rio was that in the end, everything worked. There was a word participants would all come to know – *jeitinho* – which roughly translated meant “where there is a will, there is a way”. Jove said that participants were amongst the best and brightest talent from around the world – and that they were already seen as great leaders to whom much had been given and from whom much was expected.

Jove noted that it was the 60th anniversary of the Future Leaders Congress, which in that time had grown into the industry’s most unique forum for the consumer goods industry to meet and discuss collective challenges. He also said it was the first time the Future Leaders had been in Latin America. In that regard, he was especially happy to see that one of the keynote Latin American speakers, Antonio Coto Gutierrez of Dia, had himself been at previous Congresses and been a member of the Committee. Jove also said it was great to be back in a country where he had himself worked for two years.

The Consumer Goods Forum was jointly created by retailers and manufacturers to improve business efficiency and make changes which benefits consumers. By working together across industry members, the Forum could have a greater impact on business and social issues. He said that the industry had to come together as an ecosystem to drive change. The Consumer Goods Forum had the scale and network to do that. Its membership spans 70



**John JOVE**

VP, International Retail Sales,  
PepsiCo Inc  
& Chairman of the Future Leaders Committee

countries, accounts for turnover of in excess of \$2.5 trillion and employs some 10 million people. It is the place to have a collective impact.

The CGF organizes its work around four pillars: Sustainability, Product Safety, Health & Wellness and End-to-End Value Chain. Underpinning all of this activity is Knowledge and Best Practice Sharing. This Congress was part of that, and its venue and theme were both bound up with the idea of emerging frontiers – which are not just about emerging markets, but refer to new ways of doing business and to new personal growth and capabilities. They were all linked, because building skills was the only way to build business. Participants were privileged to have this opportunity to engage in real dialogue, workshops and networking.

Jove said the Congress was going to offer new strategic perspectives on growth, a new lens on digital and diverse other business models, provide some rich leadership lessons and help participants build a broad global network. And there would be a chance to enjoy a unique view of Rio, a dynamic world city transforming itself for the Olympics.

- The Consumer Goods Forum is the place to have a real collective impact around sustainability, product safety, health and wellness and the end-to-end value chain
- This 60th Congress was the first to be held in Latin America, and an ideal location to explore emerging frontiers: new markets, new ways of doing business and new personal growth
- Participants had a chance to enjoy a diverse and dynamic world city as it transformed itself in readiness for the 2016 Olympics



**Silvia SONNEVELD**

Partner and Managing Director  
The Boston Consulting Group

During the upswing, however, Brazil’s poor labour productivity had not changed significantly. Only 22% of total value-added growth had come from greater efficiency (as opposed to increasing the size of the labour force, which accounted for the balance). The equivalent figure for China during the same period had been 89%. So the country was poorly prepared for the end of the commodities supercycle. Economic stability was eroding: there had been a massive devaluation of the currency and inflation was back up again. Predictably, this had led to changes in consumer sentiment and behavior. In the latest BCG Consumer Sentiment Survey, 95% said they had changed their shopping and saving habits. On the other hand, 63% were eating more at home, which at least offered some comfort for the consumer goods industry.

The outlook points at a slow recovery. There are two to three tough years ahead, and the majority of commentators think growth will not return until at least 2018. So what advice could she offer for companies facing flat demand in a low growth environment?

The first was to use the cooldown to fix the basics. A lot of companies had lost focus on their organizations during the boom years. The second was to anticipate changing consumer behaviours across the Brazilian consumer pyramid. The top slice is in fact quite resilient, but the middle is anxious and looking for promotions and better value. For the base, budget constraints meant cutting spend per shop, and offering smaller packs is important. The third was to recognize that the next growth in Brazil would be in the interior. Fourth, companies should be prepared to move forward on digital; BCG estimated nearly 50% of retail sales were already digitally influenced or mediated one way or the other. And fifth, it was time to reconsider their M&A and investment agendas.

## GROWTH IN BRAZIL? CREATE YOUR OWN DESTINY



Silvia Sonneveld said Brazil’s economic fortunes had been intricately bound up with commodities wealth. The country has the highest potential of arable land of any country in the world, together with one of the highest availabilities of fresh water. It is significantly cheaper to produce soy, cotton, beef and chicken there, and it also has oil reserves, of which much has been discovered in the last five years.

A global commodity boom and stable economic management has been the basis for Brazil’s growth. The external demand for raw materials has both driven production but also attracted more domestic and foreign investment. This improved economic stability, which was in turn supported by business friendly policies. That further drove the internal market, reinforced by social policies which were targeted on bringing people out of poverty. All of this brought credit stability into the Brazilian economy which had underpinned more growth. All in all, Brazil had benefited from a series of positive cycles.

- Brazil’s growth and recent economic challenges are both a consequence of its tremendous commodities wealth and agricultural productive capacity
- Economic downturn has hit consumer confidence hard, with the effects experienced very differently from the top to bottom of society
- There are a series of steps companies could take in order to make the best of a tough short term horizon, and be ready for longer term opportunities



## PERSONAL LEADERSHIP INSIGHTS GAINED FROM THE CENCOSUD GROWTH STORY

Jaime Soler said that Cencosud operated over 15 brands in supermarkets, home improvement, consumer finance and real estate. They have 1,150 stores with \$18bn in turnover in Argentina, Brazil, Chile, Colombia and Peru. But just 11 years earlier they had been a privately held company with a couple of dozen supermarkets in Chile and Argentina and a nascent home improvement business. The transformation could be explained by the leadership of their founder and chairman, Horst Paulmann. At 80, he was still the first to arrive and the last to leave the office. He had also laid down an impressive record of getting his timing right, whether in securing the most valuable downtown locations, or in investing into the downturn in Argentina. Soler added that Paulmann had learned to pray in Spanish in 2001, and now both of them were learning to pray in Portuguese.

Soler said he could reflect on what he had learned after 10 years in the company in three categories of learnings. The first was about how you went about establishing your career, the second about leadership and the third was about the business of retail.

In terms of career, he has trained as a merchandiser. He did not believe that was the career track any mentor would have recommended for an aspirant CEO, but he had been a passionate merchant and always believed he could do his job better than his superiors. He had never had an end game in mind, but he had learned to be open to new opportunities. Planning where you wanted to end up too much stopped you enjoying what you were actually good at, and missing the moment. And he still misses being a merchant. But when opportunity knocks, he advises not being so concerned with the job title so much as how much you would respect the person

- Work in the moment – you'll do better by doing your best right now rather than worrying about where your career will end up
- Be humble as a leader, but make sure the difficult conversations take place and the tough questions are asked
- Watch your customers, not your competitors



**Jaime SOLER  
BOTTINELLI**

Chief Executive Officer  
Cencosud SA

who would be your superior.

As a leader, he has learned that the most important question is always: "Would I like to be led by me?" Teams value leaders for leadership, not knowledge. It is about making discussions actually happen and asking tough questions. As an individual you have to be humble and keep your feet on the ground; everybody deserves respect, from the bottom to the top of the organization. But in the end, no personal interest is more important than the group's interest. And Soler said you have to be actively concerned with the culture of the group. If you don't set the culture, the culture will set itself.

With regard to retail, Soler said that the old saying was right: details matter a lot and you need to own them. The customer has to be won again and again. So while competition is fierce, you should not look too much at your competitors but rather look at your customers – about what they do and how they might react in the future. Observation and prediction are more important than consultation. They have seen the growth of health and wellness from observing a series of other trends; if they had waited for their customers to tell them, they would have been too slow.



**Antonio COTO  
GUTIERREZ**

Executive Director America  
& Global Executive Director of Franchising  
Dia

## ANSWERING THE UNANSWERED QUESTION: WHY WILL CUSTOMERS CHOOSE YOU?

Antonio Coto said he wanted to address an often unanswered question: why will customers choose you? He argued that local knowledge is one of the most important reasons. It was what had made the traditional trade successful originally, and it was the advantage which had allowed local players to prevail in a number of markets originally thought destined for globalization and the supremacy of a few giant players. Coto said that while Dia is dedicated to being efficient and low cost, with customer handling being performed as fast as possible, that is not enough for a sustainable strategy. To win they have to put customers in the middle of every decision, giving them more than they expected. You have to surprise them. And to know them you in fact need to know them very well – perhaps better than they know themselves.

Coto described three ways in which Dia has determined it would gain and maintain that knowledge. The first was Club Dia, a loyalty card

scheme within which more than 85% of sales are captured. Why do so many customers participate? Because they know that when they do, they will pay even less for their purchases, and earn promotions which are relevant to them as individuals. Dia often knows what customers will buy before they themselves do – but this is technology, not magic. And the same technology helps them take special care of the 30% of their customers who account for most of their profits.

In order to connect more with the other 70% of their customers, Dia has created the Experts in Saving scheme. They invite customers into their offices to listen to them and for both they and their customers to get to know each other better. The experts themselves choose which products they should promote, identify other uses for products, and suggest new lines they should consider stocking. They use the experts in saving as the protagonists in their television ads rather than actors. What they've learned from this dialogue with their customers is that what really makes us choose things is emotional, not rational.

Thirdly, Dia relies on the passion and affection of their franchisees. They are people who are really committed to giving everything to customers. The system allows the company to blend the best of both worlds. On the one hand, franchisees enjoy the strength of the brand and their scale advantages in marketing and logistics. On the other hand, Dia knows their customers benefit from the warmth, personal touch and motivation to succeed of their franchisees.

Coto said that as much as we might try otherwise, in a conventional chain you could easily just feel one of thousands of managers. Franchisees are running their own business. And when ownership passed from the company to a store manager who became a franchisee, sales could increase by as much as 25%.

- Customers will choose you because you know them and know what they want
- Dia has used a three part strategy to drive their customer insight. They have a highly successful loyalty scheme, a high profile ongoing customer research programme and they rely on the local knowledge and commitment of franchisees
- Franchising works. Sales in company stores which converted to franchise stores under the same management could see 25% increases in sales

## YOUNG LEADERS IN EMERGING MARKETS

In a lively panel discussion, three members of the Future Leaders Programme Committee discussed the challenges of operating in each of their markets: Turkey, South Africa and China.

Demir Aytac said that three factors characterize Turkey: its pivotal position as a regional hub (55 countries within four flying hours), its youthfulness (half the population is under 25 years of age) and its rapid urbanisation (already over 50% of the population, and projected to be 84% within two decades). That latter factor presents a big opportunity for retailers. John Bradshaw said that South Africa is the world's most unequal country. Their number one challenge is how to deliver in such a complex environment, focusing on the customer in a very data-driven way. Richard Flint said that the extent of consumer behavior change was extraordinary. The spread of the smartphone is creating seismic changes in China.

Each explained the opportunity for consumer-led growth in quite different ways. For Aytac, the elements of any growth strategy depend on how you assess a number of factors: urbanisation leads you to consider smaller stores and higher density networks, while pursuing a digital strategy requires more personalization, and responding to the needs of a growing and well educated middle class leads you to focus on better quality fresh food. Flint talked of 3 Cs: connecting, creating and catalyzing. He gave the example of Runners Plus, an app which has been downloaded 20 million times. Nike also supports run clubs where they are agnostic as to which product participants wear: they simply want to be the catalyst that enables people to start doing sports. Bradshaw said that Pick 'n Pay has only recently decided to simplify their loyalty scheme to provide additional discount vouchers simply for the products that customers actually do buy – as

- There is no such thing as a typical emerging market: each of Turkey, South Africa and China have distinctly different characteristics and drivers of growth
- Although in very different businesses, each explained how customer centricity is at the heart of their strategy
- Inspiring the front line is critical for success in these markets

**Demir AYTAC**  
Chief Human Resource Officer, Migros

**John BRADSHAW**  
Trading Manager, Pick 'n Pay Retailers South Africa

**Richard FLINT**  
Vice President Direct to Consumer Nike Store, Greater China



opposed to the ones that the retailer thinks they should or could buy. They have made a 180 degree shift in targeting what the customer wants, not what the business wants. Obvious as that might sound for a supermarket, it is a constant effort to keep forcing the customer into the centre of their thinking.

Evidently, talent is of critical importance for succeeding in high growth markets. Aytac said that three quarters of his colleagues are Generation Y, and want a balance between personal and business life. That isn't necessarily how his older colleagues have been trained. Both had to mentor each other. Flint said he spends a lot of time trying to make the lives of his store athletes easier – and that if you include partner athletes as well as those Nike employs directly, he has some 30,000 people to train and motivate. They are constantly looking to see what they need to do to make sure they could serve the consumer and the athlete better. Bradshaw said it is very important for the next generation to understand the purpose behind their business. Supermarkets are really important institutions because having good fresh food is essential.



**Kim KIRCHHERR**  
Dietitian, Health & Wellness Advisor for IGA  
VP, National Dairy Council

## HEALTH AND WELLNESS

Kim Kirchherr said obesity is certainly a very real and present danger, doubling worldwide since 1980 and with half the world's population forecast to be clinically obese by 2050. But we have to think bigger about health and wellness than obesity. She cited the WHO definition of wellness as "a state of complete, physical, mental and social well-being and not merely the absence of disease or infirmity" and noted that more than 70% of people believe they were less healthy than previous generations.

She noted the emergence of a distinct segment of health committed consumers. Typically they would devote more than 70% of their grocery purchasing to healthy products, and are already well informed about ingredient effects and provenance and how to interpret food labels. They spend more, and shop more frequently than low health-committed customers.

That leaves a lot of people who want and need help in doing the right thing. She argued against simplistic division between "good food and bad food" because everything has to be understood in the context of a balanced diet and lifestyle. Apart from anything else, portion control is just as important as food

type if someone is trying to manage weight. And people need actionable steps so that they and the consumer goods companies who serve them could be successful.

Sometimes these are relatively prescriptive. Kirchherr talked about the importance of Global Handwashing Day in bringing people's attention to the importance of basic hygiene. About 1.8 million children under the age of 5 die each year from diarrheal diseases and pneumonia. Hand washing with soap could protect 1 of 3 young children who contract diarrhea and 1 of 5 young children with respiratory infections like pneumonia.

Equally, they are sometimes about overcoming anxiety and unfamiliarity with food. She used the example of videos IGA has prepared teaching people how to cut mangos. In turn, that echoed her experience as a consulting dietician when suggesting her clients ate roasted vegetables, and realizing that they had never roasted anything before.

Kirchherr described the New Consumer website at IGA, a means of getting into a conversation with people and helping the consumer make better choices around planning and shopping, wellness, food safety and recipes and culinary training. They use plenty of videos and try to be seasonally relevant, with content changing regularly throughout the year in each category. She urged participants at the Congress to find those health and wellness moments in their own businesses, and ask whether they were helping people live them out ; they shouldn't be afraid to start small.



- Health and wellness is about more than obesity, important though that is
- There is already an emerging segment of health-committed consumers, and they're good for business – they spend more and they shop for food more frequently
- Get close to your consumers around a broad spectrum of health and wellness issues: planning and shopping, wellness, food safety and cooking skills



## SUSTAINABLE BUSINESS SUCCESS: A CASE STUDY OF GOODWILL AND RUTHLESS COLLABORATION

Ricardo Valencia said he wanted to share the experience of having huge brands working together – and the reason they had made common cause with the Latin American Network of Waste Pickers. First, though, he had to explain some history. Up until the 1980s, the consequences of urbanization in Latin America had included big, unregulated dumps outside the cities which were based on a kind of magical belief: that if thrown away, rubbish would just disappear. Groups of waste pickers started to live and work on the dumpsites, and even to rear livestock there.

By the next decade, the waste pickers moved into the cities as these informal dumps were replaced by managed landfill and they were forced to come to the source of the rubbish. And they became the subject of concerted social action, partly as a consequence of rising climate change concerns, and partly because the waste pickers themselves were socially marginalized. If you met one on the street after dark, you'd turn the other way.

From the turn of the century, there had been an increasing recognition that waste itself had economic value. The major consumer goods companies, notably Coca-Cola and PepsiCo, had themselves started to demand change, and readily understood that they had to co-operate, both with other agencies and with each other. Organizing reverse logistics for single brands on their own made no sense if the economic value was attached to the recoverable raw materials, not the brand.

The figures are impressive. 50% raw materials



**Ricardo VALENCIA RAMIREZ**

Strategy Director  
Inclusive Regional Recycling Initiative

savings are achievable from recycling, which makes it possible to pass on significant savings to consumers. But equally notable is the role of the individual waste pickers, who account for almost 60% of all recoveries. Valencia stressed that the waste pickers themselves are making business decisions every moment of the day. They have to take into account total cost and return, so picking up a cardboard drink carton might not be such a great idea if it has to be cleaned before it could be sold on.

There remains a tremendous amount of work to do on the reverse logistics process. On the demand side, about 75% of recyclable material is still going to landfill. Median waste production per person is currently around 700g a day in developing markets, but more than double that in developed markets. The most pressing priorities include developing knowledge management systems to exchange best practices, more transparent data and improving regional co-ordination of local initiatives. But in the longer term, Valencia said the waste pickers themselves have to be helped to rise from being people who perform subsistence labour to ones who are members of service delivery organisations.

- Urbanisation in Latin America has initially led to large unregulated dumps, and a community of waste pickers living and working on them
- In recent years, the major consumer goods companies have come together with other stakeholders to co-ordinate a major reverse logistics scheme
- With 75% of recyclable materials still going to landfill, and waste levels climbing as developing nations became more prosperous, much remains to be done



**Bruno FURTADO**

Partner  
McKinsey & Co, Brazil

## THE BRAZILIAN RETAIL LANDSCAPE

Bruno Furtado used a combination of video interviews with consumers in their homes and more conventional analysis to give participants some insights into the Brazilian consumer and the Brazilian retail landscape. He said that listening to consumers it was clear there were some common traits.

The first is a general and largely resilient optimism. Even in the most difficult economic circumstances, this remains the case. The second is that Brazilians are addicted to promotions. That might have its origins in long years spent in a high inflation environment, but it is even truer during the current difficulties. The number of consumers who reported usually buying on promotion had gone from 40% to 64%, and as a nation, Brazilians are about five times more willing to value promotions than the average consumer globally.

The third consumer characteristic is an obsession with beauty. That makes the health and beauty category relatively more important in Brazil than just about anywhere else in the world, and it also

- Brazilian consumers are characterized by a number of distinct traits
- The retail landscape is highly competitive and remains relatively fragmented
- Despite current pressures on consumer spending, there are robust reasons for long term optimism about the Brazilian economy and its consumer industries

results in the country leading the world for cosmetic plastic surgery. A fourth trait is a deep and enduring love for brands. Some 70% of Brazilian consumers said they would not buy private label brands. In consequence, private label penetration in Brazil is remarkably low by global standards, with only Dia able to sell its own brand at scale.

A fifth trait is being exceptionally fashion conscious, and prepared to buy new clothes very frequently (for fear of being seen in the same thing twice when out at the weekend). And the sixth characteristic is being remarkably tech savvy. Brazilians love technology and have been fast adopters. They represent the fifth largest online population in the world.

With regard to the retail landscape, Furtado said it has been in a constant state of consolidation, and yet remains relatively fragmented. It also remains highly informal, although in every sector this is reducing. The government has been imaginative in incentivizing people to issue invoices and join the recorded economy, as well as introducing tax substitution (where the entire value chain is taxed at the big company level). Even so, over a third of the workforce in retail do not generate or pay taxes. Another aspect of the retail sector is fierce competition at state as well as national level. That has intensified as a result of reduced consumer demand.

Nevertheless, Furtado said there remains three major structural reasons for optimism. There are more people coming into the labour force for the short to medium term, peaking in 2020. There is a well-established middle of the pyramid which has permanently joined the consuming classes. And finally, consumption remains the major drive of Brazilian GDP (rather than infrastructure investment). Things would be more promising still if Brazilian companies could finally address long standing productivity problems.



## GROWTH STRATEGY WORKSHOP

Alan Iny introduced the Growth Strategy Workshop by observing that there was more uncertainty and volatility for businesses to contend with than before, and that scenarios are an important tool for dealing with that context. The goal for the workshop was to take participants step by step through the main stages of scenario development.

First, Iny reminded the Congress that there is more than one type of growth. You could concentrate on maximizing the core. You could expand into adjacencies. And you could explore new frontiers. And there is also more than one type of trends. There are terra trends (which relate to earth and its environment), economic trends, technology trends and meta trends (for instance scarcity versus abundance, contentment versus striving, the challenge of governance and so on).

However, Iny explained that as a species, we have a tendency to conceive of the new in terms of the old. So additive manufacturing, otherwise known as 3D printing, echoes those contemporaries of the first cars who talked of "horseless carriages". It is hard to conceive of transportation without being anchored in the existing paradigm.

Scenarios themselves are not measured forecasts – they are certainly not 10% up or down on the base



case. Rather they are three, four or five relatively wild pictures of the future. Their value come from then overlaying questions that would follow. What would customers expect from your products and services in this scenario? Which technologies would be likely to emerge as a consequence? How would regulators respond? How much would your existing business model have to change? And what would your competitors do?

All of the companies and professional advisors who use scenario planning use the same three steps: they identify trends, create a discrete set of scenarios and then explore the implications. Iny said that in a recent piece of work by BCG for an industrial gases player, they had narrowed down a priority set of trends to explore to a final list of 20 trends which they used as inputs for scenarios. Then they considered each in terms of potential level of impact and organizational preparedness.

To draw out their scenarios, they used future retrospectives: for instance, writing an article describing the top 10 companies in the Fortune Global 500 in 2025 and how they had got there. But there were so many alternative ways of doing this. You could describe the day in the life of a 75 year old diabetic woman in Mexico City, or the process behind a major tender by one of your biggest customers, or the agenda of the annual general meeting, all in 2025 or another point in the future.

In the workshop itself, participants worked in teams and used Twitter to feed back responses into the group. Given a series of scenarios, they explored what might constitute the electronic device usage

of a student in Cairo, the typical morning of an Atlanta housewife and a family picnic in Bangalore, again in 2025.

Having persuaded participants to start thinking freely in the world of the future, Iny then asked them to start working with four scenarios developed by BCG in conjunction with the World Economic Forum. These were New Balance (an ecologically more sensitive world), Maximized Growth (where every other interest was subordinated to economic advance), Mind the Gap (a world of heightened polarization) and Local is King (a world where citizens no longer trusted large institutions, whether corporations or governments).

Then in turn, each team was asked to consider that scenario from the perspective of one of three industry players: the number 2 player in drinks and snacks, the number 1 player in emerging markets personal care and the number one player in US personal hygiene. Teams



were asked to think about which concrete actions they would take to prepare for this scenario – if only they knew in time that it would come to pass.

After a coffee break, teams reported back their findings and Iny kept track of some of the general themes surfaced by their discussions and classified them into a grid defined by two dimensions: low to high likelihood, and low to high disruptive potential. Amongst those insights that were unlikely but potentially very disruptive were significantly more local production and distribution and more extreme tiering of products. Those which were likely and disruptive included a step increase in customization.

In conclusion, Iny noted that there are a few valuable lessons to take away. First, it is really important to embrace creativity and inductive thinking to help address ambiguity (and conversely, to stop trying to force proof or deduction onto decisions made under uncertainty). Second, he suggested rethinking the annual planning process to focus more on unlikely but massively disruptive events and scenarios alongside more expected trends and events. In any case, it is important to rebalance attention away from exclusive focus on the current year as the basis for strategic planning. One way to do that is to stop rewarding managers for thinking short term and avoiding risk.

- In an environment of heightened uncertainty, scenarios are a powerful tool
- Scenario planning starts by analyzing trends, developing specific and provocative scenarios and then interrogating them for their business implications
- Systematic use of a range of scenarios can help identify new strategic priorities



## DIGITAL DESIGN WORKSHOP

Pedro Tolipan introduced the Digital Design Workshop with a few thoughts about how to use design thinking and a user-centred approach. He said one of the most important habits was simply to observe the world around you, and explained how Eiji Nakatsu, a Japanese railway engineer, had used a design based on the beak of the kingfisher to counteract the shinkansen train's tendency to produce a sonic boom on emerging from tunnels, when the air pressure changed suddenly. The kingfisher's long thin beak allows it to go from air to water so easily that it produces no splash on entry.

Tolipan also said that experience is what really matters to users. He cited the example of Nespresso stores, where what might otherwise be a relatively commodified transaction is enhanced by visual and experiential design, and how this is in turn reflected in how the Nespresso app worked on smartphones.

He said that it is more important to get to the right idea than – at least initially – to get the idea right. That is what has led to breakthrough thinking at companies like Uber, where the essential concept



**Pedro TOLIPAN**

Service Design Expert  
McKinsey Digital Labs, London

is that you could get access to a car and navigate (literally as well as figuratively) the entire journey experience and payment using your smartphone. Many of the features that are now part of the service have been introduced through subsequent experimentation, and Tolipan said that trial and error is at the heart of the rapid digitization methodology that participants would be using in the workshop.

Design thinking is just one of three sets of considerations that have to combine in order to define the minimum viable product (MVP) for any given user setting. There has to be a design solution which enables users to accomplish their goal and get past pain points, but at the same time the tech components have to be feasible and cost effective, and there also has to be a business opportunity big enough to justify investment. Getting to the MVP always starts with a piece of business research and close observation of users.

Tolipan said you have to watch what users actually do, and not necessarily just listen to what they say. He quoted Henry Ford, who said “If I had asked people what they wanted, they would have said faster horses.” And in order to focus on manageable definitions of who a user might be, the persona, or user archetype, is especially important. The persona is used to guide design decisions throughout development about product features, navigation, interactions and visual design. By identifying really strongly with a persona, designers could intuit better what would work for them. He explained how personas differed from definitions based on demographics: on the basis of age, income, number of marriages and children and the number of their



homes, Prince Charles and Ozzy Ozbourne would look the same. And finally, he urged participants to be ready to learn rather than worried about success.

In the digital workshop session, participants were divided into groups of 10-12 people and each assigned one of three Brazilian personas. Jefferson was a health enthusiast who was principally concerned with getting his family to buy and consume healthier food (for him, wellness was built on diet first and exercise second, not the other way round). Tatiana was a deal hunter, always looking for the best promotions. And Marcela was a brand enthusiast in health and beauty products, really keen to keep up with the latest developments and new product introductions and open to having a closer, more direct relationship with her favourite brands.

Each team explored the business background to the market and then walked through their persona's current



customer journey, identifying the current pain points and generating an initial set of new ideas, which were overlaid on a map of the customer journey and then discussed in more detail as participants tried to select a combination of ideas which could constitute an MVP.

Once they had a provisional solution, facilitators for each team helped them divide up to sketch intermediate steps on a customer journey mediated by a smartphone app, and then put together these screens using a free to download app called POP – Prototyping on Paper, which allowed designers to visualize how an app might work in practice by assigning “hot spots” to photos of dummy screens which could then be linked to each other, simulating the user's journey using the app.

Teams then got to present these simulations to the wider group of participants, and in the case of each of the three personas, there was a quick informal vote to choose the best prototype. Finally the group voted for the prototype they liked best of the three “winners”: an app called MakeApp which had been designed for Marcela, the health and beauty brand enthusiast.

Overnight, a McKinsey Digital Labs team turned this handdrawn prototype into a high fidelity rendition of an app prototype which emulated the navigation functionality of a production version and allowed participants to see much more clearly how it might appear to, and be used by, the persona called Marcela.

- Design thinking is customer-centric and based on direct observation
- It's important to think widely and freely to make sure you have the germ of a minimum viable product
- Digital ideation and prototyping can be extraordinarily fast



## KEY LEADERSHIP LESSONS

Flavio Camelier said that his learning as a manager had accelerated markedly when he left the corporate headquarters of Coca-Cola Brasil to a major bottler in one of the regions in the north of the country. He had to go from making slides in PowerPoint to convincing people in the field that these strategies would work in practice – and also learned there was a huge gap between strategies set in isolation at the top of the organization and the effect they had on a mom and pop store in Manaus.

What really makes a difference is focused incentives and tracking. Indeed, these tools work for pretty much any setting. What are the key things that need to work, what would incentivize both customers and colleagues to make them work and how would you know how you are doing? This last point was one he had expanded to include competitions amongst different units, both to encourage better performance but also to get each to go to the other to understand what was getting them to the top of the table.

Subsequently, Camelier was asked to lead an integration of three of the major bottlers in the North East of which one was the first unit in which he had worked after leaving his head office strategy role. He learned what trust was: in short, being able to convince someone of something when you did not have the unlimited, irrevocable data required to prove it beyond any doubt. In turn, that relied upon transparency and unquestioned integrity in intentions. That went all the way through the organization. During the integration in question, the engagement levels of the employees rocketed after the shareholders of each of the bottlers came together in a series of town hall meetings when they explained openly what they were trying to achieve, and fielded questions freely and honestly from people who were worried about the implications for



**Flavio CAMELIER**

VP & GM,  
Rio 2016 Olympic Games Brazil Business Unit  
The Coca-Cola Company

their jobs.

Camelier said that while incentives are critical, the most important ones are often not financial in nature. He recounted the experiences of another bottler in the Brazilian system who ran a major training scheme and incentivized employees both on conventional performance targets and completion of each stage of the training. The top ten performers on both measures were invited, together with their families, to a year end celebration with the President of the company who specifically thanked the families for allowing and enabling these star employees to devote so much time to the company's business. Camelier said that for all of them, recognition in front of their families was the biggest reward they could have.

Finally, he said that his experiences as a private pilot had shown him one important parallel with strategic planning, which was having a clear action plan for bad weather and the unforeseen. During the World Cup in Brazil, Brazil has been beaten 7-1 by Germany in the semi-final. The marketing team had an image in reserve, which showed a straw in the neck of a Coke bottle with a knot in it. They put the image out across social media instantly and had extraordinary feedback. Customers said "You were the only ones who really understood what we were going through."

- What works in strategic terms isn't always what works on the ground
- Know what has to change, why people will do it and how you will measure it
- Be prepared for the unexpected. Even for being beaten 7-1 in a World Cup semi-final



**Gustavo DIAMENT**

ex-Managing Director, Spotify, Latin America

**Alex HOHAGEN**

Ex-VP, Google  
& Facebook for Latin America & US Hispanics

**Alex SZAPIRO**

President, Amazon Brazil

how they were going to be a mobile-driven company. And finally, with a scandal erupting over improper content being posted on their social network, Orkut, he has learned you have to be prepared for the unexpected.

Alex Szapiro said his learnings applied equally to the online and offline worlds. One is to hire people smarter than you. The second is to start with customer-back process first, and think about budget second. If you think about budget first, you risk missing half of the ideas. A third is making people explain in fictional press release terms why an innovation is good for the customer. A fourth is the value of failing and moving on. Sometimes real breakthroughs arise directly from failures. A fifth is to think long term as much as possible. Companies do not suddenly get 30% worse or 40% better because of such movements in their share prices.

Gustavo Diament said it is about people, people and people. If they don't get it, you won't make your numbers. The second is to be uncompromising about hiring. He has learned it is better to have a hole than an a\*\*hole. Ethics, integrity and passion are all important, but capacity is absolutely critical. Unless you are hiring for a very specific function, the most important characteristic of a new hire is his / her ability to learn. Thirdly, he said he had previously thought FMCG companies were consumer-driven, but it was genuinely true of internet companies. A key difference, however, is the way in which change and innovation in digital businesses are based on data. Finally, Diament too said failure is not to be avoided, but embraced as a real learning opportunity. In the digital world, people are scared of missing opportunities; in the conventional business world, they are scared of mistakes. In answers to questions, Diament added that a key distinction is between the ground war of resources and the air war of strategy. Making the connection between the two is very important. He also added that the pre-mortem technique is very effective: asking everyone to answer the question "Why is this company going to fail in the next 12-24 months?"

## LEADERSHIP IN A DIGITAL WORLD

This second panel of the Congress was moderated by Carlos Xavier of Egon Zehnder, who explained that the discussion would explore how leadership requirements are different in the digital space.

Alex Hohagen said that when he joined the tech sector he found that while many tools are common to all industries, the big difference is an open culture in which everyone has access to everyone. The second thing he learned was to be exhaustive in hiring the best talent. When he joined Google, he went through 22 interviews. Google assesses everyone against four criteria: role-related knowledge, leadership, analytical skills and cultural fit. Thirdly, he has learned the importance of moving fast. At Facebook he has seen how rapidly Mark Zuckerberg has refocused the company on mobile. Instantly, team members couldn't talk about anything else. In any meeting the first one or two slides have to talk to

- Be exhaustive in hiring the best and resist the temptation to compromise
- Engage the whole organization in strategic thinking
- Embrace failure as an opportunity to learn, not something so dangerous you should never try to experiment, and assess innovations ruthlessly in terms of customer benefit



## FOUR LEADERSHIP STORIES

Sidney Levy said he has identified four stories from his career he thought illustrated some important lessons. When he was a young executive in Rio he was running an old and failing plant, and coming into Carnival time he realised the only way they could fulfil their order commitments was to work through the holiday. But his workforce were unmoved by offers of money – Carnival was too important for that. Only by sitting down with them and asking openly what they needed to be prepared to work through the holiday did he find out that they would, but only if they could come and go at irregular hours to fit around the main parades – and they could work in costume. And that is what they agreed. He learned you always have to listen to your people, all of the time. That doesn't mean you always do what they want, but you have to know where they are.

Later he was working for an English company with a Basque subsidiary at the height of ETA's separatist protests. ETA had burned down part of the plant and written to the owners saying they refused to be led by a Spanish or English executive, so the company had decided to try a Brazilian. Levy found every action blocked by the de facto ETA representative on the workers' board – and it was legally impossible to fire him. The impasse continued until by chance on a summer Saturday, both bumped into each other with their wives at a free concert in the city centre. Over a glass of wine, the two couples started talking about their families, person to person. They got to know each other as people. And after that, the threats started to die down and he was able to manage the plant better. Lesson two: talk to your enemies.

In a subsequent role, he was CEO of a Brazilian subsidiary of a US company. The CFO was American and a nice guy. But after a while Levy



**Sidney LEVY**  
CEO,  
Organizing Committee of the Olympic Games  
Rio 2016

realised he was often subtly blocking his decisions and countermanding his authority as CEO. He complained to his US chairman, who said that the CFO had been appointed by the board and could not be fired. So Levy tried to get on with things, but the last straw came when he was told by a subordinate that he could not execute an order because the CFO had said otherwise. He summoned two security guards and told them to remove the CFO and his possessions and put both on the street. He called the Chairman in the US. After two hours the Chairman called back and said "You're staying. But don't do this again." Lesson three: sometimes in life it's all or nothing.

Levy's fourth lesson came from the Olympics. When he had taken the job he discovered attrition rates of 50% and things in disarray. His first instinct had been to change everything. But this was an organization of people on low wages with a certain redundancy ahead of them. He reflected on a quote from The Great Gatsby: "Show me a hero and I will write you a tragedy." He decided not to go for big bang changes but rather proceed carefully and steadily with a programme of reform. Lesson four: try not to be a hero.

- Always listen to your people, all of the time
- Talk to your enemies
- Be prepared to make an all or nothing stand. Just not too often
- Resist the temptation to be a hero



**Chris JORDAN**  
Director of Exercise Physiology  
The Johnson & Johnson Human Performance Institute

## HOW TO BECOME THE CORPORATE ATHLETE THAT CAN TRULY EMBRACE GROWTH

Chris Jordan said that our most critical resource is our energy, and that most manage it poorly. In the workplace that leads to fatigue and poor decisions, and in elite sports, to making stupid mistakes. He argued that there are multiple similarities between professional and corporate athletes. Both have to deliver performance under pressure and are personally accountable for outcomes. Numbers drive everything for both; both are constantly required to improve. But there are differences as well. The professional athlete spends about 90% of their time practicing and training for performance and 10% actually delivering; in the corporate world it is the other way round.

A key energy principle is that you should manage it as well and as carefully as your time. His second is that there are four types of energy at work in every kind of context: physical, mental, emotional and spiritual (or at least a sense of higher purpose). The ingredients for all four have to be in place for people to bring their full and best energy to bear, along with

- Energy is our most critical resource and most people manage it poorly
- The same principles underlie energy management for corporate athletes as for high performance by elite athletes
- To bring your full and best energy to bear at work, you need to draw on physical, mental, emotional and spiritual energy – and always to spend it thoughtfully

a clear understanding of the importance of recovery time. If you continuously spend energy, you will be forced into recovery. Crashing on the couch is the corporate equivalent of overtraining syndrome in sports.

With regard to cultivating physical energy, Jordan said his strategy is to move more and exercise smarter. Movement in general makes people feel better: it improves blood circulation, increases metabolic rate and thus delivers increased energy levels. Even using some elementary stretching techniques every hour would make a big difference. As to exercise, Jordan explained that it has to be safe, effective and efficient. It is important to combine aerobic, resistance and flexibility; it is also important to understand that effective exercise requires challenge and mild discomfort – though not pain. You quite literally have to get out of your comfort zone.

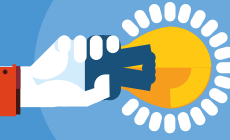
Mental energy is enhanced by focus. Jordan emphasized that multi-tasking is not the secret to high performance. And for leaders, being fully present and fully engaged in the tasks of the moment is of tremendous importance to the people they serve. Great leaders do not multitask.

Jordan suggested we could look at emotional energy in terms of two dimensions – its absolute level and whether it is positive or negative. That gives rise to four quadrants of which the high positive is of course the "energy of the extraordinary". Positive emotions are generally opportunity-based, whereas negative ones are generally concerned with survival. Learning how to trigger a shift to the former is a crucial element in energy management.

Spiritual energy is the energy associated with our very deepest values. Poor energy management in the spiritual dimension is expending it on things which didn't matter. And in the case of most people, their family and closest friends are at the top of the list of the things which did.

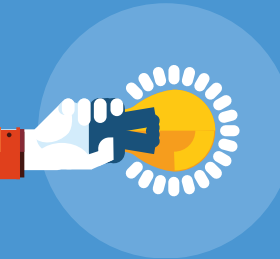


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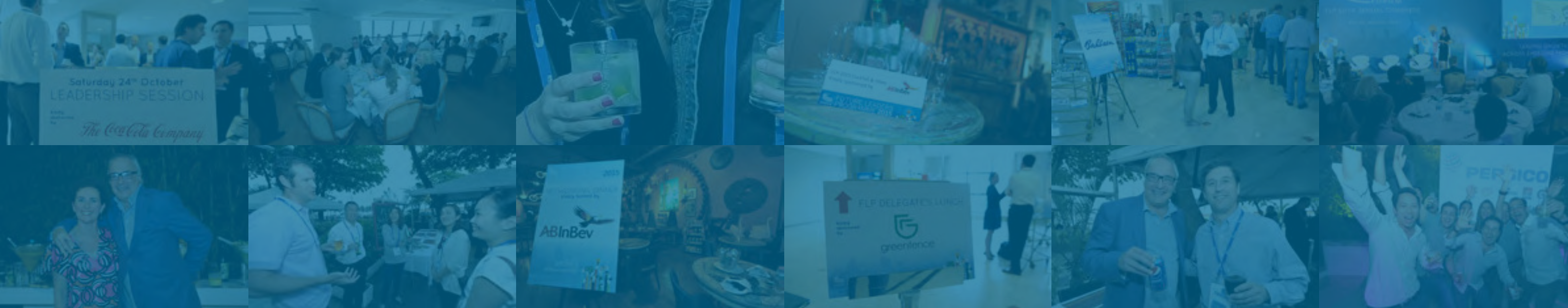




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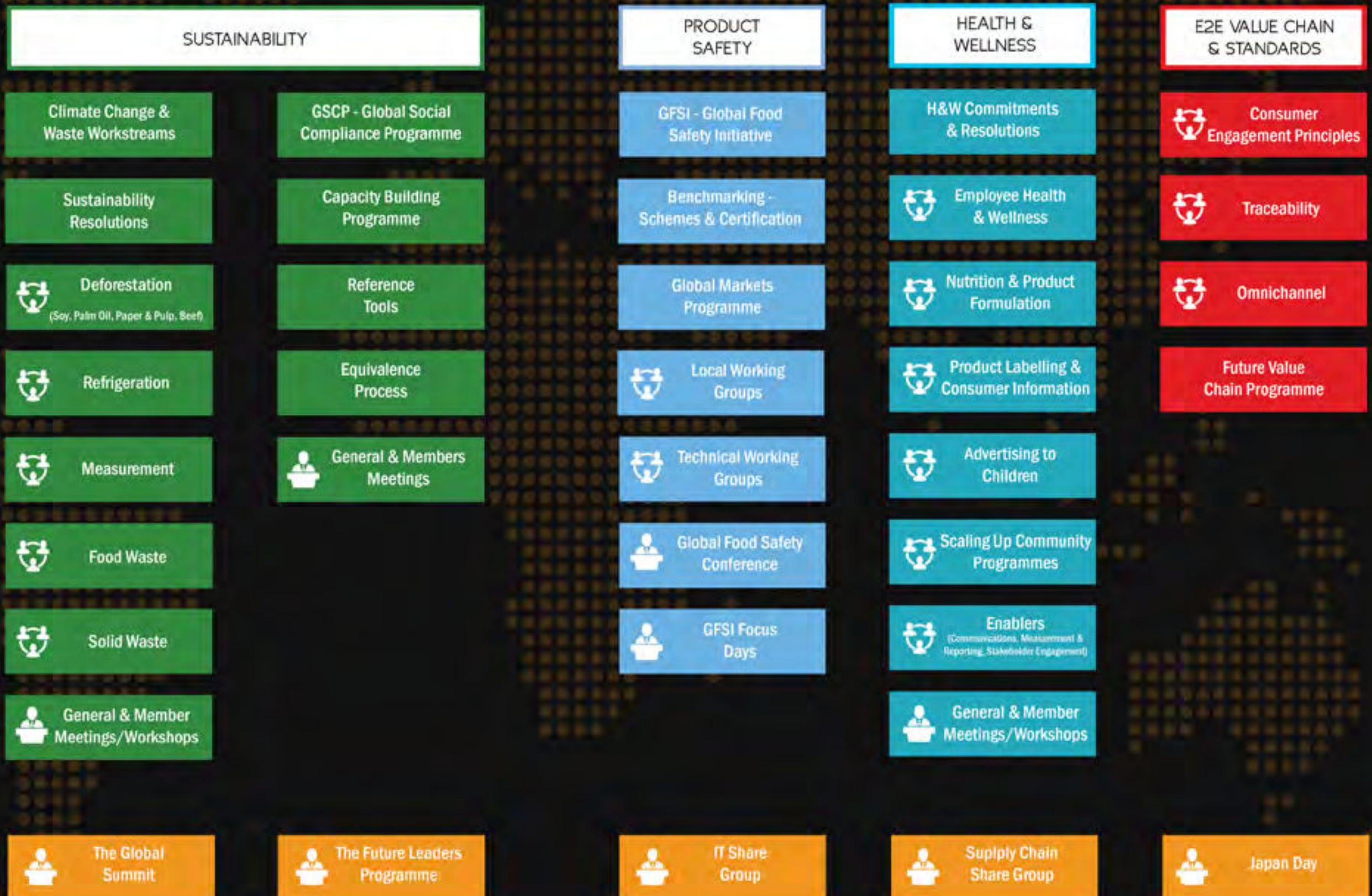


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