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CONSUMER MARKETS

Transforming for growth: Consumer business in the digital age

Global Consumer Executive Top of Mind Survey 2014

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Foreword

In today's ever-evolving and dynamically changing consumer sector, traditional business models and customer segments are much less relevant. Technology has blurred the lines and created an industry that is open for business anytime, anywhere and any way the customer prefers to shop. The possibilities for effectively identifying and engaging consumers are limited only by imagination, and each advance in new technology brings excitement and anticipation of the future of the consumer industry.

However, some of the same advances in technology also present the biggest threats to security and customer trust. The more data and information companies have to leverage, the greater the risks and costs associated with cyber-theft or misuse become.

In this year's *Top of Mind Survey*, we asked 469 consumer executives how technology and other consumer and industry trends were influencing their corporate strategies this year. We then dug deeper to discover how those trends are impacting companies and the industry—and what opportunities and threats the executives expect the trends to present. Furthermore, how prepared are companies to respond? And what capabilities and strategies are being invested in to ensure success?

The key findings of the survey revealed:

- Data and technology are top priorities for the sector and are rapidly transforming business models;
- Companies are optimistic about growth—although their expressed capabilities indicate that they may not be prepared;
- Supply chain is a top challenge and priority area of investment for companies as they seek to improve transparency and agility; and
- Consumer companies are continuing to collaborate on industry-wide issues in order to drive change for the betterment of society.

In the report that follows, we explore these trends in more detail with the aim of providing our readers with the data and insights they seek to benchmark their priorities against those of their peers.

Finally, we would like to extend a sincere thank you to all of the executives who took the time to contribute to this year's study.

To download a copy of this report, or to see more results online, visit **kpmg.com/CMsurvey2014** or **www.theconsumergoodsforum.com**.

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Renewed optimism for consumer companies

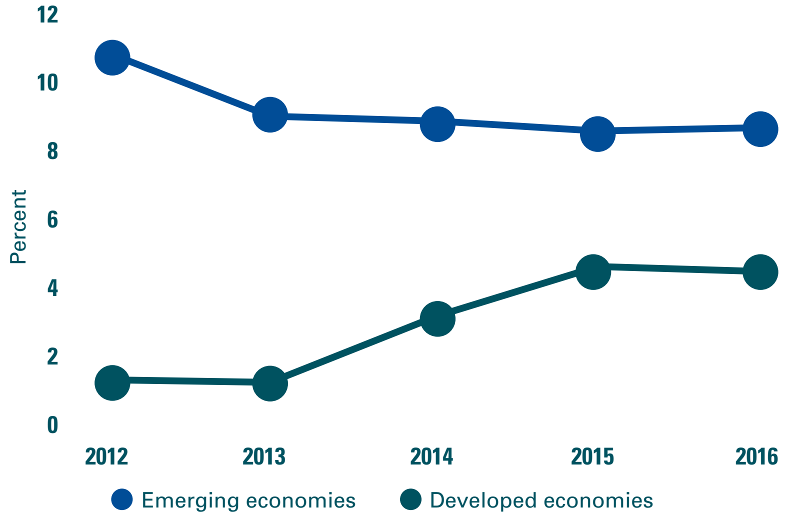
Last year when KPMG and The Consumer Goods Forum (CGF) asked the world's food, drink, and consumer goods manufacturers and retailers which issues were 'top of mind', concerns about weakening global demand surfaced as a chief priority. Amid worries over the possible breakup of the European Union, uncertainties about the economic rebound in the US, the increased likelihood of a slowdown in Brazil and China, and changing monetary policies at the US Federal Reserve, over 40 percent of executives identified 'the economy and consumer demand' as their utmost priority.

Today, as fear of a debt debacle in Greece has eased, the euro crisis seems to be in the rear-view mirror. The US employment picture is brightening, with unemployment falling consistently below 7 percent. Retail sales in high growth and emerging market economies are expected to expand more than 8.5 percent over the next two years, slightly below the 10 percent level of 2012–13, but still a very healthy pace. Retail sales in developed markets look promising as well, though accelerating more slowly, by 3.6 percent in 2014 and 4.2 percent in 2015 (Figure 1).

Consequently, consumer company executives appear more optimistic about their prospects for growth. In this year's survey, 64 percent of the respondents expect organic revenue growth of 6 percent or better over the next two years—and more than one-quarter expect to see revenue growth of over 10 percent. Companies based in Latin America and EMEA (Europe, Middle East and Africa) are especially upbeat: 31 percent of Latin American companies and 30 percent of EMEA companies expect overall sales growth to exceed 10 percent over the next two years (Figure 2).

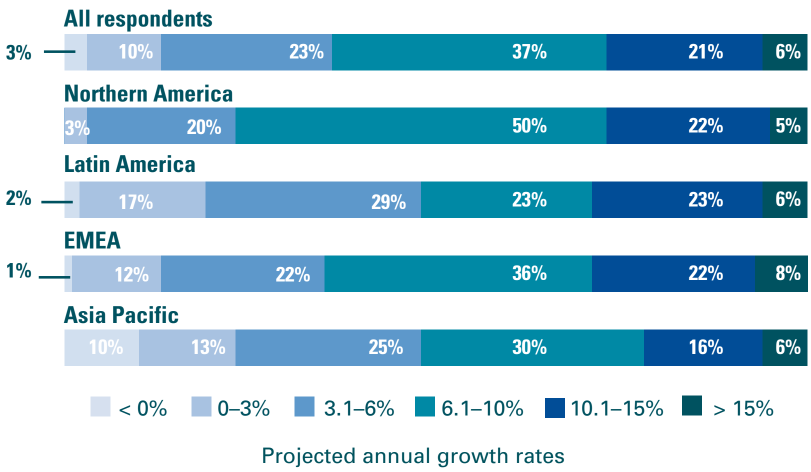
Consumer goods executives appear more optimistic about their prospects for growth.

Figure 1: Retail sales growth, 2012–16



Source: Oxford Economics, 2014.

Figure 2: Projections for organic growth over the next two years (by headquarters region)



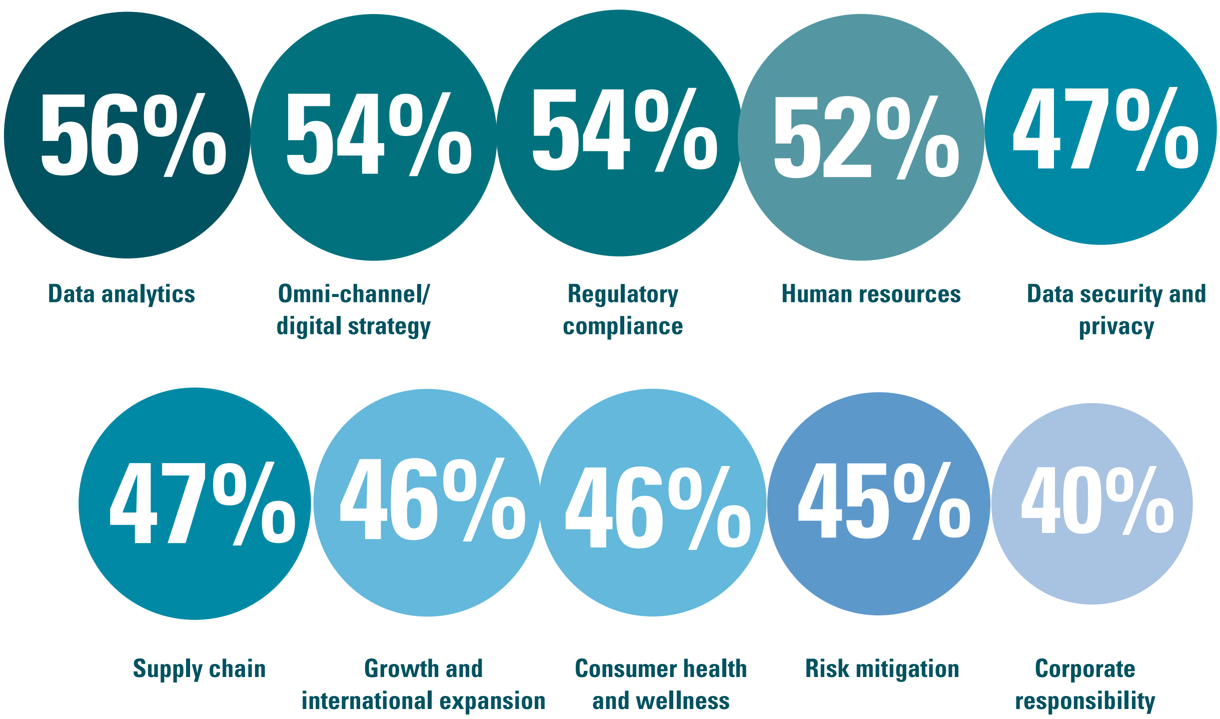
Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

Strategic priorities

This gathering momentum around growth has freed consumer company executives to shift their gaze toward new challenges—particularly around harnessing data and digital technology to engage increasingly informed and empowered consumers, improving transparency and efficiency in the supply chain, and boosting corporate social responsibility to build customer trust.

In 2014, the clear focus of consumer goods executives has shifted toward technology and operations.

Figure 3: Percentage of companies rating the following areas as 'very' or 'critically' important to their strategy this year



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

Data and technology are fundamentally changing business models

Survey respondents ranked data analytics (56 percent) and digital strategy (54 percent) as the two most important areas of strategic focus for their companies in the coming year (Figure 3). This shift in focus is imperative. The rapid proliferation of social and digital media has empowered customers as never before, prompting a retail industry that must be open to serve customers anytime, anywhere, and in any way they choose to shop.

Concerns regarding data security expected to rise

Although 'data security and privacy' was identified as a very or critical strategic area for 47 percent of the respondents, this number is surprisingly low given the increasing occurrence of highly publicized data security breaches in the industry, and the potential downside risk. In the coming year it is expected that concerns around data security and privacy will rise sharply as the volume and use of data rises, and as executives and companies become more aware of their vulnerability.

Reassessment of expansion strategy and target markets

As retail and manufacturing companies pursue growth through new markets and lines of business, they are seeking to reassess which markets and strategies hold the most promise; and how to effectively deal with the challenges associated with growth, as their supply chains, consumer base—and even their workforce needs—become more global and complex. Companies previously focused on emerging economies, for example, have a new eye to the recovering developed markets, and emerging markets companies are expanding aggressively both in their own markets as well as the rest of the world.

Planned investment to address supply chain challenges

More informed, conscientious and demanding consumers are driving the need for increased transparency and speed throughout the supply chain—from responsible sourcing to same-day delivery. Although supply chain ranked sixth in terms of importance to strategy, it ranked first in terms of both companies' biggest challenges and areas for planned investments this year. Supply chain is expected to rise as a priority this year, as all aspects of the supply chain continue to present even greater risks as well as sources of competitive advantage.

Collaboration on addressing industry-wide issues

Retailers and manufacturers recognize the need for collaboration on many of the issues that face the consumer industry globally, which cannot be tackled by individual companies alone. Nearly half of the executives surveyed identified corporate values such as consumer health and wellness (46 percent) and corporate responsibility and sustainability (40 percent) as being very or critically important to their companies' strategies this year. At the CEO and Board level, consumer health and wellness in fact ranked as the number one priority (62 percent) overall, and nearly half (47 percent) cited corporate responsibility and sustainability as very or critically important—indicating a strong drive from the top for both greater focus and collaboration throughout the value chain on these important issues.

Methodology: who took the survey?

Working with KPMG and The Consumer Goods Forum (CGF), Oxford Economics conducted an online survey of 469 senior executives from food, drink, and consumer goods manufacturers and retailers worldwide. The survey was conducted during April 2014, supplemented by executive interviews with select CGF members in May 2014.

- Over half of the respondents are C-suite or Board members, and one-third are from the finance function.
- Ninety percent have annual revenues over US$500 million, and 15 percent have revenues exceeding US$5 billion.
- Companies are headquartered across 32 countries, with 42 percent in Europe, Middle East and Africa (EMEA), 25 percent in Northern America, 10 percent in Latin America, and 22 percent in Asia-Pacific.
- Thirty-five percent of the companies surveyed are manufacturers, 40 percent are retailers, and 24 percent are both.

Data and technology

Data and technology is fundamentally transforming business models as many consumer companies focus on providing customers with seamlessly integrated experiences across all channels. The volume of customer data through transactions and social media, coupled with new mobile and targeting technologies, enable companies to understand and predict consumer preferences at an unprecedented level. And with all this data and technology, comes the challenge of maintaining customer trust amidst cyber-attacks and privacy breaches at companies of every size.

In the survey, the executives were clearly affected by the transformative impact that data and data-related issues are having on their companies and the industry. Data analytics was rated as being very or critically important to 56 percent of the companies, and data security was likewise rated by 47 percent. Further, 40 percent of executives said the importance of data overall was at a critical level.

As the amount of data being collected by companies rises, so does its importance on the executive agenda. Understanding how to create value, engage customers and build trust from the digital disruptive forces of mobile, cloud, cyber, social media and analytics is critical to gaining—and maintaining—competitive advantage as new players arrive and traditional brands catch up.

"We're at a strategic watershed, especially in retailing, where we have to learn which multi-channel and omni-channel mechanisms really work."
—Peter Freedman, Managing Director, CGF

Digital strategy

Omni-channel

It was not too long ago when some retail executives may have wondered whether they even needed to build a major web presence to augment the in-store experience. Today it is undisputed that retail websites that are siloed off from their bricks-and-mortar counterparts are no longer sufficient, as customers expect consistent shopping experiences and access to accurate, real-time data regardless of their location, buying stage, channel, device or time of day.

In the rapidly evolving digital age, the mantra must be 'clicks and bricks,' working seamlessly and in unison. In this year's *Top of Mind Survey*, 54 percent of the respondents cited 'digital strategy' as being a very or critically important strategic priority.

"It's a huge challenge to link the clicks and the bricks," says Peter Freedman, Managing Director of The Consumer Goods Forum. "There is so much variety and experimentation going on right now, because everyone knows they have to get this right. We're at a strategic watershed, especially in retailing, where we have to learn which multi-channel and omni-channel mechanisms really work."

Sixty-five percent of companies say their customer strategy exploits key consumer trends, including 81 percent of the companies with sales exceeding US$5 billion.

Retailers clearly see rapid adoption of smartphones and e-commerce as fundamentally transforming the retail experience. Constructing an integrated 'clicks and bricks' customer experience across a variety of channels is driving some retailers to transform their sales floors to create more harmony between their digital and in-store operations, arming sales staff with tablets and providing free WiFi to customers.

Impact of technology on manufacturers

For manufacturers, the rapid adoption of social media represents a real opportunity to foster more direct relationships with consumers, rather than relying solely on retailers. Social media conversations enable manufacturers to better understand the preferences and needs of their customers by 'listening in' on them as they discuss their products, and responding proactively to issues that might arise. Some companies are hosting chat forums, creating online communities, or inviting consumers to crowdsource ideas that will inspire the next generation of consumer products. Companies such as Nike are employing gaming technology to build engagement and customer loyalty through apps like the Nike Training Club.

New technologies can also transform manufacturers' revenue models, as the adoption of 'smart' technologies—or the Internet of Things—creates new revenue streams for companies that are able to add service plans to their products. From engine and appliance manufacturers to makers of healthcare products, the opportunity to 'embed' chips into products and make them 'smarter' allows manufacturers to add value and build loyalty at the same time.

Evian, for example, has developed a 'smart' refrigerator magnet that uses WiFi to automatically reorder a customer's supply of bottled water when it runs low. Other examples include internet-connected smoke detectors (Nest, owned by Google), bike locks (Bike8), and Crock Pots (Belkin). Forty-two percent of manufacturers surveyed said that 'innovation' would be the greatest spur to their organic growth this year, and many companies are looking to the internet and social media to drive it.

Engaging with consumers online not only helps manufacturers and retailers tailor their product offerings—it also helps companies tailor product development and sales projections—65 percent of companies expect their customer strategy to exploit key consumer trends in order to drive growth over the next two years, especially those companies with greater than US$5 billion in revenues (81 percent). But which trends and opportunities are best seized, or ignored? How do companies determine which strategies will yield the greatest benefits? It all starts with data.

"Direct engagement with customers is a privilege which enables organizations to not only better serve them, but to generate massive amounts of data. This wealth of information holds the potential to drive real frontline differentiation and bottom-line growth, provided the retailers have invested in the right insight resources and approaches that can make the most of this unique asset."
—Mohneesh Paranjpe, KPMG in Singapore

Data analytics: The new imperative

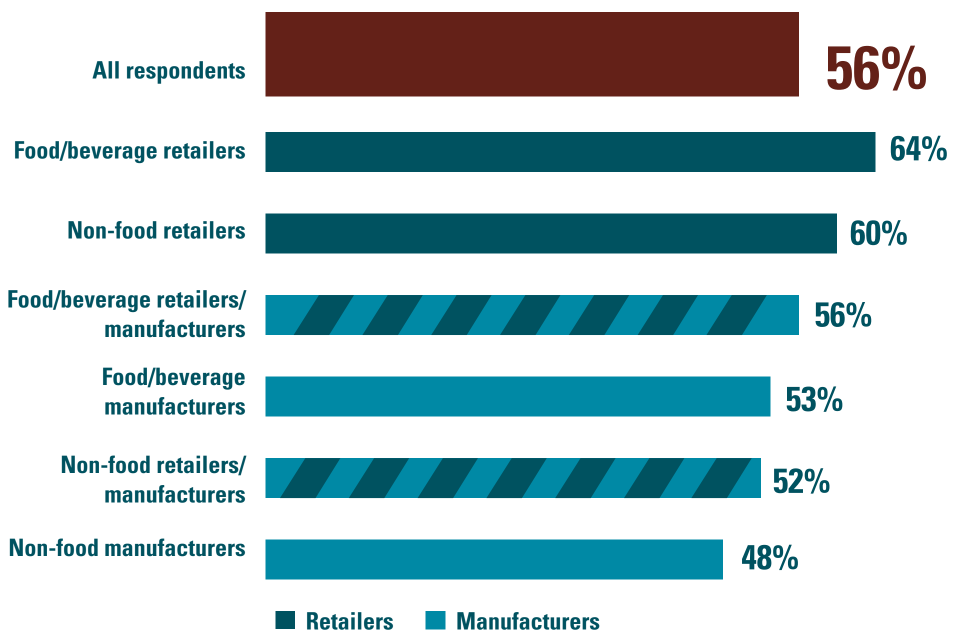
Advanced analytics can enable companies to predict customer needs and behaviors, optimize pricing, improve production efficiency, and automate inventory management. Fifty-six percent of the survey respondents cited data analytics as being very or critically important to their companies' strategy over the next 12 months (Figure 4). Data analytics was especially important to the retailers surveyed; 60 percent of which identified data analytics as a 'top of mind' priority, compared to 51 percent of the manufacturers.

Understanding the individual customer better helps retailers compete effectively with online competitors, explains Mark Batenic, CEO and President of IGA Inc., an alliance of 5,000 independent grocers worldwide, including 1,200 stores located in the US. "It's all about gathering relevant information about the shopper's habits and needs," he said. "Today, our members need to be able to send coupons directly to our customers' mobile phones. We have to harness the power of information."

KPMG insight:
Mohneesh Paranjpe, Investment Director, Global Data & Analytics, KPMG in Singapore

The real challenge for the majority of retailers is that they do not know how to get their arms around the volumes of data and the new innovations in the analytics space. What the industry has to recognize is that the key fundamental of data and analytics is not about spending more on technology. Management of the volumes of data is just one challenge for the retailers. The driving forces to collating and collecting this data is investing in meaningful insight and defining how this insight can help them differentiate the services they provide to their customers.

Figure 4: Percentage of companies rating 'data analytics' as 'very' or 'critically' important to their strategy this year



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

Retail companies are also learning to mine social media, in addition to transaction and other data, to improve their ability to predict retail demand. In Japan, retailer Ryohin Keikaku, operators of the 'no brand' store Muji, uses the data created by more than 4.7 million web and mobile users to gain a better understanding of how to manage its digital assets to capture shoppers' attention. In South Africa, Pick n Pay stores was able to determine through data analysis why a particular store in Soweto, a relatively poor township, was the single largest vendor of ultra-premium whiskey—mainly to shoppers who lived 30 miles away. (The shoppers, it turns out, where buying 'prestige' gifts to offer to relatives and friends they were intending to visit.)

As the foundation of an effective omni-channel strategy, companies are using predictive data modeling to forecast their customers' behaviors and preferences throughout the entire shopping cycle—often marketing products and services to potential consumers even before they themselves know they have a need.

56 percent of all respondents in this year's survey cited data analytics as being 'very' or 'critically' important to their strategy over the next 12 months, ranking as the highest 'Top of Mind' score.

Companies like Amazon and other e-commerce sites have been the masters of predictive modeling based on customers' online shopping patterns. But now, new technologies are successfully being used by brick and mortar retailers to track customers in the offline world. HP's new SmartShopper app enables retailers to send location-based offers to customers' smartphones in real time. It tracks shoppers' movements through their smartphones' WiFi and then sends targeted messages based on their location and profile.

Apple's iBeacon technology uses Bluetooth and geo-fencing to provide micro-location awareness. Retailers such as Duane Reade have been trialing the technology to identify customers that have downloaded the app, the moment they enter their store. Transmitters are located throughout the store and shoppers who opt-in can be reminded of items on their shopping lists, earn rewards or receive special offers.

Serving the newly empowered consumer at IGA

The biggest change in the retail world today is "the sheer amount of technology that's available to the individual shopper," says Mark Batenic, CEO and President of the global grocers alliance, IGA Inc.

"Whether he's in West Virginia or Los Angeles," Mr. Batenic says, "today's shopper is more informed than the retailer, the vendor, the wholesaler, and the manufacturer," thanks to rapid adoption of mobile devices like smartphones. As a result, he says, a retailer has to be as informed as the shopper, ready to meet their individual needs. "You really have to engage the consumer with accurate, up-to-date information. That's really how you compete."

IGA's individual retailers are now "waking up to the fact they can't ignore this technology anymore." The alliance has announced a new program that offers members an 'e-wallet' service that will allow them to target store

customers and send them personalized discount coupons, via smartphone, for brands they've recently purchased. IGA's goal is to have one million registered users in their database within 12 months.

"We want to tailor offers to our shoppers for the things they want," Mr. Batenic says. "We don't think the shopper minds being targeted when we're offering them discounts for things they like."

KPMG insight:
Damien Margetson, Partner, Data Insight Services, KPMG in the UK

Consumer-led analysis is an exciting opportunity for data analytics. Using social media, customers are able to provide real-time updates of their preferences, sentiment and buying habits. This has also led to consumer empowerment, with increasing numbers of consumers now voicing their complaints online, via social media. We are witnessing dramatic shifts in the provision of customer service, with 42 percent of customers now expecting a response within 60 minutes.

An unmanaged complaint that goes viral can quickly damage brand loyalty, as recent incidents at British Airways, Verizon Wireless and Virgin Media have shown. Over half of all consumers now visit social media sites for customer reviews before making an online purchase. Using KPMG's social media scanning tools, companies can now obtain a real-time, automated assessment of social perception through channels such as Facebook, Twitter and YouTube, allowing them to react quickly to changes in sentiment and to protect their brand investment.

How much data is too much, and how can companies ensure that their targeted marketing campaigns don't backfire?

In 2014, a top priority for retailers will be to link the data obtained through online and offline channels to develop comprehensive and useful customer profiles and targeting strategies. But how much data is too much, and how can companies ensure that their targeted marketing campaigns do not backfire?

Although many consumers see the benefit of sharing some information with companies, when they believe too much of their information is being tracked, or if they feel like they are being stalked, they will find ways to cut companies off altogether through the use of anonymous IP addresses or apps that block WiFi location tracking.

Data security: Digital data as a double-edged sword

The rapid advance of analytics and digital channels as part of the customer experience is both an opportunity and threat. Retailers today can learn more than ever before about their customers, even before they enter the store. But the misuse of that data—or being vulnerable to piracy or hacking—can have enormous consequences, harming the reputation of manufacturers and retailers and eroding customer trust.

Companies have to walk a narrowing line when it comes to using customer data for targeted promotions. At a certain point, having potential customers' smartphones alert them to unadvertised in-store specials stops becoming an incentive, and starts to become more of an intrusion or annoyance.

Most of the companies surveyed are aware of the risks that cyber-attacks can present, especially as mobility and cloud platforms make organizations increasingly vulnerable. Not only did data security rank high among 'top of mind' issues overall—it was also one of the top three challenges companies expect to face over the next 12 months. This was especially true for smaller companies (Figure 5).

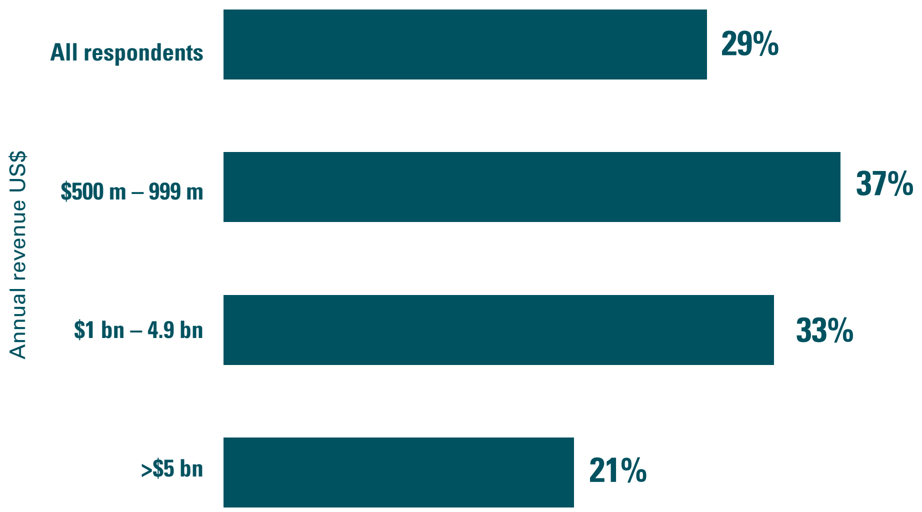
However, the fact that more companies did not rank data security as a significant or critical strategic issue (53 percent of respondents said it was at most of moderate importance) suggests an overconfidence of executives in their companies' ability to protect their data. Industry research indicates that not only is retail the top target for cybercriminals (*2014 Trustwave Global Security Report*), but most breaches go undiscovered for weeks, months or even longer (*Mandiant 2014 Threat Report*).

It is expected that data security is a concern that will quickly rise to the top of more corporate agendas in the coming year.

Further, a recent study by data security firm Imprima found that 72 percent of businesses that suffered a major data loss had shut down within 24 months, while a separate study conducted by Symantec Corp. and the Ponemon Institute found that the average organizational loss from a data breach exceeded US$5.5 million in 2011. With statistics like these, the occurrence of what has not been the last of major retailer cyber-attacks, and with the true costs of such breaches becoming better known, it is expected that data security is a concern that will quickly rise to the top of more corporate agendas in the coming year.

This sense of concern has already undoubtedly been a motivation behind the recent announcement that some of the biggest US retailers, including Target, Walgreens, GAP, Nike, and JC Penney, have joined together to share real-time information about cyber-threats among themselves and with government organizations like the Department of Homeland Security, the Secret Service, and the FBI. The organization, called the Retail Cyber Intelligence Sharing Center, or R-CISC, is being created to help retailers get out in front of emerging threats and prevent additional cyber-attacks from taking place.

Figure 5: **Companies identifying data security and privacy as one of their top three challenges this year (by company size)**



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

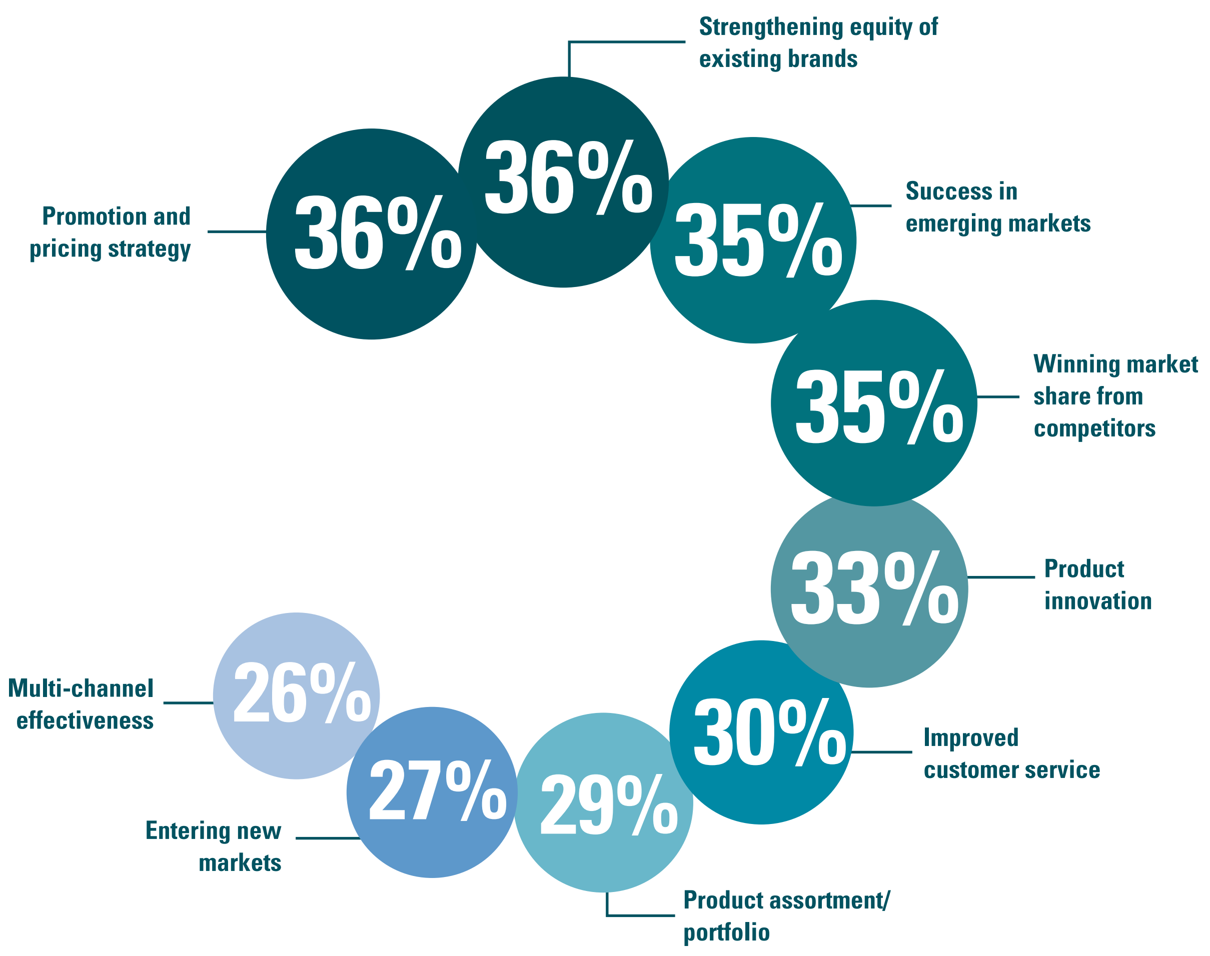
Growth

> *Non-food retailers are the most likely to be focused on organic growth.*

Positioning for long-term growth

In contrast to current consumer market trends that show low single digit growth rates, 64 percent of companies expect organic sales growth of greater than 6 percent per annum during the next two years, and 27 percent project growth of greater than 10 percent. Further, 66 percent said organic growth would be important or very important to their growth strategy over the next two years. M&A is well down on the corporate agenda with just over half of companies planning any M&A activity in the next two years, and only 12 percent see it as playing a significant role on the growth agenda. This is especially true for the non-food retailers (75 percent are primarily focused on organic growth).

Figure 6: Percentage of companies that identified the following as one of their top three growth strategies this year.

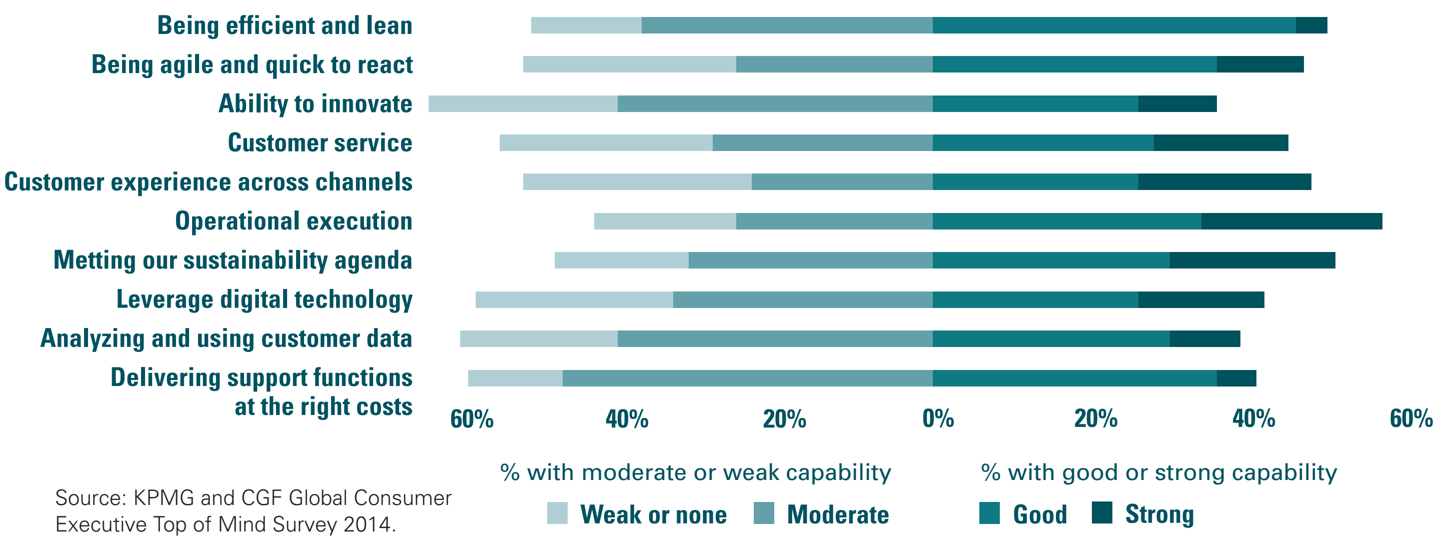


Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

However, all companies may not be set up to deliver on their ambitious growth agenda. While 65 percent said their strategies exploit key consumer trends, only 56 percent believe they have the right portfolio mix to achieve their growth targets, and 50 percent say their resources are allocated appropriately to support their growth expectations. Further, many companies are leaning towards shorter-term growth strategies such as promotion and pricing, or targeting competitors and emerging markets for growth (Figure 6).

Interestingly, given the respondents' strategic focus on digital strategy this year, multi-channel effectiveness was least expected to have a significant impact on their organic growth. Although companies are appropriately focused on building brand equity, other long-term strategies, namely innovation, customer service and multi-channel effectiveness, which are critical for sustaining growth in the long-term, fall lower on the list. Companies' relatively lower focus on these areas, in addition to a possible lack of good or strong capabilities in these types of areas (including data analytics, digital technology, customer experience delivery, and ability to innovate, see Figure 7), presents some concern regarding their potential for long-term success.

Figure 7: Level of companies' key strategic capabilities



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

KPMG insight:
Jim Grover, Senior Adviser, Consumer Markets, KPMG in the UK

On the one hand it's refreshing to see the optimism that so many of our respondents have around their near term organic sales growth prospects, which represent a sharp step up compared to current trends.

But delivering these higher levels of organic growth (almost two thirds of our respondents are projecting organic sales growth of at least 6 percent per annum, well ahead of what we are seeing today) will prove to be very challenging. The winners will need a combination of carefully thought-through strategies, tightly focused around a portfolio of specific growth opportunities and choices, and underpinned by true competitive advantage—all coupled with brilliant execution.

In that context, companies need to challenge themselves 'are we really set up to deliver our accelerated growth?' The evidence from our research suggests many are not. Only around half of our respondents believe they have the right portfolio mix, appropriate resource allocation, and necessary competitive advantage to deliver their growth aspirations. That apparent disconnect between ambition and ability to deliver will, if remaining unchecked, inevitably cause many companies to fall short of their growth aspirations.

Continued momentum for growth through acquisition

The appeal of M&A activity is strong for many companies, especially for Japanese companies looking for growth outside their home market, or Chinese companies looking to gain access to raw materials or processing expertise. These trends are exemplified by Japan's Suntory's recent purchase of US distiller Jim Beam and Mizkan's acquisition of Unilever's North American pasta sauce business, or China's Bright Food's acquisition of a controlling stake in the Israeli dairy firm Tnuva.

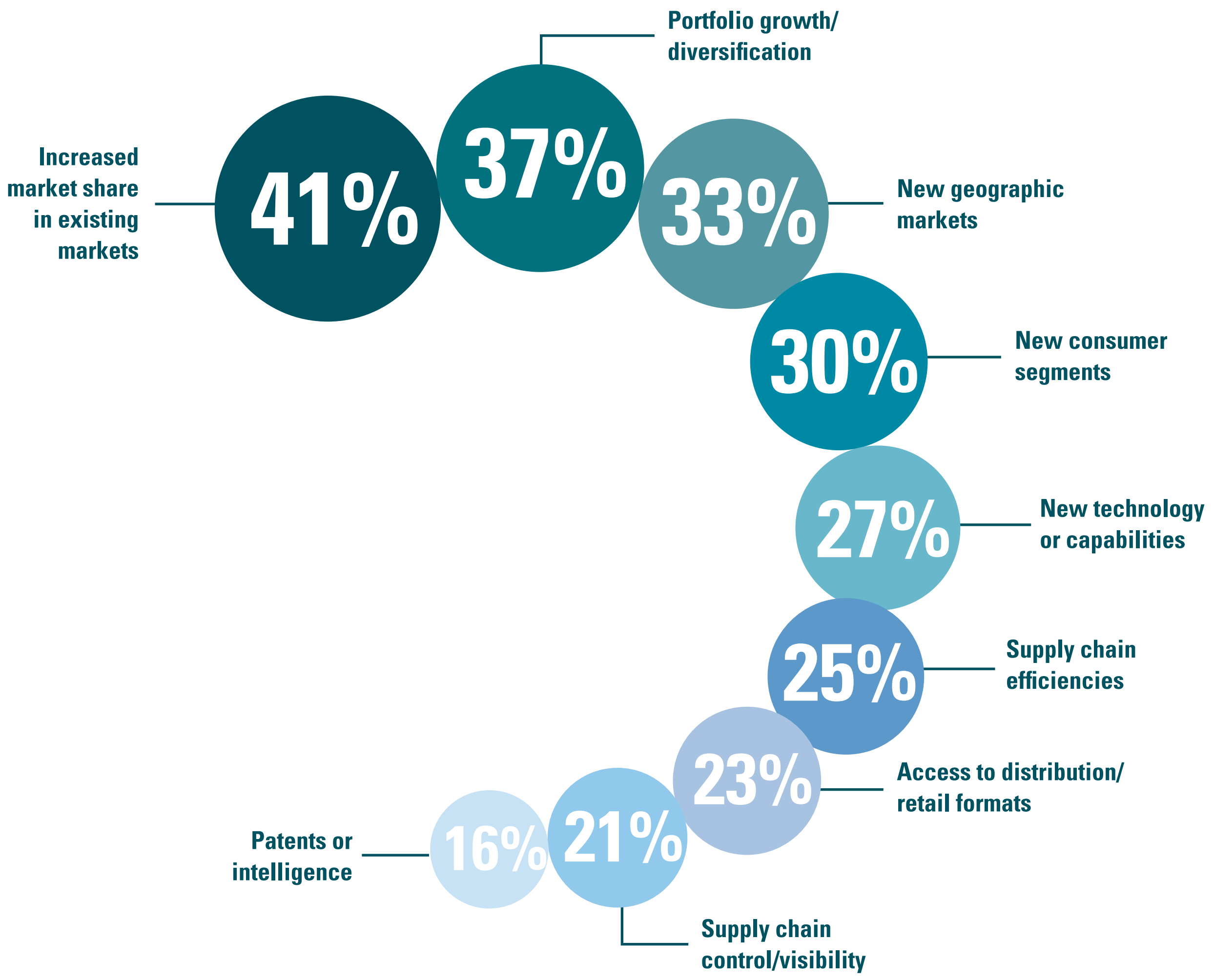
Forty-one percent of the companies planning on M&A said increased market share in existing markets was the top benefit they were looking to achieve, followed by portfolio growth/diversification and access to new geographic markets (Figure 8). Latin American and Asia Pacific companies were even more likely to pursue increased market share in existing markets through M&A (54 and 50 percent, respectively). High-growth companies, on the other hand, were most focused on using M&A for product/portfolio growth and diversification, accessing new technologies or capabilities (40 percent), or gaining better control over their supply chains (33 percent).

Global expansion remains a spur to growth

International expansion is naturally an important element on the growth agenda, and executives in our survey view the growth potential in high growth or emerging markets with continued interest. Forty-six percent of executives said international expansion would be a 'very' or 'critically' important strategy for their companies in the coming year. Consumer goods manufacturers (63 percent) and companies with US$5bn or more in revenues (66 percent) were the most likely to place a high importance on international expansion.

But winning in some of these markets requires a long-term focus. While growth in emerging markets is on average expected to rise by 5.4 percent and 5.5 percent respectively in 2015 and 2016 (Figure 9),

Figure 8: Percentage of companies that identified the following as one of the top three benefits of M&A.



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

several big risks—including China's cooling property market, instability in Ukraine and the prospect of tighter global financial conditions over time–still stalk these markets, in spite of a reduction in overall risk levels compared to last year.[1]

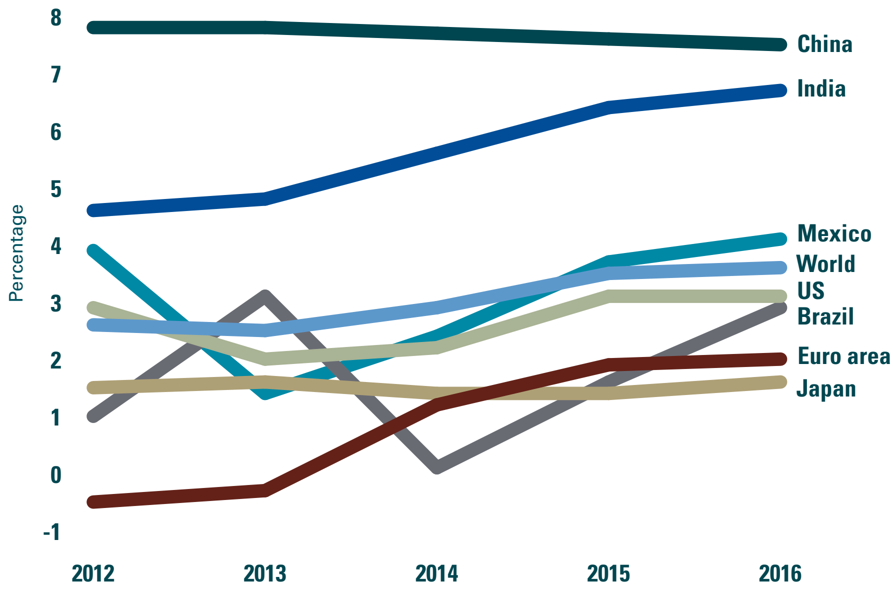
Yet, despite the risks and slowing growth rates, the sheer size of the middle class market in high growth and emerging economies simply cannot be ignored.

China

In China, the economy grew 7.4 percent in the first quarter of 2014. Although the number narrowly beat most forecasts, it was 0.3 percentage points less than the same period last year and 0.1 percentage point below the government's target (Figure 10).

Other statistics also suggest that the Chinese economy is facing headwinds. Alongside downward pressure on the economy, China is dealing with three

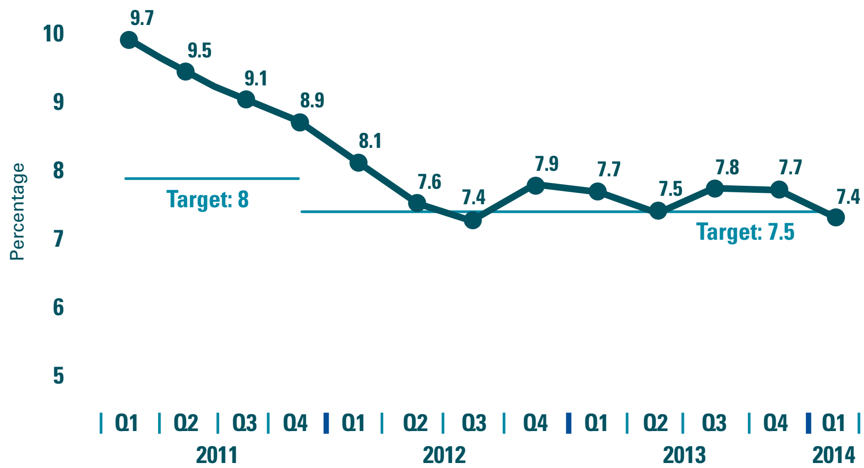
Figure 9: Real GDP growth 2012-2015 (2010 PPP weights)



Source: World Bank, for years 2012-2016.

[1] World Bank

Figure 10: China's declining GDP growth rates are below targets



Source: National Bureau of Statistics (NBS), KPMG Analysis.

simultaneous 'impacts': the impact of down-shifting to slower economic growth; the impact of structural adjustments to the economy; and the impact of side-effects from previous large-scale stimulus measures. Nevertheless, China is speeding up its process of economic restructuring and upgrading, with the value-added percentage from the tertiary industry rising year-on-year.

Inflation and rising consumer debt could dampen consumer purchasing power, even as the nation's leadership is urging the population to shift its focus toward greater consumption through increased wages and income, which will further enhance the consumption function of GDP (Figure 11).

Brazil

Brazil has also seen slowing growth because of inflation, currency depreciation, and political unrest leading up to the FIFA World Cup. Nevertheless, the longer-term outlook is promising, and the market is so large that few companies are willing to give up their place there. It will be vitally important to the success of those doing business in Brazil, that the government's plans to invest in large infrastructure projects like harbors, highways, and rail lines succeed in reducing logistics costs and shipping delays.

India

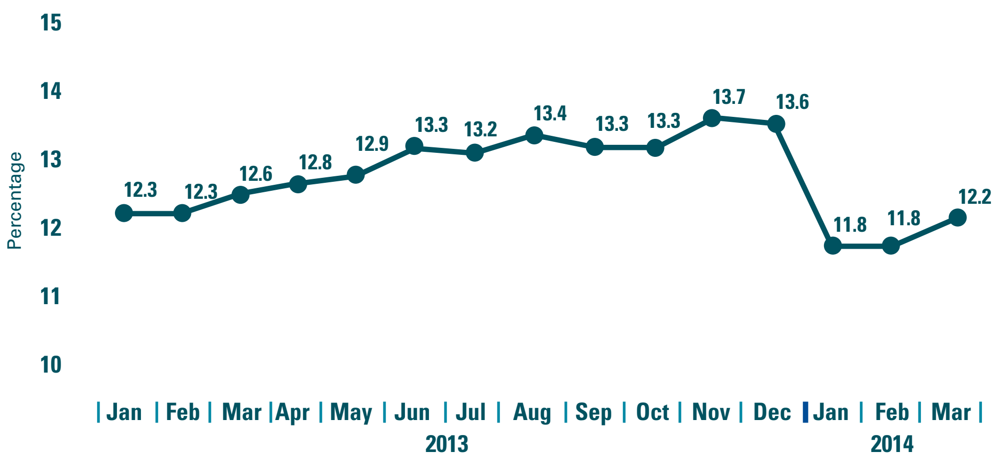
After a period of surging growth, India has had to face up to its inability to overcome bottlenecks that slow infrastructure investments, raise inflation, and dampen growth, while still being slow to open the doors more broadly for foreign investors. The high potential of the Indian market, driven by an emerging middle class, cost competitiveness and a huge pool of talent makes it one of the most attractive investment destinations. Yet, according to the World Bank's *Doing Business 2014* report, India is ranked 134th in terms of ease of doing business (of 189 countries)—further down than the other BRICS (Brazil, Russia, India, China and South Africa) members and most other South Asian countries (Figure 12). Despite the formal government approval of 51 percent foreign direct investment (FDI) in multi-brand retail in 2012, strict conditions have deterred any interest. The new Bharatiya Janata Party (BJP) government of Narendra Modi is unlikely to move rapidly to ease FDI restrictions.

> ***Annual GDP in the sub-Saharan region has increased by more than 5 percent since 2002, and six of the world's top 10 fastest-growing economies are in Africa.***

ASEAN

As existing limits on foreign ownership of businesses, land, and property are slowly pushed back in the Association of Southeast Asian Nations (ASEAN) Economic Community (which includes Indonesia, whose population of 250m is the fourth largest in the world), international investors are looking to establish roots there. With average GDP growth over the past 15 years of around 6 percent, a population of over 600m, and a rising middle class (consumer

Figure 11: China total retail sales of consumer goods—monthly growth rate year-on-year



Source: National Bureau of Statistics (NBS), KPMG Analysis.

spending is forecast to reach US$1.5 trillion in 2015), this extended economic zone offers excellent opportunities for consumer companies entering this market.

As borders open up, global companies already in ASEAN have the flexibility to consolidate their manufacturing and supply chains, increase economies of scale, and gain maximum advantage from low wages and tax incentives.

Africa

The days when Africa was seen as primarily a resource base are long gone, as a huge, sprawling continent of 54 countries and over a billion people now offers a vibrant range of markets. Annual GDP in the sub-Saharan region has increased by more than 5 percent since 2002, and six of the world's top 10 fastest-growing economies are in Africa, a result of greater political and regulatory stability, easing of trade barriers, young populations and an expanding middle class.

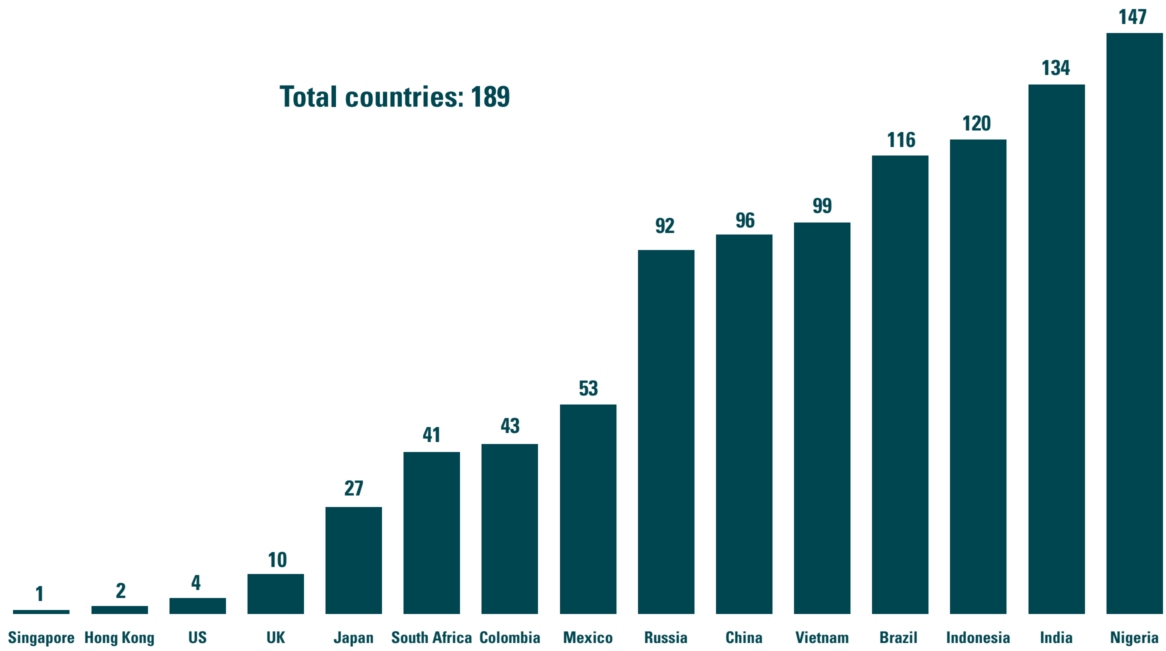
In Nigeria, wholesale and retail trade are among the fastest-growing segments. Average household consumption is expected to more than double by 2017, and Nigeria is expected to become the largest economy in Africa by 2015, overtaking South Africa. Indeed, an ongoing reappraisal of the size of its GDP may even see this date brought forward.

Outbound expansion by high growth and emerging market companies

High growth and emerging market companies are also aggressively pursuing expansion through M&A, often targeting developed market brands. Many Chinese local governments are encouraging local companies to expand globally—local governments have already launched initiatives to accelerate overseas investment, such as streamlining overseas direct investment (ODI) approval process in the Shanghai Pilot Free Trade Zone, offering financial support for local companies' outbound investment, and setting up industry-specific 'going out' alliances.

In the first quarter of 2014, China's COFCO (China National Cereals, Oils and Foodstuffs Corporation) bought a 51 percent stake in Dutch commodities trader Nidera, as well as a majority stake in Hong Kong-based Noble Group's agribusiness, a new push for Chinese companies into global agribusiness. The US$4.7 billion acquisition of US pork producer Smithfield Foods by Chinese conglomerate Shuanghui International and the US$1.9 billion purchase of British firm Weetabix by China's Bright Foods are also recent examples of acquisitions of long-established Western brands by Asian companies. Many of these acquisitions are in accordance with China's national strategy to develop a service-oriented, value-added and sustainable economy.

Figure 12: Ranking of select countries on the overall ease of doing business, 2014



Source: World Bank, 2013. Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises, Washington, DC; World Bank Group.

Operations

> ***Supply chain was the number one area where respondents said they will increase investment the most over the next 12 months.***

Supply chain

Notwithstanding the supply chain logistics challenges that omni-channel presents, consumer companies also have some of the most complex upstream supply chains of any type of business. Global and extensive supply chains present ongoing challenges related to sourcing, tracking and efficiency.

Forty seven percent of the companies surveyed identified supply chain as one of their top strategic priorities this year, especially for larger companies—which were twice as likely to identify supply chain as a strategic priority than the smaller companies were.

As supply chains continue to become even more complex due to expansion and new business models, greater collaboration and deeper integration of data analytics into supply chain management can help with visibility, flexibility and planning. As a result, supply chain was the number one area where respondents said they will increase investment the most over the next 12 months (Figure 13).

However, optimizing the supply chain is no small feat. When asked which issues would be most challenging over the next 12 months, supply chain topped the list (38 percent of respondents) again, especially for retailers (50 percent of non-food retailers and 40 percent of food/beverage retailers identified supply chain as a top challenge (Figure 14—see page 20).

In addition to increased visibility, respondents' top goals for supply chain improvement are to achieve greater speed and flexibility and better end-to-end planning and forecasting (cited as a top goal by 45 and 39 percent of respondents respectively).

Such improvements in manufacturing and inventory will be required to better support retailers striving for greater management and visibility of their inventory in order to meet customer demand for real-time information.

Downstream challenges focus on flexibility

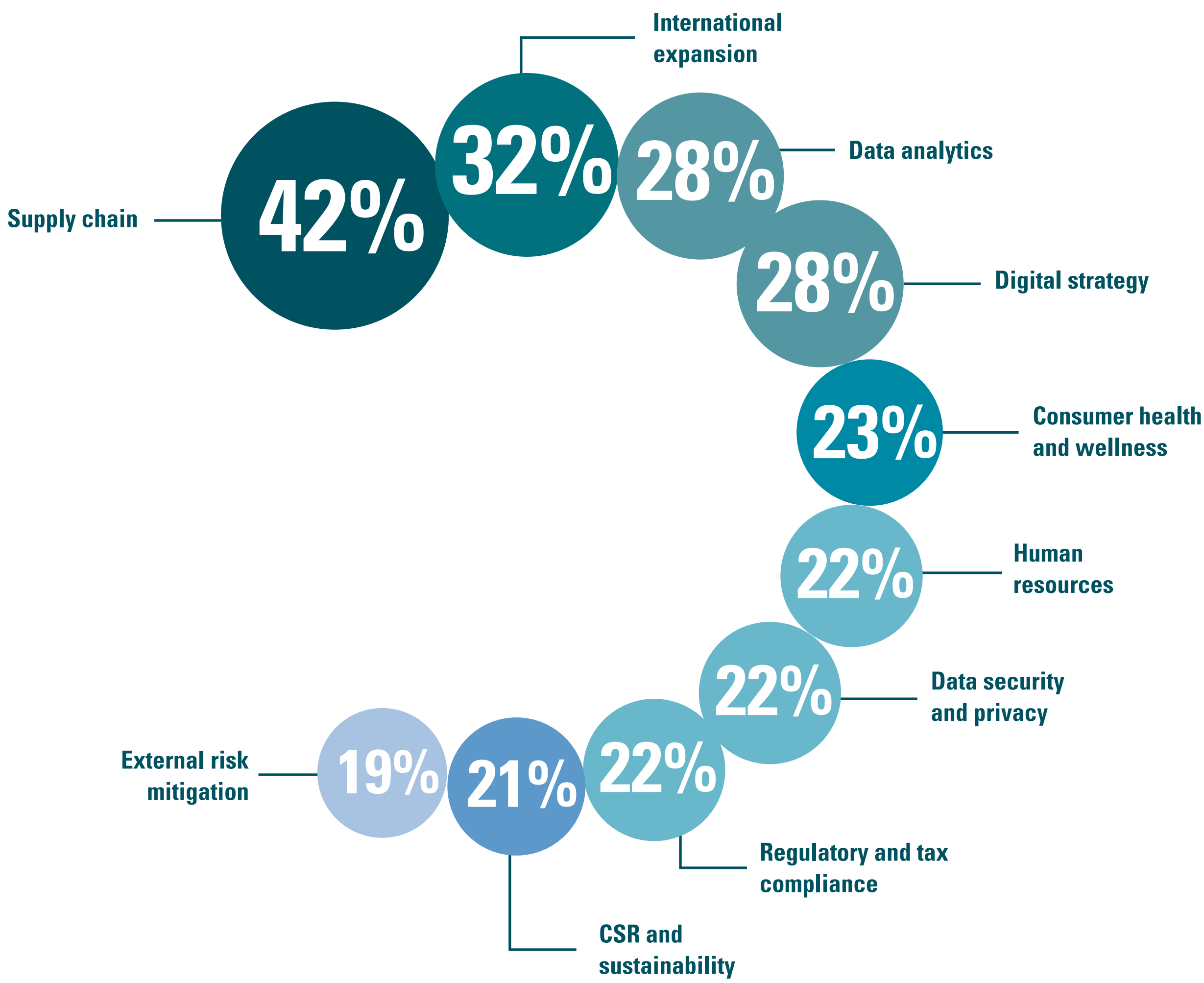
Companies are piecing together widely disparate streams of data, ranging from external sources such as weather and traffic patterns to internal data such as seasonal demand for individual products. Increasingly, they are taking on board behavioral scientists to help decode the signals buried within data, hoping to get better at predicting consumers' needs even before they are expressed. The goal is to create a supply chain that not only responds to current demand, but can look proactively to the future.

"Supply chain and logistics optimization is neither easy nor cheap, but it is the biggest opportunity for most companies to significantly reduce their cost and improve their performance," argues H. Donald Ratliff, Executive Director of the Supply Chain and Logistics Institute at Georgia Tech University. "For most... operations, there is an opportunity to reduce cost by 10 percent to 40 percent by making better decisions."[2]

> ***"Supply chain and logistics optimization is neither easy nor cheap, but it is the biggest opportunity for most companies to significantly reduce their cost and improve their performance."***
> *—H. Donald Ratliff, Executive Director, Georgia Tech University Supply Chain and Logistics Institute*

[2] http://www.scl.gatech.edu/downloads/GTSCL-10RulesSCO_Ratliff.pdf

Figure 13: Percentage of companies that identified the following as one of their top three areas for investment this year.



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

Big data revolutionizes Pick n Pay's supply chain system

South African-based Pick n Pay, which operates some 1,200 stores, ranging from hypermarket to convenience and liquor stores, is one of many retail companies that has moved to centralize its distribution system in order to optimize its supply chain—in no small part because of major investments in collecting analytics.

"We're very focused right now on using big data to change the supply chain," says Gareth Ackerman, Chairman of Pick n Pay. "Today, we know where our customers are and what they are buying. It has allowed us to develop a far more focused approach to stocking our shelves" he adds.

"We had to optimize our approach to make sure we get the right products to the right stores at the right time." New big data investments, "help us segment our stores a lot better, and help us reduce inventories where it's appropriate."

Collecting and analyzing the right data streams allowed the grocery chain to take the next step and centralize its distribution system, rather than rely on 20 different computer systems for ordering goods. "We had to get costs down," Mr. Ackerman says, "a decentralized system was too expensive."

Customers are demanding end-to-end information. They want to know who produced their products, where they came from, and what they're made of.

Amazon's new patent for what it calls 'anticipatory shipping' is an example of a company using predictive data analytics to manage inventory and delivery. The algorithm behind this technology can predict a customer's future purchases based on buying history, profile, and current trends. The predictions would then trigger a shipment of the anticipated purchases to a warehouse near the customer before they even order it, enabling Amazon to reduce delivery time to satisfy impatient customers who might otherwise visit a physical store.

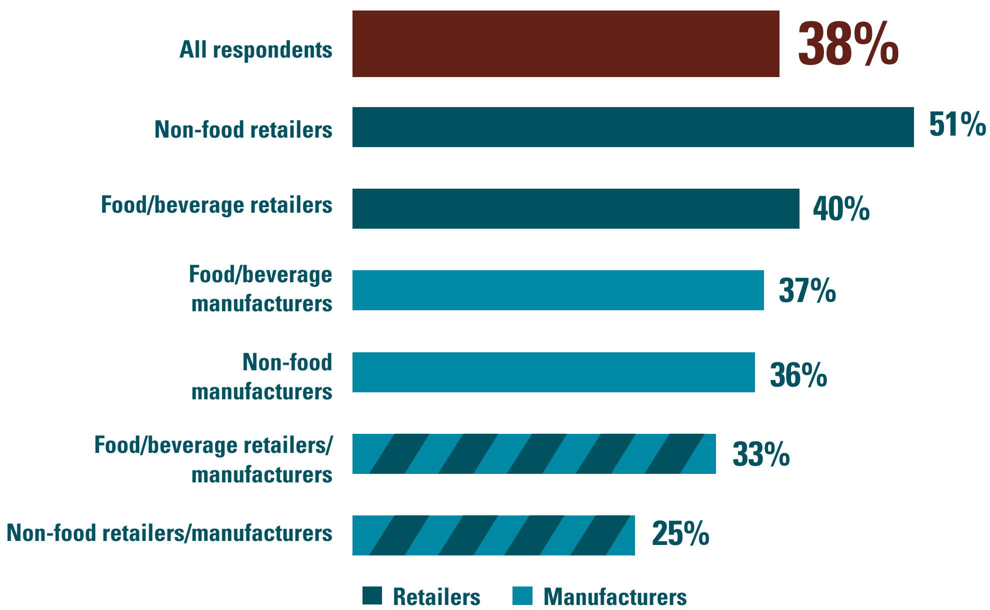
Tesco is another example of collecting and using data to inform the supply chain. Their Clubcard loyalty card, used by half of all British households, tracks millions of transactions per day, enabling Tesco to build a comprehensive picture of their customers, their preferences and their shopping habits. By sharing sales data with their suppliers, Tesco is able to drive efficiency in everything from managing inventory levels to optimizing truck load deliveries—and in a company that moves 32 million cases of food per week, it is easy to see the benefits. Tesco's newest smartphone app even provides customers with the fastest route around any Tesco store, based on their personal shopping lists.

Tesco's inventory cost savings through data analytics is not the only benefit of using technology and data to track and manage inventory. As customers increasingly shop across channels, total visibility and agility of inventory is critical for companies to meet their expectations for real-time and accurate data.

GPS and RFID are now more commonly being used to track and protect inventory, and we will start to see it used more for automated checkout. The key to these technologies' potential in inventory management will be in the integration of the two to track items in real-time throughout the supply chain, and the ability to move products between locations to meet demand and fill orders most efficiently.

Cisco Systems predicts that about 25 billion devices will be connected by 2015—up from 12.5 billion

Figure 14: **Companies identifying 'supply chain' as a top challenge**



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014; percentage of companies who identified 'supply chain' as one of their top three challenges.

in 2010—and fewer than 5 billion of these devices will be smartphones. The ability to attach tiny RFID sensors to packages, production lines, and store shelves will improve inventory control and logistics.

And with the proliferation of smart object technology, it will not be long before companies are able to easily track products even after they leave the store. This insight into precisely how and when their products are being used will further enable companies to tailor both inventory levels and marketing messages according to customers' anticipated needs.

Upstream issues center on transparency

Companies with complex upstream supply chains face ongoing challenges related to sourcing, quality and traceability. As companies expand their global network, they are challenged to ensure that their suppliers even beyond their immediate tiers are adhering to required standards.

In another recent KPMG survey of consumer products manufacturers[3], 'lack of information and visibility across the extended supply chain' ranked as the number one supply chain challenge facing their companies—with two-thirds of the respondents saying they had no visibility beyond their tier two suppliers.

This lack of visibility is not acceptable, neither to companies nor their customers. Consumers are demanding end-to-end transparency. They want to know who produced their products, where they came from, and what they're made of.

Last year's horse meat scandal, or 'horsegate' as many called it, in Europe highlighted the challenges related to visibility and control that can result from complex supply chains and reliance on third-party suppliers. Even when companies think they have a handle on their supply chain partners, there are so many tentacles, it is nearly impossible to manage.

Likewise, the earthquake and tsunami in Japan in 2011 underscored the risks companies face when they are unable to recognize how much they may rely on a sole-source supplier to furnish a key component of their manufacturing process. Grocers in Japan, for instance, had to quickly develop ways to reassure their customers that milk sold in their stores was free of radioactive contamination. Similarly, the Rana Plaza disaster in Bangladesh cast a new focus on the ability of global manufacturers to adequately monitor workplace conditions in the facilities that produce their goods.

KPMG insight:
Eddie Short, Partner, Global Data & Analytics, KPMG in the UK

Data analytics is creating the opportunity for companies to not just develop insights on what is happening for customers, and in their supply chain and operations, but for those insights to drive their business.

Up to now, companies using process-centric enterprise resource planning (ERP) solutions have been collecting the 'exhaust data' from their systems, spending large amounts of money to reassemble that into expensive enterprise data warehouses, which by design enable insights about 'what happened' in their business. Many have then added additional analytics tools to try to help them predict demand or drive supply chain efficiency. In the main, these have been process-centric initiatives such as marketing, supply chain or customer analytics, but very few can directly correlate performance across the entire value chain, for example, translating the information to see bottom and top line P&L performance.

The next step is to close the feedback loop and for data and analytics to become the drivers of process and to integrate it into their enterprises. This will be a big mindset change, as data typically crosses traditional functional boundaries and leveraging external 'big data' involves leveraging insights that no one in the organization controls. Consumer businesses cannot afford to have groups of data scientists working in functional silos, the opportunity is to cross boundaries in order to drive a step-change in actionable insights across the enterprise.

[3] Global Manufacturing Outlook, KPMG International, May 2014.

Human resources: An emerging skills gap

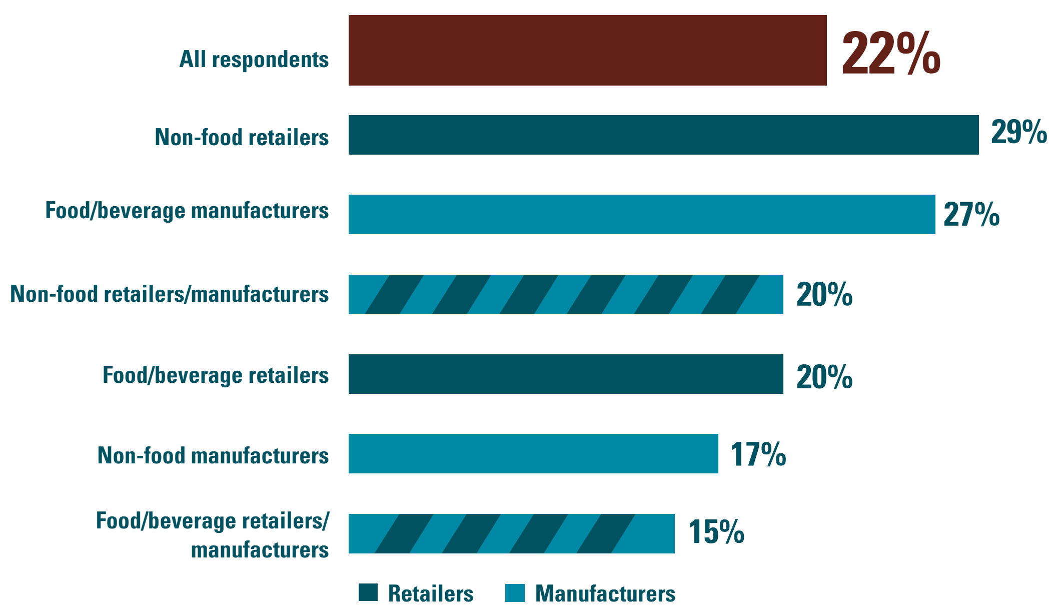
Another challenge for expanding companies is the struggle to find the talent required to support their growth strategy. The survey found that more than half of all companies (52 percent) say that human resources development will be 'very' or 'critically important' to their company's strategy over the next 12 months. This was especially true for companies headquartered in Latin America (63 percent) and for companies with 30 percent or more of their sales in emerging markets (73 percent).

In some cases, such as in Brazil, the talent gap is partly resulting from a declining number of low-skilled workers due to steep industry growth coupled with a more educated middle class population. In other cases, the skills gap is emerging as a result of rapidly evolving technology and business models that are simply too new for there to be sufficient trained or experienced people to manage them.

> ***"It's not so hard to figure out what people bought . . . It's harder to figure out what customers will buy in the future."***
> *—Jerry Black*
> *Senior VP, AEON Japan*

When asked about their current capabilities, the companies surveyed acknowledged that they possess only modest abilities in the areas that will be of greatest competitive value over the coming years. Only 39 percent said their capability in terms of analyzing and using customer data was 'good' or better, and just 42 percent said they have 'good' or

Figure 15: Companies identifying 'human resources' as a top area for investment



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014; percentage of companies who identified 'human resources' as one of their top three areas for investment.

better capabilities in leveraging digital technologies—a shocking one-third said they have weak capability, or none at all (See Figure 7, page 13).

Consumer goods executives clearly hear the call to improve data analytics, become smarter about customer needs, and improve supply chain flexibility and transparency. But our survey indicates they are facing a critical issue that underpins their success: the right people.

The need to innovate

The survey also suggests that while companies agree that innovation is a necessary path to growth, they may not have the right people and skills to get there. Among the manufacturers, 42 percent said 'product innovation' would be the single most important driver of organic growth, ahead of promotion and pricing, or strengthening the brand name. However, 53 percent said their ability to innovate would demand 'significant' or 'very significant improvement'.

Procurement is another area where a skills gap seems apparent. Forty-seven percent of companies surveyed said they would have to make 'significant' or 'very significant' improvements to their procurement processes over the next 12 months, indicating that like data scientists, the 'war for talent' may also include logistics and sourcing expertise.

Despite the significant lack of talent and required skills, interestingly less than 25 percent of companies are planning to invest in human resources this year. These numbers suggest that consumer goods executives may be underestimating—and therefore underfunding—the importance of recruiting and training the appropriate people to execute their strategies (Figure 15).

Upgrading skills and consumer-centric analysis at Aeon

AEON Corp., one of Japan's biggest retailers and mall operators, recognizes the need to locate new talent to more effectively build analytics capabilities, according to Jerry Black, the firm's Senior Vice President.

Black says his company has embarked on an ambitious new effort to integrate all data streams the company receives, so it can tie together branding, marketing, product development, sourcing strategy for its private brands, data mining, and e-commerce, and use it to make smarter decisions. In fact, AEON recently reorganized its management structure to make its decisions more consumer-centric, he says. "Strategy isn't what we want to do. Strategy is what the customer needs."

But one of the biggest obstacles to moving rapidly to mine and exploit all the data the company receives is a shortage of technical talent available in Japan, Black says.

"It's not so hard to figure out what people bought," he says. "It's harder to figure out why, and therefore what customers will buy in the future. The biggest challenge is around skill sets," he notes.

What's needed is a "combination of speed, technical skills, and HR skills. Finding people who are able to understand and develop tools for deep, predictive data modeling is where HR skills are lacking." Relying just on training internal staff is not feasible. "You have to get the ball rolling with a few key external hires," he says, "and use those people to accelerate development and training. Some of these are very specialized skills," so hiring from outside is critical.

In the case of Japan, this also means changing HR practices to attract and retain specialists with a deep understanding of technical issues based on market rates and their capabilities, which requires a more flexible and responsive approach to HR and the development of people.

Corporate responsibility

> ***External pressure, either a threat to brand equity or to overall consumer demand, leads the list of drivers of environmental sustainability.***

Increased regulatory scrutiny, corporate and social responsibility (CSR) pressures, and accountability for the health and wellness of consumers, present companies with the challenge of being compliant, ethical, and socially conscious—while also maintaining competitiveness and profitability.

Key priorities for driving change

Many issues affecting the 'greater good for society' need to be addressed by the industry as a whole, rather than by individual companies. The Consumer Goods Forum's Sustainability, Health and Wellness, Product Safety and End-to-End Value Chain pillars support some of the key areas where the industry is collaborating to affect positive change.

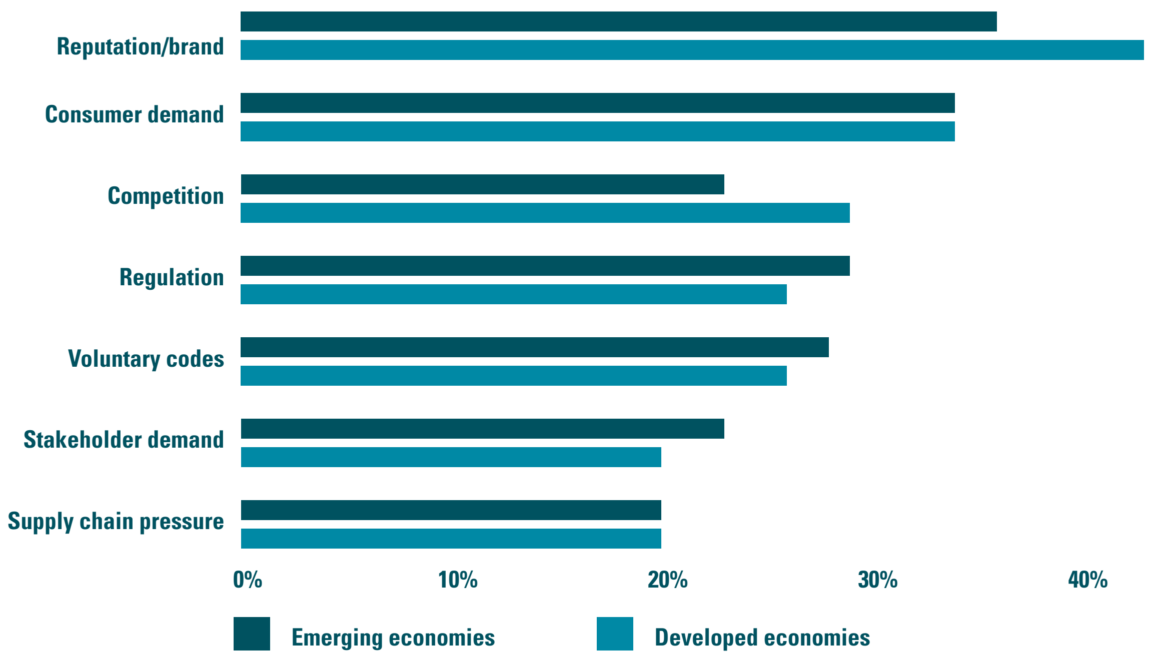
Increasingly global and complex supply chains, coupled with the demand for and availability of more information from sourcing to sale, are driving companies to seek greater transparency in their end-to-end value chains. When asked which goals around corporate responsibility were most relevant to their company this year, respondents across the board were most likely to identify transparency as one of the top three.

What's driving CSR

The survey shows that external pressure, either as a threat to brand equity or from consumer demand, leads the list of drivers of environmental sustainability. Forty-one percent of the respondents cited reputation and brand equity as their primary motivation to be environmentally responsible, although this concern was cited by only 34 percent of those in emerging markets (Figure 16).

A third of all respondents also cited consumer demand as a major driver, and high-growth companies were more likely to cite supply chain pressure as a top driver (40 percent, compared with just 20 percent of respondents overall).

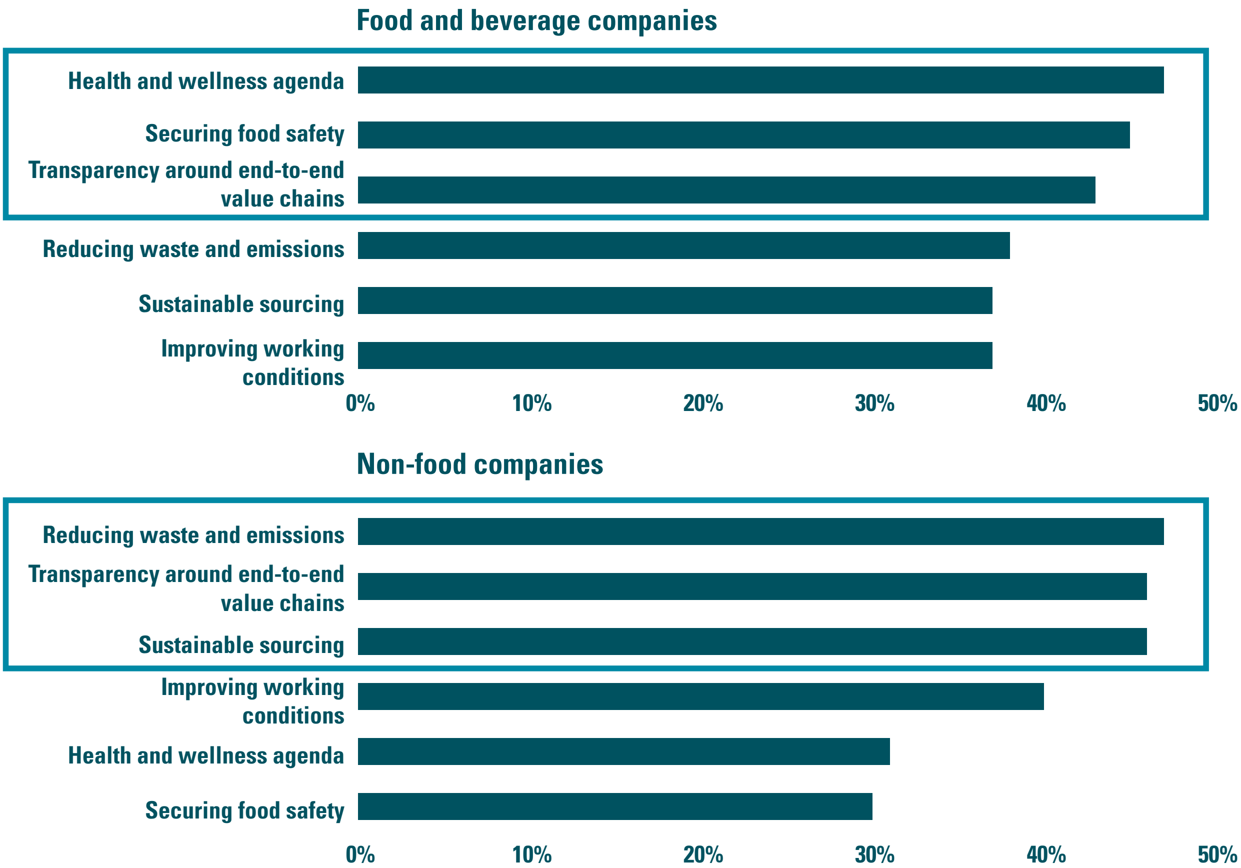
Figure 16: Key drivers of sustainability



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014; percentage of companies selecting the above as one of their top three drivers.

Not surprisingly, food and non-food companies differ on their sustainability priorities. While 47 percent of food retailers and manufacturers identified 'food safety' and 'a health and wellness agenda' as top priorities, non-food companies were more likely to cite a need to 'reduce waste and emissions' and promote 'sustainable sourcing' (Figure 17). Overall, both groups agreed that developing 'transparency around end-to-end value chains' was a top goal, another indication of how the deep penetration of technology into the production process is creating new opportunities that have yet to be fully exploited.

Figure 17: Top CSR concerns for food/beverage and non-food companies



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.
Percentage of companies that selected the above as one of their top three goals.

Insufficient regulatory action on greenhouse gases

The issue of climate change seems to resonate with many in our survey. Some 50 percent of respondents from emerging markets and 43 percent of the total sample believe there is insufficient government regulation of greenhouse gases and carbon emissions. Emerging market companies (49 percent) also believe there is insufficient or 'not enough' regulation of counterfeiting and illegal trade, compared with just 35 percent of developed-market respondents. A third of all respondents would also like to see stronger regulations regarding the transparency of ingredients and materials.

On the other hand, 36 percent of companies in the developed markets believe labor-market regulations are either 'a bit too much' or 'excessive', compared with 28 percent in emerging markets. Northern American respondents were especially likely to feel labor rules are too stringent, and 33 percent believe there is excessive regulation of fair trade practices.

"The consumer goods industry, if it does not take action on a more sustainable model, will see most of its profits wiped out in 30 to 50 years, and if you are in food, even earlier."
—Paul Polman, CEO, Unilever

An interesting example of how companies are improving end-to-end transparency and materials choices is the MAKING app by Nike. MAKING is an easy-to-use reference guide for product designers, and is based on what is called the 'Nike Materials Sustainability Index', which catalogs approximately 75,000 specific items in the company's materials library. The app allows production designers to select the type of materials they are considering using in new products and then populates real-time data on the composition and associated potential environmental impacts of their choices.

While many environmental efforts focus solely on making the production and manufacturing process 'more green', this app allows the company to move further upstream, and influence the product and material choices engineers and designers make as they are conceiving and sketching out new merchandise. The app demonstrates that every design choice a company makes affects the ultimate environmental footprint of the products they manufacture.

Consumer health and wellness

As obesity and non-communicable diseases become a growing concern in many countries, and as a rapidly aging population creates new opportunities for vitamin-enhanced nutrients and supplements, wellness is becoming a priority, especially for large, developed-market firms, and particularly in Northern America. US and Canadian companies (45 percent) identified health and wellness as the most relevant goal for their companies this year, and 49 percent of the food and beverage manufacturers and retailers named it as a top-three priority, alongside food safety.

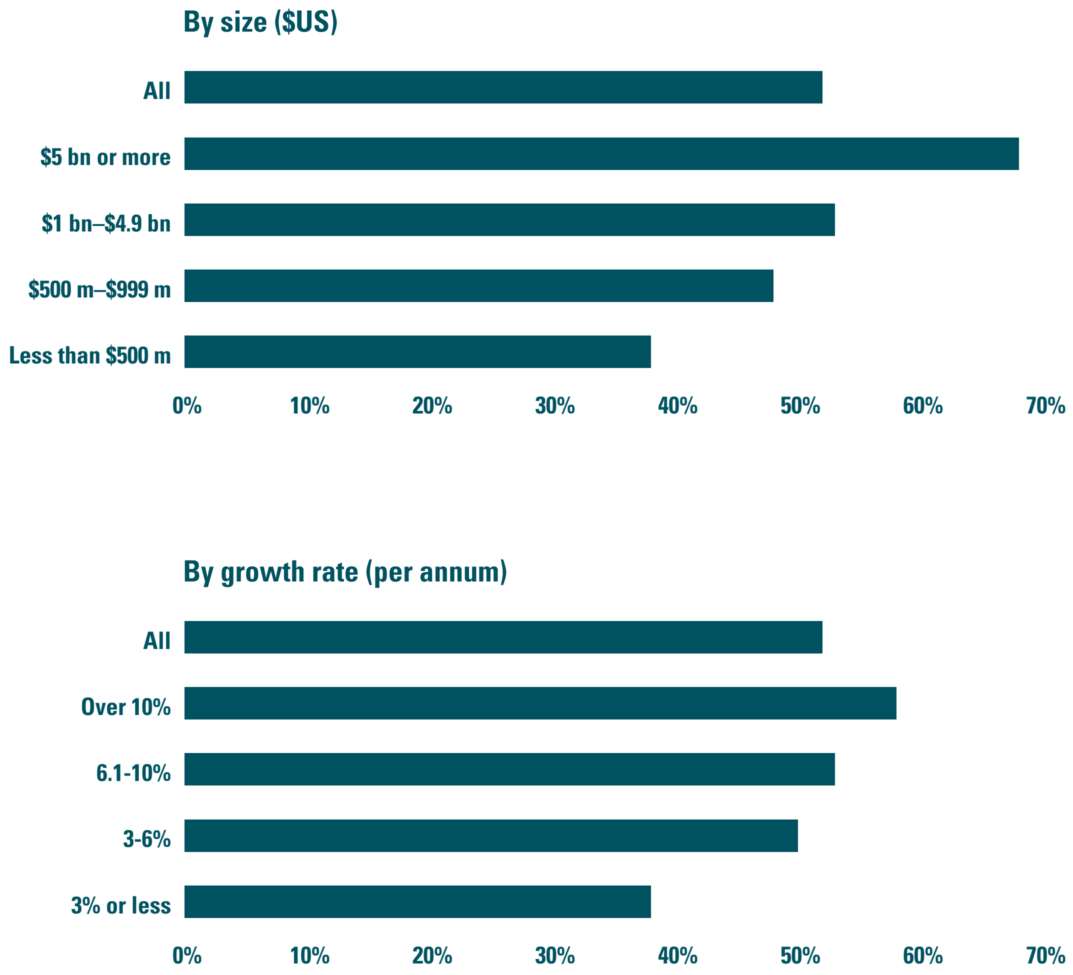
For the most part, the companies surveyed (52 percent) are confident in their capabilities required to meet their sustainability agendas, particularly those that are larger and/or experiencing relatively higher growth (Figure 18). These companies are also not only aware of their role in improving the health and wellness of society, but also the need to collaborate in order to affect such change. The Consumer Goods Forum's Health & Wellness Pillar is a multi-stakeholder initiative focused on helping to drive change through greater transparency, information and education that can help improve the health and wellness of consumers, employers, their families and the communities the industry serves.

Unilever pursues a 'green' agenda

Unilever is a company that is successfully driving an environmental agenda as it grows its business, a product of the Sustainable Living Plan introduced by CEO Paul Polman three years ago. His goal was to double the size of Unilever while halving its environmental impact by 2020.

So far, sales are up and Unilever is meeting its green targets. The company has reduced waste by 66 percent per ton of production compared with 2008, and by the end of 2013 it had responsibly sourced 48 percent of its raw agricultural materials. "The consumer goods industry, if it does not take action on a more sustainable model, will see most of its profits wiped out in 30 to 50 years, and if you are in food, even earlier," Polman predicts. "The companies that are going to be successful in the future are the ones that are going to make a positive contribution to society" he says, adding, "being less bad is not good enough anymore."

Figure 18: Companies with high confidence in their ability to meet their sustainability agenda



Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014; percentage of companies that rate their capability to meet their sustainability agenda as ‘good’ or ‘strong’.

Conclusion

The *2014 Top of Mind* report clearly underlines how the focus for many consumer goods companies has shifted into a new arena. The need to better integrate data analytics into nearly every facet of the conception, development, manufacture and sales of retail goods and services has gained widespread recognition, and companies are now just beginning to truly understand the deep and long-term implications of this rapid shift.

Key takeaways

1. Data and channel convergence are driving business model transformation.

   Data analytics is creating the opportunity for companies to not just develop insights into what is happening with their customers and in their supply chains, but for those insights to drive their business. As companies develop the capability to merge, integrate, and understand transaction data, consumer demographics, credit scores, weather and traffic patterns, and sales and product information, they will be afforded, as never before, the ability to understand—and even predict—future consumer behavior. This can make sales promotions, product innovation, and niche marketing strategies more focused and targeted than ever before.

   New technologies, platforms and mobile applications are providing customers with a growing number of ways to source, research and buy products anytime and anywhere. Increasingly sophisticated customers are demanding better service, seamless shopping experiences across channels, and access to real-time, accurate information. The ability to integrate platforms, information systems and data to effectively address the expectations and needs of tomorrow's consumers is a critical component to competitive advantage and success.

   - Does your company have the strategy and capability to make the most of your data?
   - How are you using data to drive growth and innovation?
   - Is your business model customer-centric?
   - If you were building your business today, how would you build it?

2. Executives may be overconfident in their ability to protect data.

   Research suggests that companies are not doing enough to protect their data. Given the enormous consequences, from a cost, reputation and trust perspective, consumer companies need to make data security and privacy a greater strategic and investment priority. Companies also need to be aware of the best way to use consumer data, by recognizing the fine line between personalization and intrusion. The risks involved in deploying ambitious data-driven strategies need to be considered and mitigated with caution.

   - Do you have the right systems in place to adequately protect your data?
   - Are you at risk of eroding your customers' trust?

3. Highly optimistic companies may need to assess their ability to support and drive growth.

   A number of companies have highly optimistic growth projections, but many are also relatively weak in key capabilities such as digital strategy, supply chain and talent. Companies that are focused on short-term growth levers such as pricing and promotions need to focus on longer term strategies including brand, innovation, customer service and multichannel effectiveness. Investments need to be made in the recruitment and training of talent to ensure that companies are positioned for long-term success.

   - Does your company have the capabilities required to support growth?
   - Is your company focused on the levers for long-term growth?
   - Do you have the talent and resources you will need as you grow?

4. **High growth and emerging markets continue to offer companies immense opportunity.**

   Although GDP growth rates in emerging and high growth markets are not as strong as they have been, the sheer size of these markets means that even modest growth in GDP and consumer spending continues to present huge opportunity. Therefore, most consumer goods companies looking for short-term organic growth and to secure their long-term position should continue to invest in these markets. However, one area that needs to be carefully considered is an analysis of what segment of the market is being targeted, and how it will likely evolve. For example, although new innovations can be strategic for entry into specific markets, as those markets evolve, companies must be prepared for their brand to evolve with them.

   - Is your company exposed to the right geographies to ensure maximum benefit?
   - Is your short-term emerging market growth strategy positioning you for long-term success?

5. **Collaboration among suppliers and retailers is required to achieve greater transparency and agility in supply chains.**

   As supply chains become increasingly complex, greater collaboration among suppliers and retailers, and a deeper integration of data analytics into supply chain management, can help companies achieve more efficiency and agility in their end-to-end value chains.

   Companies need to achieve greater visibility beyond their Tier 1 and 2 suppliers, including access to accurate information regarding materials or ingredients, and manufacturing processes. Downstream supply chains also need to be more transparent and agile to meet the demands of omni-channel business models—and the demand for real-time access to product availability.

   - Are you collaborating with the right partners in your supply chain?
   - Do you have enough visibility and control beyond your Tier 1 and Tier 2 suppliers?
   - Is your supply chain agile enough to respond quickly to change?

6. **Companies are collaborating to address industry-wide issues.**

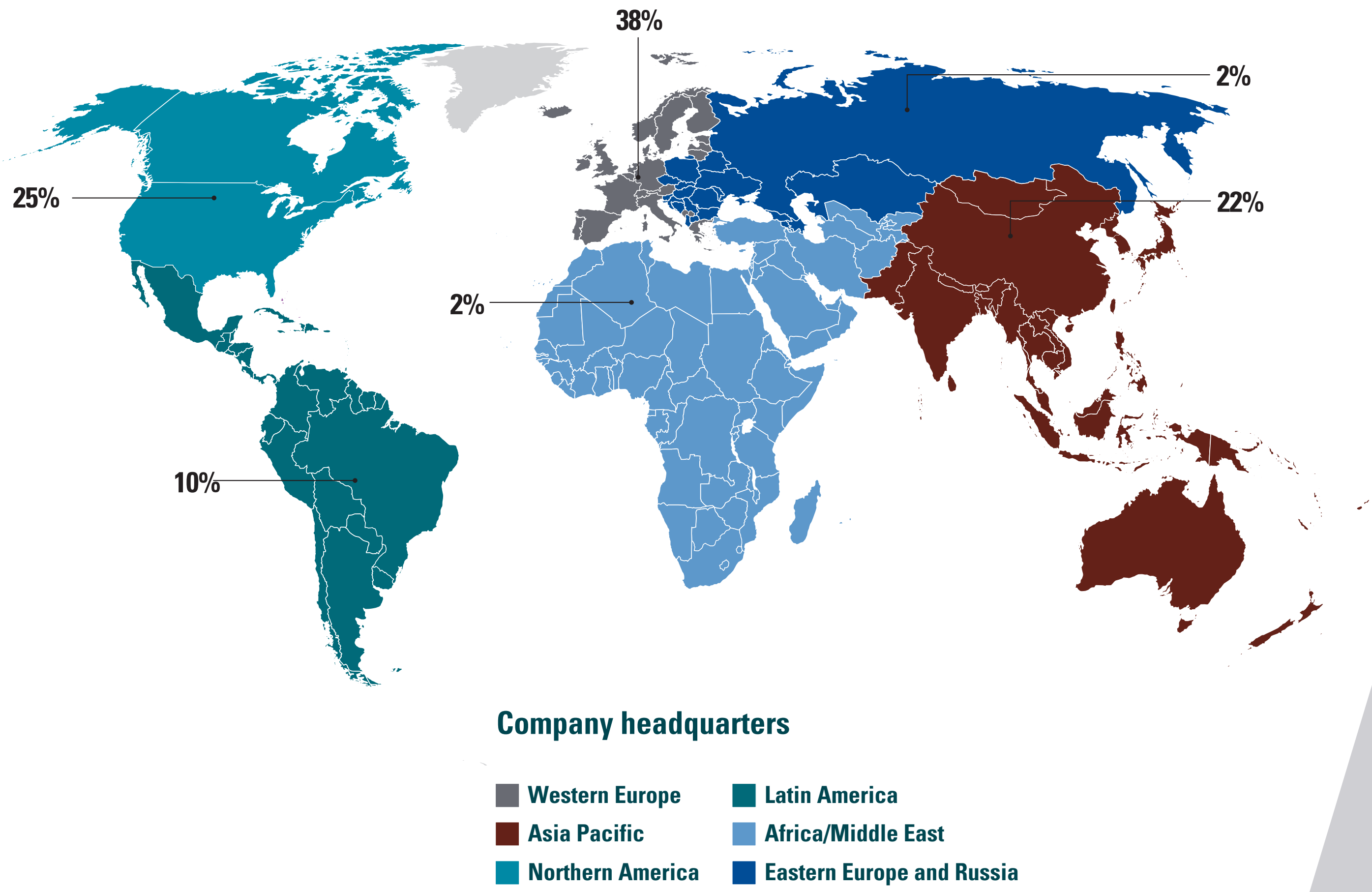
   Organizations need to collaborate to address industry issues related to corporate responsibility, including data protection and privacy, health and wellness, product safety, sustainability and end-to-end value chains—to name a few. Many of these issues faced by the industry as a whole cannot be addressed by individual companies alone. By collaborating and sharing best practices through associations such as The Consumer Goods Forum, retailers and manufacturers are able to develop efficient and effective policies and business practices. Proactive efforts that drive positive change in these areas will serve to benefit not only consumers, employees and communities, but the companies and consumer industry as well.

   - To what extent should industry be involved in setting regulation and standards?
   - How is your company engaged in the creation and adoption of better industry practices?

About the survey

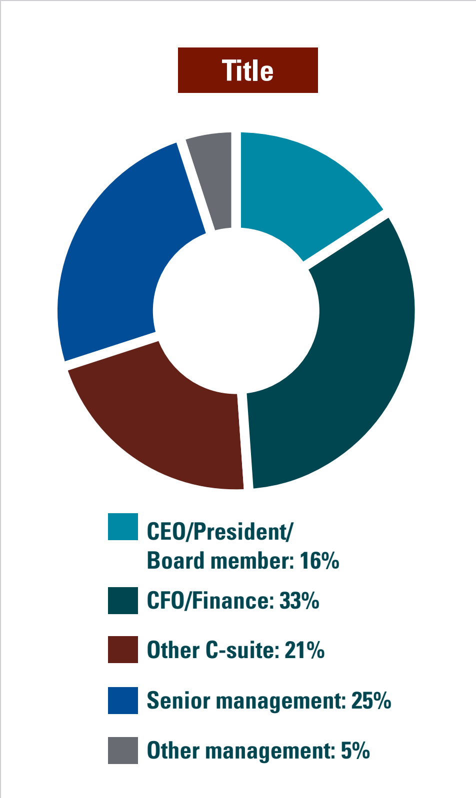
The survey was conducted online during April 2014. A total of 469 executives from companies headquartered in 32 countries completed the survey.

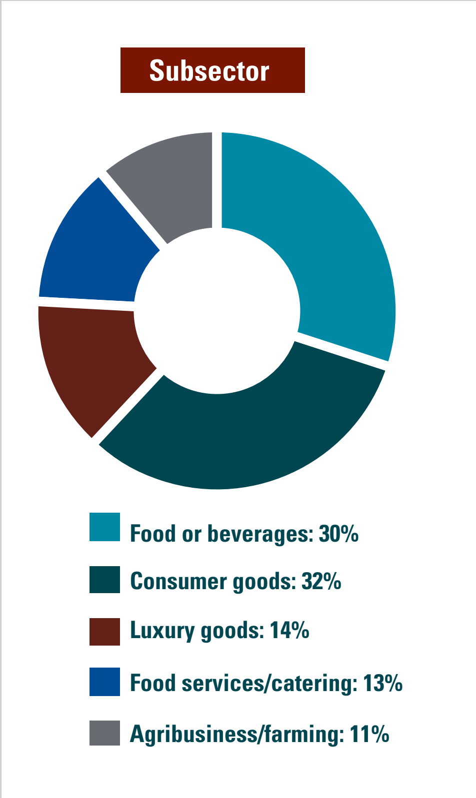
Over half of the respondents are C-suite or Board members, and one-third are from the finance function. The companies they represent are primarily manufacturers (35 percent), retailers (40 percent) or both (24 percent) in the food, drink, consumer goods, luxury goods, agribusiness and food services sectors. Ninety percent have annual revenues over US$500 million, and 15 percent have revenues exceeding US$5 billion.

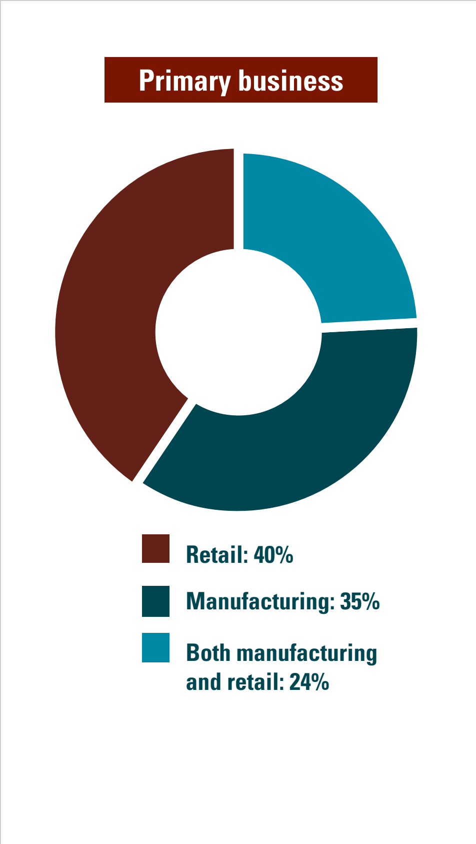


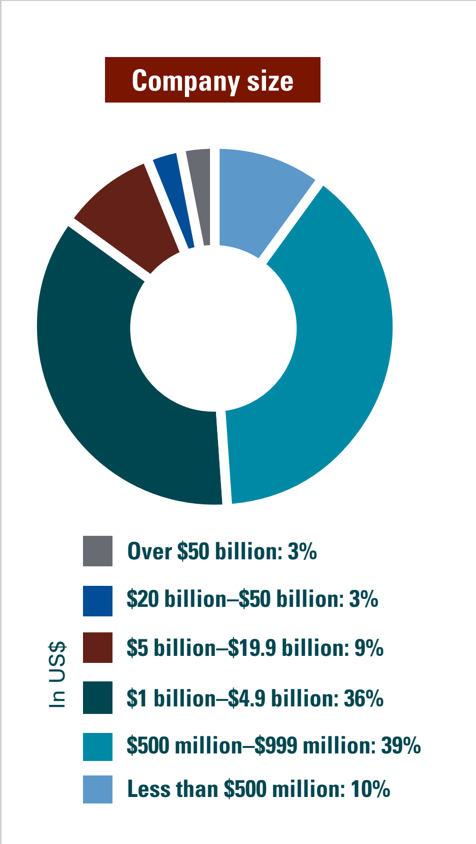
Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

Respondent profile









Source: KPMG and CGF Global Consumer Executive Top of Mind Survey 2014.

About KPMG

KPMG is a global network of professional firms providing audit, tax and advisory services. We operate in 155 countries and have more than 155,000 people working in member firms around the world.

KPMG is organized by industry sector across our member firms. The Consumer Markets practice, which encompasses the Food, Drink and Consumer Goods and Retail sectors, comprises an international network of professionals with deep industry experience. This industry-focused network enables KPMG member firm professionals to provide consistent services and thought leadership to our clients globally, while maintaining a strong knowledge of local issues and markets.

We work with our consumer and retail clients to help them to succeed in the face of a rapidly changing business environment. Our digital strategy, data analytics, cyber security, supply chain management, operations modeling and business transformation practices are a few of the areas where we have industry-leading expertise and experience, to serve the most pressing needs of our clients in every sector.

For more information, please visit: kpmg.com/FDCG or kpmg.com/retail.

About The Consumer Goods Forum

The Consumer Goods Forum ("The Forum") is a global, parity-based industry network that is driven by its members. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 2.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises 50 manufacturer and retailer CEOs.

The Forum's mission is, "Bringing together consumer goods manufacturers and retailers in pursuit of business practices for efficiency and positive change across our industry benefiting shoppers, consumers and the world without impeding competition". It provides a unique global platform for the development of global industry processes and standards as well as sharing best practices. Its activities are organised around the following strategic priorities: Sustainability, Product Safety, Health & Wellness, and End-to-End Value Chain & Standards, each of which is central to better serving consumers.

The Forum's success is driven by the active participation of its members who together develop and lead the implementation of best practices along the value chain. With its headquarters in Paris and its regional offices in Washington, D.C. and Tokyo, The Forum serves its members throughout the world.

For more information, please visit: www.theconsumergoodsforum.com.

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