



SUCCEEDING IN A VOLATILE MARKET

2018

THE FUTURE VALUE CHAIN



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Foreword



Dear Colleagues:

When the Global Commerce Initiative (GCI) Executive Board asked us to lead the 2018 project, it was clear to us both that it offered a great opportunity to revisit the valuable work done on the earlier 2016 report and take it even further. It was a chance to consider how the previously identified global trends would affect our industry at a more operational level and to balance its Europe/North America-centric view with the Asian perspective.

To address the global aspect, we brought together representatives from a wide range of international businesses along with participants from academia, industry associations and our sponsors. There was a good balance between people who had been involved in the 2016 report and newcomers. The group's two days in Utrecht, Netherlands, were incredibly intense and thought provoking – and a great opportunity to spend time with peers and trading partners outside our traditional competitive or negotiation-based environment.

As said, with the 2018 project we wanted to go beyond our traditional markets and global perspective and ask how these trends might affect both developed and developing Asian markets. So, we examined both the overall regional impact and took a deeper look at two countries that, for us, represented extremes of the Asian landscape: Japan and India.

Having long been a global economic powerhouse, Japanese thinking is responsible for many of the leading business practices adopted by the West in the last 20 years. However, the country now faces similar challenges to those confronting Europe and North America, including competition from emerging power economies. India is one of these competitors – but it too has its problems, ranging from a lack of modern infrastructure to widespread poverty.

Working Together Without Boundaries

It has always been the modus operandi of GCI to bring companies together and drive projects and programmes through collaborative engagement. This makes GCI reports, like the one you are reading now, very different from many others.

For this report, 130 people, representing local and international retailers and manufacturers, third-party partners, academia and industry associations, took part in four workshops: in Utrecht, to look at the wider global perspective; in Hong Kong, to address the

overall Southeast Asian market; in Mumbai, to focus on India; and in Tokyo, to explore Japan. We attended all four and were overwhelmed by the atmosphere of enthusiasm and co-operation.

In Hong Kong, a regional retailer told us that in his 10 years in the industry he had never sat down with his competitors and suppliers and talked frankly about how, by working together, our industry can better serve our joint consumers. We heard similar stories from many other participants, who were as excited as we were by the ideas generated and the commitments made on regional and national industry initiatives.

We believe the 2018 project has generated two significant outcomes. First, we have this report to drive discussion and action within GCI member companies and across the industry. And second, we have projects starting up across Asia and relationships being formed that will have a positive effect on everyone involved in our business.

A Word of Thanks

We would like to thank Capgemini, which, as well as co-sponsoring the project, facilitated the workshops (in conjunction with Zacatii for Tokyo). SAP and Hewlett-Packard also co-sponsored the project and provided invaluable input to the workshops. Thanks too to ECR Asia, GS1 Hong Kong, GS1 India and GCI Japan, which provided local support for the Asian workshops and were instrumental in driving their success.

On behalf of the companies that have participated in the 2018 project we also express our thanks to Sabine Ritter, General Manager of GCI, for her active leadership of this project.

Choosing Our Future

We have the tools to achieve success for our industry in today's volatile market, both now and in the future. It is up to us all to continue to work together to choose our future.



Nigel Bagley
Unilever

Dr. Gerd Wolfram
METRO Group

Co-Chairmen of 2018: The Future Value Chain

Executive Summary

With the global financial markets in turmoil, the credit crisis impacting companies and consumers alike, and growing concern about environmental issues, the mood of the market is far less optimistic than it was two years ago, when GCI published the predecessor to this report, *2016: The Future Value Chain*.

But today's pressures do not have to prevent our industry from thriving.

By working together with strong collaborative efforts, the industry can counter these downward trends and continue to meet the changing needs of our consumers around the world. Together, we have the opportunity to choose our future!

The Deliverables of the 2018 Project

The GCI 2018 project has two deliverables:

- The first is this report itself, which is based on the output from four industry workshops that took place in the Netherlands, Hong Kong, India and Japan, and that brought together 130 leading practitioners and experts from our industry.
- The second, and far more important, deliverable is to harness the energy that was generated at the workshops and align that enthusiasm against a series of new and existing industry programmes that will help us realise these opportunities. These include global projects as well as workstreams that will take place at a market level.



Unlike its predecessor, this report does not only take a global perspective on the trends that will impact our industry in the next 10 years. This new report looks closely at the Asian region, drilling even further into the Japanese and Indian markets in particular, to get a far more granular look at the impact of these mega-trends and the opportunities that exist for our day-to-day, operational businesses.

The Workshop Findings

Across the four workshops, eight trends were investigated in depth, each of which illustrated the need to achieve improvements by means of collaborative actions.

- The **declining economy** is given added impetus by the recent credit crisis, which will restrict consumer spending and reduce the availability of funds for company expansion.
- **Social structures** will significantly change. For example, the emerging middle-class consumers in Asia, growing urbanisation as well as ageing populations.
- The **cost and availability of raw materials** will disrupt our supply chain and impact our consumers.

- Consumer and corporate **awareness of sustainability** is growing, with companies responding with both internal and consumer programmes.
- We will see further mass adoption of **consumer technologies**, which will change the way consumers communicate with each other and the companies that serve them.
- **Business models** and routes to market will change, particularly in Asia with the emergence of hybrid models.
- **Information in the supply chain** will be crucial as supply chains will be increasingly driven by collaborative information.
- Finally, there is the concern of **product safety** as an increasing number of food safety scares put pressure on the industry to secure supply chains.

The accompanying table lists these trends and shows which of the workshops addressed each of the trends.

Trends Addressed by Workshops

Trend	Global	SE Asia	Japan	India
Declining economy	YES			
Changing society	YES	YES	YES	YES
Rising cost (and scarcity) of raw materials	YES	YES	YES	
Increasing awareness and action on sustainability	YES	YES	YES	
Growing consumer access to technology		YES	YES	YES
Changing business models		YES		YES
Growing availability of information across the supply chain			YES	YES
Increasing concern about product safety			YES	

Many of the trends that will impact Asian retailers and manufacturers on the way to 2018 will be similar to those affecting the rest of the global industry. From the table it can be seen, for example, that the declining economy was a trend discussed at the global workshop, but it was not discussed in depth in the region or in the country workshops. This is not because it was not considered important, rather it was determined that the actions to respond to the trend were more appropriate to be addressed in the global context. Another example is sustainability, which was addressed at all workshops except in India. Again, this is not because the Indian participants did not feel that sustainability was important, but they felt that other trends were more important and appropriate for the Indian workshop to address.

The 2018 Projects: Existing and Potential

To respond to these trends, the workshop participants identified several existing global projects and several potential country-based projects that would help our industry prepare for 2018.

The existing global projects include initiatives and programmes facilitated by GCI, GS1, CIES, ECR Europe and other industry groups. For the proposed country-based projects, all in Asia, the scope and project leads were agreed on in the workshops.

The Conclusions Drawn

The conclusions of the report are clear:

- Despite the tough economic, social and environmental climate that we operate in, there are many opportunities for our industry to continue to grow and to better serve our consumers' needs.
- Greater collaboration between trading partners, sharing of leading practices, better use of

information, standards and technology, and aligned lobbying are all things our industry should do now to ensure that we are ready for 2018.

- The 2018 workshops have, therefore, proposed global, regional and national projects. The CEOs of our industry need to commit their companies to lead, engage in and support these projects together with related industry programmes. Without this commitment these projects will not succeed.

The workshops that were focused on Asia exposed the amazing diversity across the region, but at the same time, they highlighted the similarities in the challenges being faced and the opportunities open to our industry.

This means that Asia can learn a great deal from the global projects that are under way and the leading practices that have been identified in Europe and North America. This is particularly relevant in areas such as collaborative transportation and logistics, the implementation of information standards and information sharing.

Industry Initiatives Linked to Trends

Project Areas	Projects Identified by Workshops				Trends							
	Global	SE Asia	Japan	India	Declining economy	Changing society	Raising cost & scarcity of raw materials	Sustainability	Consumers & technology	Availability of info in the supply chain	Business model change	Product safety
New ways of working together	X											
Collaborative transport	X	X	X	X			X	X		X	X	
POS & distributor database	X	X		X		X			X	X	X	
Implementation of global information standards	X			X					X	X	X	X
Industry training/education	X			X		X					X	
Safety initiative	X		X						X	X		X
Government lobbying	X	X	X				X	X				X
CO ₂ measurement & reduction program	X	X						X				

The West can also learn much from Asia in many areas. Additionally, without the hindrance of the historical baggage carried in the West, Asia has the opportunity to leapfrog the West. This is most noticeable in areas ranging from the use of consumer technology to the development of alternative channels to serve the needs of consumers, from the newly affluent to the low-income.

Call to Action

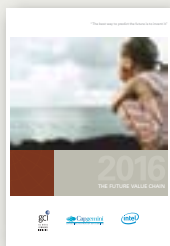
We urge you to read the full report to evaluate what actions you need to take today to ensure that our companies and our industry are ready for the challenges and opportunities for 2018. Use this report as a catalyst to promote discussion within your organisation, whether that organisation be a retailer, a manufacturer or an association. The final section of the report includes 23 questions that companies should be asking themselves to assess their readiness for 2018.

Finally, we ask that you commit your company to the industry projects identified in this report. Those projects will ensure that we arrive in 2018 with a thriving industry that is meeting consumer needs in Asia and across the globe.

We urge you to read the full report to evaluate what actions you need to take today to ensure that our companies and our industry are ready for the challenges and opportunities for 2018.



2016 Revisited



The *2016: The Future Value Chain* report, published at the end of 2006, set out a vision of how our industry would look in 2016. This vision was built on the anticipated development of a series of global trends that were expected to influence the consumer goods industry over the coming 10 years.

The report also highlighted key areas where companies could collaborate in order to manage the value chain in 2016, and aimed to encourage debate and dialogue on these vital issues.

The report was a major success. It generated extensive media coverage, was translated into 10 languages, was discussed at leading international conferences and triggered wide-ranging debates across the industry. Many companies held board-level discussions based on its findings and several countries, including France, Germany, the Netherlands and Japan, were spurred into launching their own follow-up initiatives.

However, the GCI 2016 programme did not finish with the publication of the report. Another outcome of the programme was the creation of three global industry projects to tackle the challenges identified in the 2016 report:

1. To develop **new ways of working together** – including sustainable changes in culture, collaborative business planning and new measures and rewards.
2. To **share information** more readily and freely, embracing the concept that the best way to manage increasing complexity is through openness and transparency.

3. To redefine the **2016 future supply chain**, addressing changes in the physical flow of goods, driven by forces like volatile energy costs and growing population density.

These projects have progressed for the last two years and have each produced a range of deliverables.

As the 2018 programme gathered pace, the role of these three projects was considered in the context of 2018:

- For the global workshop, participants reviewed the progress of these projects when considering how the industry should move forward.
- For the Asian workshops, it was recognised that these projects would not only provide tremendous input into the Asian thinking but would also be templates for regional and market-based projects.

New Ways of Working Together

New Ways of Working Together is about developing new ways for vertical trading partners to work together – including sustainable changes in culture, collaborative business planning and new measures and rewards. For a bilateral trading partner relationship, it offers an integrated roadmap for getting alignment and commitment on four key strategic choices in the collaboration of trading partners, which can ultimately lead to more satisfied shoppers and the elimination of waste, both of which should, in the end, produce better business results.

- **Focus on the Consumer:** involves trading partner bilateral collaboration to better meet the needs of our consumers and shoppers. One breakthrough concept, ECR Europe Jointly Agreed Growth (JAG)

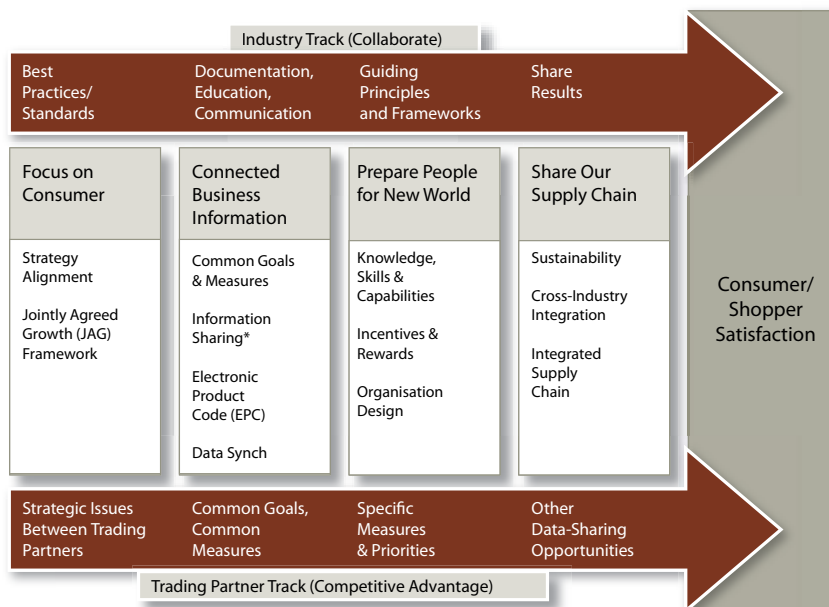
methodology, addresses the fact that, in more strategic relationships, annual business planning is simply insufficient. Business plans must allow for longer time horizons. With this longer-term business planning, protecting intellectual property and creating trust are essential. This approach will only work if there are common goals and common measures, and if there are enabling rewards and incentive systems that reinforce the right behaviours.

• **Connect Business Information:** addresses transparency and information sharing by establishing common goals, common measures and a common language. Key components include the establishment of GS1 standards for key performance indicators and the use of Global Data Synchronisation. The connection will only happen if it is linked to a long-term, shopper-focused business plan; if the ability of vertical trading partners to share and use data to achieve joint goals is reinforced.

• **Prepare Our People:** addresses the organisational structures, capabilities, measures, people performance incentives and rewards that either facilitate or create barriers to collaboration. It will only be meaningful if shopper satisfaction is adopted as a core ideal around which goals, measures and rewards are aligned; and if a shopper-focused business plan provides clear direction to the whole organisation. Retailers and manufacturers are currently benchmarking and testing capabilities needed in the people to encourage new and different behaviour.

• **Share Our Supply Chain:** is all about how the industry and trading partners must do things differently to address volatile energy costs and the need for more sustainable business practices. It will only be possible if there is understanding of how every decision impacts the shopper, today and for the long term; if the information we share allows end-to-end supply chain visibility; and if we optimize the whole supply chain, rather than try to optimize each component and maintain siloed goals.

New Ways of Working Together – Eliminate Supply Chain Disruptions, Enable Growth



*Note: Utilization of industry standards

New Ways of Working Together is about developing new ways for vertical trading partners to work together – including sustainable changes in culture, collaborative business planning and new measures and rewards.

For years, our industry has been discussing Joint Business Planning, Collaborative Commerce, Efficient Consumer Response and data sharing. For the first time, industry leaders are committed to understanding and changing the people systems – the structures, measures and rewards, and capabilities – that have slowed our ability to meet the needs of our consumers and shoppers. It is time for vertical trading partners to develop and execute long-term, shopper-focused business plans.

Information Sharing

Our ability to share data determines how effectively we are able to work together. Many companies still tend to keep their information within silos, unavailable not just to external bodies, but also to different departments within the same organisation. While corporate-wide implementation of Enterprise Resource Planning (ERP) systems is slowly helping to improve the availability of information, there is still a long way to go. Some companies see information as a revenue source and are reluctant to share it, while there is a lack of general agreement among the members of the value chain about which data is collaborative and which competitive (obviously respecting antitrust guidelines).

Some of the changes that need to be made with regard to information sharing will affect the whole industry; others will be bilateral arrangements between individual trading partners, as each company finds out ‘what works for us.’ The reforms needed are in systems, in practice and in philosophy, and cover, for example, a common vision of the value to be created by sharing information across participants in the value chain or changing the way data is exchanged.

A GCI group worked on the development of data flows linked to the process of new product introduction, identifying what the information needs would be in 2016, as well as possible solutions, like a POS data sharing platform. The group analysed the current situation and outlined the action needed to move the industry forward. A number of group members are now working to establish pilots on information sharing across several steps of the new product introduction process.

Future Supply Chain

The Future Supply Chain project recognises that now is the time for a step change to a future model that will lead to sustainability and new business opportunities. The industry must design for new parameters like CO₂ emissions reduction, lower energy consumption, better traceability and reduced traffic congestion. Although the impact of these new parameters on the bottom line may not yet be substantial, it will grow in the coming years and efficiency improvements will almost certainly be realised. Supply chain strategy needs to look ahead and give priority to these parameters.



The GCI working group published a report in May 2008, presenting a new model for enhanced collaboration. It involves integrating innovative solutions (ranging from In-Store Logistics to Collaborative Physical Logistics) with collaboration concepts into a cohesive supply chain model that will work better and cost less.

The report discusses the significant improvements that could result if the industry shared supply chain information and collaborated in the areas of warehousing and in both city and non-urban distribution (including home delivery and pick-up). In October 2008 ECR Europe released a tool to help companies identify improvement areas (Sustainable Transport Roadmap, www.ecrnet.org).

While individual examples of these concepts already exist, the key to their broader implementation across the industry will be a greater willingness to work together. To achieve this, new ways of working together in the physical supply chain are required, a framework for which has been developed by GCI and continues to evolve.

Realising the 2016 Future Supply Chain will require a combination of improvements by individual companies and collective initiatives by groups of retailers, manufacturers, suppliers and value chain companies, such as logistics service providers.

A GCI project team has been established to coordinate issues relevant to the whole project and the community (see www.futuresupplychain.com).

Changing Market Dynamics

Today, two years after the publication of the 2016 report, many of the trends identified in the report have continued to develop as described. Rural to urban migration, particularly in developing and emerging markets, and increasingly sophisticated consumers, prompting the move from products to services are all happening as envisaged. Technology is increasingly important at all points in the value chain and the gradual shift from traditional to modern trade in the developing markets is occurring as predicted.

Significant Changes Since the 2016 Report

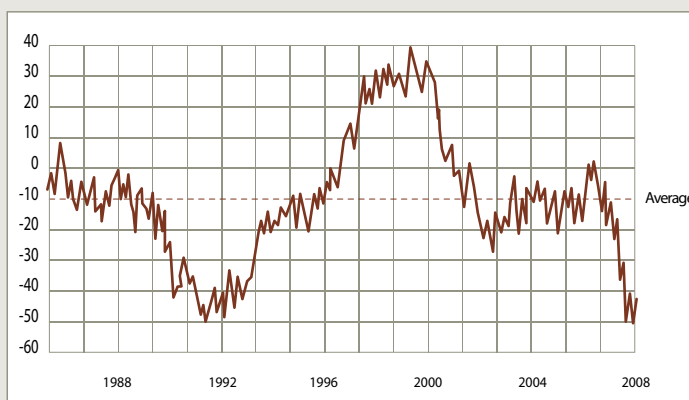
Three of the trends identified in the earlier report have accelerated more rapidly than anticipated.

Economic developments: Although the 2016 report predicted that the economic boom of the early 2000s was set to slow with a decline in Western markets, the magnitude of the downturn was underestimated. Autumn 2008 has seen the collapse of markets

and financial institutions around the world. In October 2008, international governments and the International Monetary Fund called emergency sessions to try to protect the global financial system. As the accompanying ABC News Consumer Comfort Index indicates, consumer confidence in the Western world was rapidly declining even before the Autumn 2008 financial crisis.

With less direct dependence on the traditional Western banks, Asian and Middle Eastern investments in Western companies are creating a bridgehead for future influence. According to the Chinese Ministry of Commerce, by the end of 2007, more than 7,000 Chinese investors had established over 10,000 enterprises in 173 countries using direct investment; the total amount of net direct investment reached nearly \$118 billion. In Middle Eastern markets, sovereign funds have been protected from the worst damage because of the huge reserves established from soaring oil prices.

ABC News Consumer Comfort Index
Weekly tracking results since December 1985



Source: ABC News

Raw material price volatility: Sharp rises, and sudden falls, in the price of raw materials – particularly in energy and commodities used as ingredients in manufactured food and personal care products – have escalated. Although speculation is contributing to price volatility, the underlying trend is of cost increases.

According to the International Institute for Sustainable Development (IISD), more than 2 billion people depend on the production of primary commodities like rice, copper and cotton.¹ But the prices of these commodities have fluctuated by as much as 50% in a single year. This instability complicates financial planning. Environmental management can also deepen commodity dependence and widen existing inequalities. The result is a precarious situation for commodity-dependent countries and producers.

This price volatility will have a major impact on all aspects of our industry. The impact is both direct (ingredients, packaging and transportation will cost more) and indirect (our consumer will have less money to spend).

Environmental sustainability: Recognition of the importance of environmental sustainability has risen faster than forecast in the 2016 report.

The UK government Stern report, published in 2006, predicted that the investment of 1% of GDP per year in sustainability measures would prevent a loss of 5% to 20% of GDP in subsequent years. These figures suggest immediate action on emissions is necessary to prevent the worst. Although other researchers have argued that investments can better be made elsewhere, the debate has raised awareness of the need to change, and willingness to do so. Many companies have announced sustainability programmes, identifying ways to save energy, and thus costs, and CO₂ emissions throughout their operations.

In March 2007, European Union leaders reached an agreement on several targets, among them a commitment to reduce CO₂ emissions by 20% and increase the use of biofuels to 10% of all fuel used in transport. Similarly, in 2007 U.S. President Bush signed an energy bill that included a target to reduce gasoline usage by 20% by 2017. This is proving highly contentious, as some environmentalists and politicians claim that use of first-generation biofuels

is raising food prices, distorting government budgets and causing deforestation in Southeast Asia and Brazil. Demand for these first-generation biofuels has already reduced the availability of raw materials and driven up feedstock prices. This has the potential to destabilise world food supply. Second-generation biofuels are expected to reduce this impact but are still under development.

It is clear that sustainable options have to be developed or there is a risk that the unintended negative consequences could result in increasingly dire climate-change impacts.

The consumer's appetite for sustainability is growing – both for more environmentally friendly choices and for more ethical options. Retailers and manufacturers are catering to these preferences through product changes and the introduction of eco-friendly and responsibly sourced labels.

Industry Success in a Volatile World

It seems that, in almost every arena, the world is a much more volatile place. The phrase 'VUCA world' has been used to describe this new volatile, uncertain, complex and ambiguous environment.

The companies represented at the Utrecht workshop agreed that the next 10 years will bring as much change as has been seen in the last 50 years – and that the difference between success and failure for a company will be its ability to prioritise, to adapt and to work closely with trading partners to realise the new business models.

In particular, successful businesses will:

- Prioritise the importance of consumer insight and the ability to act on it quickly, especially regarding issues such as sustainability.
- Prepare for flexibility and agility to react to global forces on their business model.
- Intensify collaboration with trading partners.

In this volatile world where the future is uncertain, it is difficult to plan ahead with confidence. This report charts out several possible perspectives on how our markets might evolve – and how our industry might need to respond.

¹ 'Boom or Bust: How commodity price volatility impedes poverty reduction, and what to do about it,' International Institute for Sustainable Development, 2008.

2018: The Global Perspective

The identification and modelling of emerging and growing trends is fundamental to setting the vision for 2018.

For the four workshops that provided the input to this report, the participants were asked to first focus on identifying the trends that would be most relevant to our industry over the coming 10 years. In addition, they were asked to apply a filter to the process to ensure that as well as being the most relevant, the trends would be ones that we – as an industry – can respond to, either by shaping the development of the trend or by implementing processes and strategies that help us meet our consumer needs in this volatile environment.

The participants of the workshop that addressed the global perspective, which took place in Utrecht, were encouraged to pay particular attention to the trends identified in the 2016 report. The objective was not to start from scratch but to build on the vision that had already been set and to look for significant deltas.

The biggest change, of course, was a discernable shift from the optimism of 2006 to the pessimism of today's market. However, although the economic and social outlook may have deteriorated in the past two years, the participants identified many positive opportunities for our industry to both grow and better serve the needs of our cash-strapped, time-starved consumers.

From this review of the trends, four perspectives on 2018 were developed:

- The increased importance of sustainability
- Diverging consumer groups
- Rising cost and scarcity of raw material
- The economic climate



Utrecht: 2018 Workshop Activities

In June 2008, 36 leading manufacturers, retailers, suppliers, distributors and industry experts met for a two-day workshop in Utrecht, the Netherlands.

Participants forged a view on the global value chain in 2018 and focused on a series of trends likely to affect the industry in the next decade. The 2016 vision report was used as a base, taking into account the changes in forces and trends that have occurred since the report was published.

For each key trend, the group considered the questions: What would happen if this trend continues along its path? Or what would happen if it accelerates? The workshop then developed proposals for pilots and projects that could be started immediately and that would help our industry prepare for 2018. The output from this workshop is summarised in this chapter.

As the workshop focused on concrete, global actions that the industry could embark on, participants were, again, encouraged to look at the existing programmes. This included, of course, the GCI programmes described in the '2016 Revisited' section, but also programmes under way in other industry organisations.

Global Perspective: The Increased Importance of Sustainability

The objective of sustainability is to ensure quality of life – now and for future generations – by meeting social, environmental and economic needs. It was predicted that in 2018, all consumers would recognise the importance of adopting a sustainable lifestyle and act accordingly, regardless of their economic status and ahead of regulation. They will likely have a new set of values with regard to products: They will demand responsible and ethical behaviour from companies and will not pay a premium for sustainable products. They will also expect minimum waste, minimum packaging, minimum emissions and ethical sourcing.

Likewise, corporate awareness of sustainability is expected to grow, with companies taking responsibility for their actions across the board, from minimum emissions to sustainable sourcing. They will also need to accept responsibility for the entire product lifecycle, including waste. But in the coming years, businesses will see that sustainability does not need to come at a cost and, in fact, many of the sustainability programmes being introduced will financially benefit companies.

This focus on the social, environmental and economic impact of the entire supply chain is best demonstrated in agricultural products. In 2018, many companies will have implemented similar measures across most categories to meet regulatory, corporate and, most importantly, consumers' high sustainability standards.

In 2018 doing nothing will not be an option for the industry. The ban on non-energy-efficient light bulbs in Australia shows that a real shift is taking place – and similar government-regulated product bans will become more common in the future. China, for example, has placed a tax on plastic bags in an effort to reduce unnecessary environmental pollution and waste.

The Opportunity of Sustainability

This trend will give rise to a number of opportunities and challenges. The accompanying table, a summary of the workshop results, sets out some of these, ranging from consistency of regulation and definition to addressing consumer sustainability awareness. For each, we have identified case examples.

Sustainability Opportunities and Challenges

Opportunities and Challenges	Case Examples
Consistency of regulation and definition (may also be segmented across the world)	Carbon Disclosure Project Sustainability networks Consistent on-pack rating standard, on-pack symbols/standard; creation of a Sustainability Index with total value chain
Commercialising sustainability into value	Lost distinction on non-sustainable products Facility efficiencies management Reduced energy costs Growth through customer loyalty Reduced freight cost through consolidated freight Differentiation of products (marketing strategies) Quantifying facility efficiency activities
Corporate tax realignment (tax credits) and funding, geared towards sustainability	Access to government funding for sustainability projects Tax credits for proven reductions in waste/water consumption/energy consumption/emission; lobbying government to develop a model
Employer of choice	Attracting and maintaining talent Implementing sustainability as part of the recruitment strategy
Licence to operate	Preferred access to resources/markets/suppliers Preferred access to partnerships
React to consumer sustainability awareness	Product/packaging light weighting Carbon emission targets Retailer fees on plastic bags in supermarkets Solar cell on green pilot stores

Industry Actions and Initiatives

There are a number of actions to be taken by consumers, companies and the industry.

At the **consumer level**, consumers could:

- Embrace a personal Sustainability Index (SI) for products and for consumers. The SI for products would determine how sustainable a product is in terms of manufacturing, use and disposal. The personal SI would track the overall sustainability of a person, including consumption, transportation and their home. The personal Sustainability Index will play an important role in the consumer lifecycle in 2018.
- Accept being charged for the volume of waste they discard (as an example).

On the **company level**, companies could:

- Create clear company ownership of an overall sustainability programme.
- Share the company's sustainability vision and/or plan internally and externally, create timelines and implement sustainability improvements.
- Define actions per functional area as well as KPIs/ measures that suit both the company and industry and can be used both internally and externally.
- Work together with trading partners and consumers throughout the value chain on the full product lifecycle.
- Educate employees and encourage changed behaviour through reflection in individual annual performance targets.
- Share initiatives with consumers.

On the **industry level**, the industry could:

- Create a means for the visibility of sustainability in the value chain (for example, through global standards for SI calculation).
- Seek deeper engagement with other stakeholders, such as NGOs and communities.

- Unify industry voice/body lobbying for tax realignment and funding programmes.
- Pursue trading platforms on waste, emissions, energy and water.
- Develop joint marketing initiatives to the consumer.
- Review human resources policies (such as flexibility).

The defining principles for all of these activities will be trust, transparency, accountability and application of a holistic view. Many of these goals and opportunities have severe implications and will be difficult to implement, but if we want to have a good chance to achieve such goals by 2018, the first steps in this iterative process need to be made now.

Global Perspective: Diverging Consumer Groups

In 2018, consumer polarisation is expected to become more apparent, with consumers increasingly divided into two groups:

- **Limited consumers.** These consumers are limited by their need to focus on the basics, coping and survival. They have to make more choices, more often. They are focused on price, but while constraint-driven they are also very aspirational.
- **Limitless consumers.** These consumers are oriented toward solutions and service and are very mobile.

Despite this delineation, blurring between the groups will create complexity for manufacturers and retailers. And the growing aged and ageing population will add more complexity to the consumer mix.

Consumers' work/life balance will also blur: People may work 10 out of every 24 hours, but not necessarily daylight or consecutive hours. Living arrangements are expected to shift in the coming decade, with an increase in urban living. In addition, housing preferences will change towards smaller homes with less storage space and smaller appliances. High property prices will lead to more multi-family or multi-generational housing.

In spite of the complexity and blurring, one of the biggest changes will be the growing number of

consumers at the bottom of the pyramid, challenging companies and the industry to determine how best to serve them in an efficient and affordable way.

Understanding Consumer Segmentation Will Be Key

Changing consumer segmentation will impact various value chain activities in a number of ways.

For manufacturing, the main challenge will be to find new products that fill the needs for different consumer groups, be they age specific or income related. Production needs will be different from region to region, and managing the portfolio of products for all the different groups will become more complex.

For distribution, this increase in products will demand improved supply chain management performance. This applies to the efficiencies of scale needed to provide products for the limited, and ways to bring long-tail/ niche products to the limitless consumer groups.

For retailing, there will be the challenge to serve all these consumer groups correctly, leading to different formats to target the different groups and changes within the formats to make them attractive to a diverse set of consumers. For example, opening hours of stores will need to reflect the changing working environment. This can mean smaller formats in local neighbourhoods (which present challenges for frequent replenishment),

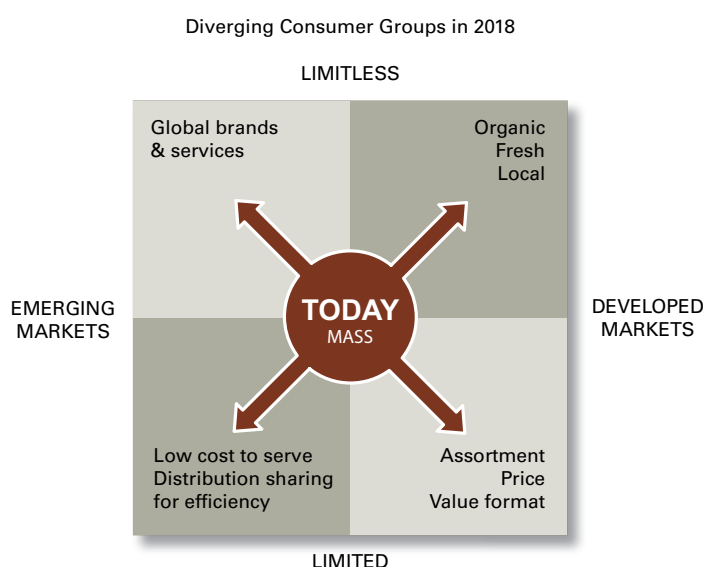
but also efficient multi-channel solutions to provide long-tail solutions to everyone.

Industry Actions and Initiatives

Our focus today is shifting from the mass market in developed countries to building new markets in developing countries. This mass market will disperse as a result of consumer polarisation. For each direction in which the market moves (see diagram), the consumer will have different demands. For example, limitless consumers will want organic fresh products and high levels of service. The retail industry will also have to consider differentiation of store formats ranging from budget to premium. Manufacturers and retailers will develop brand portfolios for these various retail formats and design tools to manage the growing complexity.

Global Perspective: Rising Cost and Scarcity of Raw Materials

The cost of raw material, including fuel, is expected to continue to rise. Anticipated population spikes in China and India will put pressure on water and food supplies. The climate is expected to become even more volatile, and the weather will likely have an increasing impact on the performance of the supply chain, causing crop failures and food shortages. Meanwhile, political instability may cripple supply lines and severely reduce the number of source countries for raw materials.





Changes Will Affect All Raw Materials

To respond to the rising costs of raw materials, the industry will need to make certain changes affecting ingredients, packaging, energy, labour and water. Each category of raw material will offer different opportunities and challenges for the industry.

Ingredients: With high ingredient prices, companies will need to first protect their contracts and seek vertical integration to help guarantee supply. At the same time, they will seek alternative ingredients or develop product innovations that are less dependent on that ingredient. Alternatively, they may also try to influence consumption behaviour or suggest substitute products.

Packaging: With oil and timber prices impacting the cost of packaging, companies will need to reduce the amount of packaging, or focus on reusable packaging (for instance, the use of refillable packaging). At the same time, incentive schemes will encourage more responsible packaging.

Energy: Energy is a big part of the cost structure for products, impacting the full cycle from harvesting and production to distribution, retailing and recycling. The opportunities for energy reduction (through more

efficient assets or asset sharing) as well as alternative forms of energy will be plentiful. Many developments are already going on in this area and more are expected in the next 10 years.

Labour: Labour scarcity is a very real challenge even today and that is expected to continue to be the case in the coming years. Switching production locations may not be as easy in the future due to higher transport costs, and this may give new impetus to automation. At the same time, companies will need a complementary strategy focused on making the jobs more attractive through training and new incentives, as well as through flexible work schedules.

Water: Fresh water scarcity is expected to become a reality in many areas, and technologies that improve reuse of water or filtering and desalination will need to be further developed.

Industry Actions and Initiatives

On the issue of raw material costs and scarcity, the industry can take actions in various places:

- Collaborative lobbying of government in areas such as agricultural and water policy and energy strategies.

- Discuss the role of certain crops for biofuel and the influence that it will have on food production.
- Consumer education focused on ingredient substitution and energy conservation.
- Working together on shared warehousing and shared logistics solutions, as well as alternative energy sources to reduce the dependency on fossil fuel.
- Research and development in controversial areas such as GMO, cloud seeding and nanotechnology.
- Working together with co-operatives to find better farming solutions.

Global Perspective: The Economic Climate

In the coming 10 years, there will be increased market volatility, with some years showing growth and others dramatic declines. Emerging markets, which initially experienced growth, will see a levelling off of their economies. Inflation and the increasing cost of goods and of manufacturing and logistics will place pressure on companies' growth and profits, leading to a low return on capital employed – meaning assets must work harder.

Opportunities for Growth Through Collaboration

The declining economic environment will raise a number of opportunities and challenges for growth in a volatile, cash-constrained market. Geographic targeting will be a key element of joint ventures and merger and acquisition activity. Companies will look to divest non-core and non-strategic activities through outsourcing opportunities.

Innovation: Products will need to be tailored to markets/consumer segments (emerging, Western economies, etc.). Companies will need to target, for example, stay-at-home consumers with limited disposable income. One direction for product innovations could be aimed at health and wellness and the ageing population.

Co-operative business model: Companies will need to develop co-operative business models with producers, recognising a vested interest to create stability and growth. The plundering of natural resources will no longer occur as the climatic impacts will simply be

too devastating. It will no longer be viable to profit from non-sustainable practices.

Sustainable production will be controlled by programmes such as the Roundtable on Sustainable Palm Oil (RSPO) and will be commonplace across the value chain. The RSPO model – a collaboration among industry, plantation owners, manufacturers, retailers, banks and NGOs – ensures industry-wide standards for sustainable palm oil production. Similar programmes will exist across a whole host of valuable natural commodities to ensure that our industry only uses known, legal and traceable sources.

Supplying and manufacturing: More flexibility in manufacturing will be necessary, including more flexible employee contracts. This may lead to a general rise in contract manufacturing. Manufacturers will try to realise economies of scale by consolidating orders and will look for alternative, substitute and cheaper ingredients.

Industry Actions and Initiatives

In a worsening economic climate, retailers and manufacturers will find new ways to work together in areas such as sharing investment costs to enter new markets. Many of these initiatives will be between individual companies and not necessarily at the industry level.

Global Initiatives Addressing the Challenges

Globally, many of the industry initiatives suggested here have already been taken up by industry associations. Every company in the consumer goods industry is invited to join these initiatives and help create consistent solutions that will enable the industry to face the challenges ahead. Listed below are the global programmes taking place that are applicable to the 2018 outputs. In addition, regional projects, facilitated by regional associations such as ECR Europe and ECR Asia and national projects are also under way.

- **New ways of working together:** GCI's programme is about developing new ways for vertical trading partners to work together.
- **Collaborative transport:** Join the GCI Future Supply Chain Implementation project to look into collaborative and sustainable transport. Understand

how to share other assets along the supply chain, and learn from current pilots and initiatives.

- **Point-of-sale (POS) and distributor database:** As part of a wider project, the GCI Information Sharing Group is currently evaluating the different ways for the industry to share POS and other category management data.
- **Implementation of global information standards:** The GS1 organisation manages information standards for our industry and operates a variety of forums at global, regional and national level for user engagement.
- **Industry training and education:** The national GS1 and ECR organisations all offer training and education programmes. At a global level the International Commerce Institute (ICI) and CIES both operate executive leadership programmes.
- **Safety initiatives:** The CIES Global Food Safety Initiative (GFSI) and the GS1 Standards for Tracking and Tracing are both globally applicable.
- **Government lobbying:** Lobbying programmes today operate at a regional and national level through associations such as AIM, CIAA, GMA and FMI.
- **CO₂ measurement and reduction programme:** The Carbon Disclosure Project (CDP, www.cdproject.net) is an independent not-for-profit organisation aiming to create a lasting relationship among shareholders, purchasers and corporations regarding the implications for shareholder value and commercial operations presented by climate change. The Carbon Trust (www.carbontrust.co.uk) is another example.

Every company in the consumer goods industry is invited to join these initiatives and help create consistent solutions that will enable the industry to face the challenges ahead.

Spotlight on Asia

Asia is a vast and diverse land that stretches from the cold and barren North, bordering Siberia, through the equatorial archipelagos and down to the vast Australian sub-continent. It covers nearly 45 million square kilometres, almost twice the size of North America and five times the size of Europe.

It houses cultures that have been in existence for thousands of years, long before equivalent Western cultures developed. So it is no surprise that some of

the earliest retail models developed in Asia.

When Marco Polo returned from his epic Asian journey in 1295, the trade routes between Asia and Europe opened up and Asia became central to Western commerce. Seven hundred years later and, once again, Asia is central to not only Western commerce but to global commerce. In the consumer goods industry, Asia is both a rapidly developing and massive consumer market and also a major source of ingredients and manufacturing.



Markets within markets: Asia is dominated by two huge national markets. More than 77% of the Asian population live in just two countries: 1.3 billion people in China and 1.1 billion in India. These two markets have many vast cities and sizable regions located around the major metropolitan areas that are bigger than other entire Asian countries.

In exploring the path that Asia will take to 2018, this report focuses on three geographic areas that reflect the economic and cultural diversity of modern Asia. Southeast Asia, stretching from China to Australasia, provides a sub-regional view, while the two in-depth analyses of Japan and India show two countries at opposite ends of the spectrum. Japan, often considered the most Western of the Eastern economies, has led global thinking on industrial practice and quality management for decades. In India, one of the big four 'new' global economic powerhouses, we see the dichotomy of a nation that provides IT services to the globe while at the same time vast numbers of citizens live without electricity.

Three workshops held across the region provided the input for this report with a total of 100 participants representing almost 60 organisations. The initial task in each workshop was to identify the mega-trends that would have the most impact on our industry in Asia, India or Japan in the coming 10 years and that offer the most fertile ground for collaborative solutions across the value chain.

One noticeable difference across the workshops was apparent in India, which is at a very different development stage from Japan or, indeed, many other Asian countries, but it is changing at a remarkable rate. The country faces different challenges and opportunities from its neighbours, infrastructure

and retail models to its standards of living and level of consumer segmentation. The unique nature of India required a different analytical approach. As it is evolving so rapidly, a 10-year scenario approach is not appropriate. The study, therefore, focused on India as it is today.

On the other hand, in Japan modern trade is dominant and income levels have been high for two decades. This positions the country very differently from other Asian markets but, again, common themes emerged regarding the trends that would most impact Japan.

In all, seven mega-trends were identified across the three workshops, three of which were common with the global mega-trends and four were specific to Asia (see accompanying table for the global and Asian trends).

The declining economy, which played an important role in the global workshop, did not feature so strongly in Asia. It is worth noting that the final Asian workshop took place on September 15, 2008. That day saw the collapse of Lehman Brothers and a sharp drop in the Asian markets. Had the workshops taken place a few weeks later, the declining economy may have been more prominent in Asian thinking.

Trends Addressed by Workshops

Trend	Global	SE Asia	Japan	India
Declining economy	YES			
Changing society	YES	YES	YES	YES
Rising cost (and scarcity) of raw materials	YES	YES	YES	
Increasing awareness and action on sustainability	YES	YES	YES	
Growing consumer access to technology		YES	YES	YES
Changing business models		YES		YES
Growing availability of information across the supply chain			YES	YES
Increasing concern about product safety			YES	

Many of the trends that will impact Asian retailers and manufacturers on the way to 2018 will be similar to those affecting the rest of the global industry.

The Trends That Will Change Asia!

Asia Trend: Changing Society

The 2016 report identified urbanisation and a growing elderly population as clear global trends. These two demographic swings are also apparent across most Asian countries along with the polarisation between the new middle class and the poor.

Urbanisation

Asia is undergoing the most rapid urbanisation the world has ever seen. Projections indicate that more than 500 million Asians will move to cities in the next 25 years – almost 2 million people per month. This movement is placing a huge strain on already inadequate transport, electricity, water and sanitation systems.



Southeast Asia: 2018 Workshop Activities

Leading Asian manufacturers, retailers, distributors and industry experts met in Hong Kong for a two-day Future Value Chain 2018 workshop in September 2018. Representatives attended from China (Mainland and Hong Kong), Thailand, Malaysia, Philippines, Korea, Australia and Indonesia.

Participants identified six key trends central to the evolution of the Southeast Asian retail industry in the next decade. The workshop assessed how the entire supply chain would be affected by these trends, focusing on the opportunities that would emerge as a result of the development of these trends.

The workshop proposed three pilot projects, focused on collaborative transportation, collaborative carbon reduction and the establishment of a standard POS database from distributors and small retailers. Participants also committed to increasing their support for some key current industry activities, namely strengthening engagement with industry associations, collectively lobbying government, adopting and implementing best collaborative business practices and supporting the development of industry standards.

Urbanisation is particularly marked in China, where the migration of young people from the countryside to the big urban centres is having the additional input of creating a predominance of older people left in the rural communities.

The remaining rural communities will still, however, be important in 2018 and beyond. In India, for example, which has also seen growing urbanisation, the rural communities and second-tier cities still make up 70% of the overall market.

The Ageing Population

Improved health care is resulting in the elderly living longer. The increase in the elderly population is particularly significant in Japan, where more than 20% of the population is over 65. It is, therefore, no surprise that the Japanese workshop considered the ageing of the population one of the key trends for 2018.

In Japan, unlike many other markets including much of the West, Japanese retirees have economic security and considerable buying power. They also command a great deal of respect from society – the Japan 2018 workshop took place the day after Respect for the Elderly Day, a national public holiday that celebrates the lifelong contributions of senior citizens.

This growing demographic group presents unique physical and emotional needs and requires different product design, formulations, packaging, merchandising, marketing and retail distribution. By 2018 this group will have triggered a surge in products that focus on the elderly, from preserving health and wellness to spicier foods to stimulate aged palates. But these Japanese senior citizens of 2018 will also be spending money on their grand- and great-grandchildren, creating a market for premium children's products.

In Japan, where use of consumer technology is widespread, we can envisage the elderly consumers of 2018 using new technologies that will impact the way manufacturers and retailers communicate and interact with them. This will also drive a shift in channels used by this group. Virtual retail channels, from mail order to Internet shopping, will grow and home delivery will dominate with daytime delivery slots ideally matched to these retirees.

A Rise in Incomes and Consumption

In most Asian countries, average household incomes are increasing significantly. This is particularly so in cities: Urban households in China have over three times more disposable income than rural households, according to the National Bureau of Statistics of China.

India, in particular, has experienced dramatic income growth for a large segment of the population in the last two decades. This prosperity has revolutionised consumer aspirations and given rise to a strata of different consumer segments.

Disposable income has been rising steadily since 1985. Urban consumers experience disposable annual income growth of 4.6%, compared with a rural rise of 2.8%. The national rate is forecast to escalate in the coming decade, with the all-India compound annual growth rate forecast to reach 5.3% by 2025.

Serving the Needs of Low-Income Consumers

At the same time as average income is rising, there is still a vast segment of Asian households that live on very low incomes. The challenge of serving the needs of the low-income consumer played a prominent role in the both the Southeast Asian workshop and in the Indian workshop, which is the home to some of the poorest people in the world with millions of families living at poverty level.

This income disparity has interesting implications for the grocery industry. According to the World Bank's report 'The Next 4 Billion,' the bottom of the pyramid (BOP) population, though made up of very low-income groups, are the largest consumers of food. The 4 billion people at the base of the economic pyramid have incomes below \$3,000, yet together they constitute a \$5 trillion global consumer market. In nearly every Asian country, this consumer segment accounts for a substantial portion of measured national food spending.

It is expected that the Asian consumer goods industry will, running up to 2018, work with government and local communities to ensure that poorer consumers do not lose out. Rather than facing limited choice and low-grade products, the industry will work to ensure that quality products and solutions are readily and easily available to those with low incomes.

Three words are key:

- Affordable
- Available
- Appropriate

To deliver this, in addition to working with government and communities, our industry will need to work together to develop innovative products and services. This innovation will need to extend to the supply chain to provide a simplified, low-cost route to get products to these needy consumers.

The potential exists for our industry to improve the quality of life across the region for many low-income consumers. However, it was also recognised that the increasing price of raw materials over the coming 10 years will make it harder to deliver low-cost, good-quality options.

The New Japanese and Immigrant Labour

The Japanese workshop highlighted several consumer change trends that were not identified elsewhere. This included the growing number of young Japanese consumers who do not fit traditional stereotypes. For example, they tend not to drink alcohol, save rather than spend money, are less likely to own a vehicle, prefer to travel domestically rather than internationally, and are more likely to cook and eat at home. These new consumers require changes in the overall market mix.

Japan is also seeing an influx of foreign labourers, due to a decline in the Japanese working population. The challenge to the Japanese industry is not about viewing immigrant labour as a new consumer segment but, on a practical level, how the industry can integrate foreign labour. This includes the provision of comparable work training and education for both Japanese and foreign employees around topics such as culture and work habits, so both groups can interface and communicate as they increasingly work together.

How Will Asia Respond?

All three Asian workshops identified programmes that would help our industry respond to these changing consumer dynamics. Collaboration between manufacturers and retailers in the value chain was, of course, a constant factor in the proposals that came out of the workshops.

Some of the headline outputs from the workshops include:

- Jointly developed innovation of products and services throughout the value chain will help us better meet the needs of all of these newly emerging consumer segments.
- Joint innovation and collaboration in the supply chain to overcome the inherent infrastructure problems in the region.
- The opportunity to improve the understanding of consumer groups, types and clusters. To meet specific segment needs, the industry must create a level of understanding of consumers' culture, consumption patterns and buying habits that does not currently exist. There needs to be a shift of emphasis from capturing 'necessary' to 'discretionary' data.

Asia Trend: Increasing Awareness and Action on Sustainability

Sustainability, rated by participants in the global workshop as one of the most rapidly emerging and important trends, played a much smaller role in the Asian workshops. This in itself is interesting considering the pressure that Western government is placing on Asia to address environmental and social sustainability amidst fear that the rapid industrialisation and consumerisation of Asia will hasten global environmental degradation.

One perspective as to why sustainability had a lower profile came from the India workshop. Sustainability is important to India, but there are other aspects of the value chain that, today, urgently need to be improved and which can be achieved by the Indian industry. It is not lack of importance; it is a case of prioritisation and pragmatism.

The regional workshop, taking a longer-term view than India, considered that by 2018 sustainability would be more important to consumers. This heightened concern would be triggered by overall environmental degradation and extreme weather events such as floods and storms resulting in a level of urban destruction similar to that being seen in recent years along the Gulf of Mexico and Bangladesh.



India: 2018 Workshop Activities

In September 2008, leading Indian manufacturers, retailers, distributors and industry experts met at Capgemini's Mumbai office for a one-day Future Value Chain 2018 workshop. The workshop took place during the festival for Ganesh, which seemed to instil the participants with the extraordinary intelligence that Ganesh's bulky head symbolises.

Participants identified and analysed four trends key to the development of the Indian retail industry in the coming decade. They then identified significant opportunity areas for each trend.

The analysis formed the basis for further exploring the opportunities and challenges that the Indian industry would face in the coming years. Participants went on to develop proposals for collaborative industry initiatives, including reference to best practices, scope and relevant KPIs.

The group also scoped out four initiatives that addressed collaborative logistics, category management, standards implementation and education. Each initiative is being headed by named participants, with the entire workshop committed to drive the initiatives forward.

In Asia, pollution will be a key driver of consumer concern. The regional impact of polluting countries will be seen through both airborne and marine pollution.

The move towards sustainability among the developed Asian regions of Japan, Korea, Taiwan, Singapore and Hong Kong will resemble the Western patterns now being seen. Government will increasingly step in and significant public funds will be directed towards sustainability programmes.

A potential scenario considered by the workshop is the enforcement of strict environmental measures by governments, particularly in China, which witnessed what could be achieved in Beijing with the

2008 Olympic Games – and this may improve the environmental performance of the developing nations.

Japan saw itself as one of the Asian countries that would lead in environmental awareness in the run up to 2018, with the Japanese consumer goods value chain moving towards more eco-friendly business models focusing, for example, on reducing waste and packaging. Japan has often demonstrated to the business world the benefits of innovative business practices and it may be that the Japanese consumer goods industry can do the same for sustainability.

However, Japan sees many challenges in creating a more environmentally friendly industry. Although consumers prefer to buy green products, they will not pay more for those items. They expect that companies will provide the green benefits for the same or perhaps even lower costs. This will make it hard in Japan, and globally, to reach the critical mass on environmental goods that would result in cost reduction.

How Will Asia Respond?

The need for common measures for sustainability, such as measures to track carbon emissions and environmental impact, was considered of high importance.

Manufacturers and retailers across our industry need to be open to sharing best (and worst) practice information to benefit our industry and our consumers. This pooling of knowledge would also help our industry provide input to, and respond to, the anticipated legislation.

Asia Trend: Rising Cost and Scarcity of Raw Materials

The volatility and upward trend of the prices of all raw materials clearly has an impact on our industry. But for Asia it was the rising cost of energy that was singled out for focus in the regional workshop.

The Impact of High Energy Prices

Energy prices were anticipated by the participants to remain high over the coming 10 years with government, industry and consumers each pursuing a raft of remedial measures to tackle the impact of these high prices.

It is anticipated that Asian governments will shift funding to reducing energy consumption by, for example, improving public transport and introducing consumption and congestion taxes and providing incentives for alternative and efficient energy solutions.

The consumer goods industry will, in the coming 10 years, focus on wide-ranging innovation – throughout the supply chain and product range – to become more energy efficient. The high cost of transportation will lead to major changes in our manufacturing and logistics networks such as a migration from centralised manufacturing facilities (which has been, of course, the industry trend for the preceding decade) to the local production or finishing of products.

High domestic energy prices will drive consumers to choose products that require less domestic energy consumption.

How Will Asia Respond?

The pressure of high energy costs will drive innovation across our industry. **The challenge we face is to ensure that the innovation benefits the entire value chain and is not just shifting energy consumption from one point to another.**

Consumer education programmes will be most effective if manufacturers and retailers can work together with government to develop and communicate the right messages.

However, it may not be possible to reverse the increasing supply chain costs in the near term. This may cause margin pressure and prevent the necessary investment in longer-term innovation development.

Asia Trend: Growing Consumer Access to Technology

Asian consumers are increasingly at ease with new technology. Many Asian markets are on par with Western economies in their adoption of broadband Internet and mobile communications. The penetration of these new consumer technologies is increasing even more rapidly in urban areas, with Internet penetration in large Chinese cities close to that in the West.

Use of the technology has extended well beyond high-income groups. Recent research by the Institute of Southeast Asian Studies shows most of the region's poorest people have access to telephones, even if they do not own them.

We can easily see Asian consumers, in 2018, having access to retail and consumer product information anytime and anywhere using any communication device. Without the legacy of 20th-century communication infrastructure, many of the Asian markets, particularly the developing markets, can leapfrog some of the hurdles faced by developed nations. We envisage, for example, the roll-out in Asia of ubiquitous, free, wireless broadband in urban centres.

To get to this position, great changes in the way we think about and share information will be needed. And consumers will need to develop trust in the information they receive.

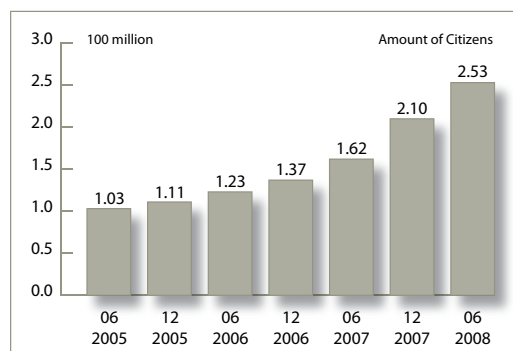
Online retail channels already exist in much of Asia but in India this was seen as a particularly strong growth area. Although India still has relatively low Internet penetration, the percentage of online consumers who use the web to shop is high and increasing by between 3 to 4 million subscribers each month. Further evidence of the country's interest in online buying came through in Capgemini's recent global automotive study, 'Cars Online 08/09,' where two-thirds of Indian respondents said they were likely to buy a car online, one of the highest rates among the eight markets studied.

Personalised and Consolidated Consumer Communication

The diversification of communication channels between both manufacturers and retailers and consumers (and shoppers) opens up the opportunity to develop uniquely personalised brand and retail communications. In fact, to do so will be essential by 2018 as existing mass-market communication channels will continue to decline in importance for a large share of our consumer base.

The technology-adept Asian consumers of 2018 will expect consolidation of marketing messages from the brands and the retail channel from which they buy the brands.

Internet Citizens in China



Source: China Internet Network Information Center (CNNIC)

Internet access grows in China: The number of Internet citizens in China has grown rapidly. By the end of June 2008 the number had reached 253 million whereas the U.S. had 218 million internet citizens by the end of 2007. China now has the largest Internet population in the world.

How Will Asia Respond?

Manufacturers and retailers will have to work more closely together on how they co-market to consumers. This would entail:

- Creating standards for marketing information to allow consistent brand communication to multiple retailers.
- Significantly improving current skills in understanding consumer behaviour across the region.
- Requiring greater co-operation and sharing of consumer information among vertical trading partners throughout Asian value chains.

The growth of online retailing will, of course, create opportunities for both manufacturers and retailers, particularly in developing markets such as India and China. These countries have the opportunity to learn from the global experience of implementing online retail models, and the growth potential is enormous.

Online retail will also be a challenge for retailers, who will now compete against low-cost, Internet-based start-ups or virtual market consolidators, and for manufacturers, which have been most reliant on traditional mass marketing.

Asia Trend: Growing Availability of Information Across the Supply Chain

One of the most significant findings of the 2016 report was the importance of information, and the enhanced performance that better use of information could make, to the supply chain. This fed into two of the three GCI projects that followed the publication of the 2016 report; Information Sharing and Future Supply Chain (see '2016 Revisited' section).

For the 2018 global workshop the supply chain featured in much of the discussion and conclusions but didn't warrant being considered as a trend to be acted on as the GCI projects addressing it were already in progress. In India and Japan, though, the opportunities for using information to improve the supply chain were considered to be high-priority activities.

India: Focus on the Basics

In India, as our industry rapidly grows, the existing supply chain is beset by decreasing efficiency, increased wastage and rising costs. The fact that there is also very little sharing of supply chain information can be seen as both a result of the problems in the supply chain and, more importantly, a cause of those problems.

The good news is that the Indian industry is well placed to learn from its global counterparts in terms of data sharing and using Electronic Data Interchange (EDI) frameworks to improve the supply chain, although a technology skills gap hampers progress. In fact, technological knowledge is generally limited to the top strata of the value chain. There is little widespread understanding about using technology effectively in the supply chain. (A similar information management skills gap also exists for managing and analysing consumer information.)

The high entry cost and complexity of starting EDI programmes that prevented small manufacturers and retailers from engaging should not be a problem for Indian companies as there are now alternative low-cost options (such as on-demand software-as-a-service models, where the provider maintains the business rules of a particular client in the form of EDI maps, and has the option of reusing the maps for other clients).



Japan: 2018 Workshop Activities

In September 2008, leading Japanese manufacturers, retailers, distributors and wholesalers met in Tokyo for a one-day Future Value Chain 2018 workshop.

Participants defined and prioritised key trends in the development of the Japanese consumer goods value chain. They then discussed the context and expected impact of these trends. Participants went on to identify areas where collaborative initiatives should be undertaken, forming the basis for GCI Japan follow-up projects.

The workshop provided the basis for the October 2008 launch of a Japanese Future Value Chain workgroup aimed at fostering problem solving and collaboration across the industry.

However, to make any progress at all, India would need to build widespread and consistent implementation of standards-based product codes (GTINs) and collaboration programmes like Global Data Synchronisation.

Japan: Pushing the Envelope

Japan is far more advanced in the use of technology in the supply chain than India, hence the Japanese workshop focused on the advanced use of technology. In particular, on the adoption and use of Radio Frequency Identification (RFID).

The Japanese participants believe that the use of RFID technology will accelerate once the price of RFID tags drops significantly, although they did express concern about the true depth of penetration that would result.

The Japanese workshop also considered how the use of consumer information would benefit the supply chain, but acknowledged that, today, the cost and complexity of accessing, formatting and managing



large volumes of consumer data is prohibitive. However by 2018 they anticipated the reality of a 'consumer-driven supply chain' across our industry.

How Will Asia Respond?

It is interesting that although Japan and India are at opposite ends of the technology spectrum with their supply chains, the opportunities they both see have the same roots.

Getting basic product information standards in place provides a massive opportunity for India today, whilst for Japan, information standards for consumer data, RFID and advanced logistics (including the supporting of 'virtual' retail models) are all longer-term opportunities. Japan also considers that the development of a common IT platform to share consumer data would be a significant opportunity and would help the industry address other trends such as serving the needs of the elderly consumer.

The Japanese industry also needs to agree on the best way to exploit new technologies, mapping business needs with technological applications. The debate should be business focused, not technology based.

This sharing (or pooling) of data is also an opportunity in India where trading partners need to consider new models for data sharing.

Asia Trend: Changing Business Models

The Growth of 'Modern' and 'Organised' Trade

The retail market in Asia is growing at a very strong pace. Western-based global retailers, including Wal-

Mart, Tesco, Carrefour and Metro, are all expanding rapidly in Asia. And many global consumer products manufacturers, the majority of which already have operations across the region, are putting increasing emphasis on further developing their Asian business.

The arrival of these Western retailers into Asia has hastened what is often seen as a migration from 'traditional' to 'modern' trade, or, as it is described in India, 'organised' trade.

However, the workshop participants talked at length about how this shift from one business model, or route to market, to another was really being driven by the changing demographics (such as urbanisation) and the opportunities of the supply chain rather than solely by the influence of Western companies.

It was also noted that the terms used to describe these two business models imply that 'modern' and 'organised' is better than 'traditional' and 'unorganised' whereas the group agreed that each model was appropriate for different markets.

In countries like India and China, there is a significant rise of local retail companies, which are equally capable of migrating from one business model to another.

Across Asia the modern retail trade model is expected to increase to 50% of the market in 2018, up from 20% in 2008. This growth will be boosted by the increase in consumer purchasing power, with disposable income up 150% over the decade. The availability of technology and information sharing across the supply chain will also fuel development.

In India today organised retail accounts for less than 5% of the overall market, representing just 1% of the largest segment, food and grocery. In certain categories, such as clothing and footwear, the share increases to 19% to 22%.

The organised retail segment in India is, however, growing fast. The total number of organised retail outlets rose from 3,125 in 2001 to 27,076 in 2006, according to the Indian Council for Research on International Economic Relations (ICRIER). This segment is expected to grow from \$20 billion in 2007 to over \$100 billion by 2013. Hypermarkets are expected to gain more prominence in the future.

As organised retail continues to grow, the number of intermediaries is expected to decline, particularly those dealing in commodities, such as vegetables and rice, and consumer packaged goods. However, it is likely that both segments will continue to co-exist as the changes in consumer segmentation highlight the need for the industry to operate multiple formats/models in order to serve the wide range of Indian consumers.

However, the traditional model prevails for rural Asia but that model also benefits from improvements in the supply chain.

Hybrid Models and New Channels

As the Asian market diversifies, rather than seeing a polarisation between modern and traditional trade, the group saw a merging of models and the emergence of new channels.

In 2018 retailers will operate, and manufacturers will supply to, urban convenience stores, out-of-town hypermarkets, rural three-wheel deliveries, etc. The location and format of stores will need to adapt to meet rising consumer demand for improved and faster access to better goods and services. Specialised distribution channels will flourish, such as door-to-door selling, the location of shops in residential complexes and 'order pick-up,' where consumers collect pre-ordered goods.

How Will Asia Respond?

The channels envisaged by 2018 will span the spectrum from modern to traditional but the industry will serve these channels through an integrated, efficient supply chain. To achieve this will require a common technological platform and global standards. It is important to emphasise that the technological innovation currently viewed as being for modern trade is equally applicable to traditional trade and hybrid models.

Common logistics standards will hasten beneficial opportunities in the design of distribution centres and even in city planning, which will enable the development of optimal logistics channels.

Asian companies need to invest in data sharing, based on common standards and supporting initiatives, which are relevant to modern trade as well as

traditional trade. And logistics companies will need to invest in aligning and supporting collaboration and standardisation, leveraging already established practices, standards and distribution centres.

Asia Trend: Increasing Concern About Product Safety

Japan pioneered the business world in total quality management programmes at the end of the 1940s, and interest in the West took hold in the 1980s. This was a natural extension of the Japanese culture that considers quality paramount.

The Japanese food industry's reputation has taken a hit in recent months, due to a number of food scares where contaminated food entered the food chain. It is no surprise, therefore, that the Japanese workshop was the only one to raise the increasing concern about product safety as a trend to focus on.

The recent food scares will likely result in the Japanese consumer of 2018 putting increasing pressure on manufacturers and retailers to disclose product history and product safety and wellness information. This is already starting today with Japanese shoppers being able to access product information on fresh produce, including images of the farmers who grow the produce, on their mobile devices by scanning an on-pack bar code using a standard mobile phone camera.

Making this information available, and putting in place the processes that support product traceability and recall is a costly business and the Japanese industry will need to assess how these costs – and risks – will be shared. The workshop participants expect, and would encourage, the mandating of disclosure information about products.

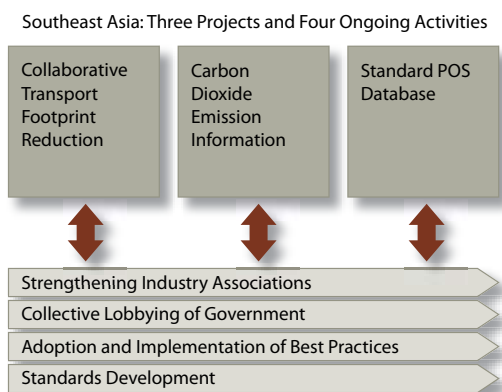
How Will Asia Respond?

Again standards to help manage food safety through the supply chain are seen as an opportunity for the Japanese industry. Standards in processes as well as information can be expected. Processes would include, for example, how expiration dates are managed, which currently vary from retailer to retailer, and the current safety standards, which fall under the jurisdiction of local governments.

There is also an opportunity for our industry to work with government to develop 'food defence' measures, including the development of government and industry strategies for preventing and containing food contamination outbreaks.

Asian Projects Focus on Mega-Trends

All three Asian workshops concluded by identifying potential projects that the industry should undertake to guide us on the road to 2018.



Southeast Asia Project: Collaborative Transport Footprint Reduction

To address the challenges of increased energy prices, further collaboration in the physical distribution system needs to be improved. The objective is to establish a pilot project to reduce the transport footprint in two ways: by collaborative transport and by improving inner-city multi-drop distribution using alternative-fuel vehicles.

The project will focus on collaborative transport over a four-week period to reduce truck movement (with both empty and partial loads). Pilot KPIs will include load utilisation, absolute number of movements, fuel usage, kilometres/miles travelled and litres of fuel per kilogramme per kilometre.

In addition, the project will drive the assessment of alternative-fuel vehicles' performance for inner-city multi-drop distribution. KPIs will include total cost of service, fuel use/cost per service type, time per vehicle type, emissions per kilogramme per kilometre and four-week period versus baseline.

This project will be facilitated by ECR Asia and local GS1, with participation from a number of manufacturers, retailers and logistics service providers. Unilever and Zuellig Pharma will lead this project.

Southeast Asia Project: Carbon Dioxide Emission Information

The industry in Southeast Asia needs to establish common measures for sustainability, notably on the CO₂ footprint for environmental impact. Individual companies increasingly have set ambitions on CO₂ emissions (for example, Samsung/Tesco Korea, which aims to reduce emissions per unit by half by 2020). In addition to initiatives by individual companies, further collaboration is needed to accelerate developments towards a common and clear set of measurements.

The goal of this project is to establish common ways to measure progress in energy reduction, for which a range of KPIs, including gasoline, waste and electricity, will be measured quarterly. The concept is to do baseline measurements (as-is), to measure improvements (to-be) and to monitor and evaluate quarterly on progress against the set targets.

This project will be facilitated by ECR Asia and led by Samsung Tesco and Unilever, with participation from a wide range of manufacturers and retailers, logistics service providers, IT service providers and CO₂ emission experts.

Southeast Asia Project: Standard POS Database

For the industry to better serve the needs of low-income consumers (improving their wellness and quality of life by offering affordable, available and appropriate products) the value chain must become more transparent and simplified. Establishing a common, consolidated and standardised platform for information sharing across the whole chain is crucial in this context. The main focus needs to be on transparency of sales-related data (like POS data) involving manufacturers, distributors and retailers.

The goal of this project is to pilot a POS database that allows for mining, cleaning and mapping of POS data to provide market intelligence, demand signals and order synchronisation to the involved value chain partners. This will help to identify ways to address the

demands among low-income consumer groups – for example, by managing the right portfolio of products for them and offering more choices and sources. For this reason the project would also include a supplier database to compare sourcing information.

This project will be facilitated by ECR Asia, with participation from a number of manufacturers and retailers.

Ongoing Industry Activities in Southeast Asia

In addition, the workshop agreed on a strong pledge to continue to pursue four underlying initiatives:

- Strengthening industry associations
- Collective lobbying of government
- Adoption and implementation of industry best practices
- Support, development and implementation of standards

India: Four Key Projects Agreed

In assessing the prominent trends, the Indian workshop group found that certain opportunities were common among multiple trends. The four key projects agreed cut across the different trends and focused on collaborative logistics, standards implementation, category management and training/education. ECR India is committed to supporting these four initiatives.

India Project: Collaborative Logistics

The collaborative logistics initiative is committed to improving supply chain efficiency in India. It aims to drive agreement on industry standards, pursue agreement on identifying and developing common logistics hubs, and improve the overall efficiency of the entire value chain.

Wal-Mart, CHEP and Johnson & Johnson have agreed to lead this initiative.

India Project: Standards Implementation

The standards implementation initiative endeavours to support data sharing in India. It aims to establish the foundation for data sharing by industry-wide

compliance with Global Trade Identification Number Information (GTIN), Global Location Number (GLN) and Global Data Synchronisation Network (GDSN) standards.

GS1 India will lead the initiative. All workshop participants have pledged to support GS1 India in this drive.

India Project: Category Management

The category management initiative will address emerging markets. Manufacturers and retailers will work together to drive category management and improved customer service.

Unilever and Metro will lead the initiative.

India Project: Training/Education

The training/education initiative will address the Indian skills gap. It seeks to transform Indian retail by developing an all-inclusive training programme and fostering the programme's success by encouraging the participation of major stakeholders, including government and industry associations.

The Federation of Indian Chambers of Commerce and Industry will drive the initiative.

Japan: Two Thrusts for GCI Japan

The GCI Japan board has approved the commencement of the FVC workgroup (Future Value Chain) from October 2008. This group will work towards problem solving and collaboration throughout the value chain of the future and will use the global project as a template.

Two areas of output from the 2018 workshop, in particular, will be incorporated in the FVC scope:

- Sustainability, through the formation of an environmental sub-committee with specific focus on the opportunities for collaboration throughout the supply chain, the sharing of best (worst) practice information, assessment of environmental protection measures and the eco-education of consumers.
- Wellness and safety, again through the creation of a wellness and safety sub-committee that will focus

on the creation of information disclosure standards, the standardisation of safety and wellness rules throughout the supply chain, the consolidation of safety standards and a mapping of food defence measures.

Asia Conclusions: Finding Common Ground

Asia is known as a land of contrast and the three Asian workshops demonstrated the amazing diversity across the region. However, there are also areas of common ground among the markets, with global trends having widespread impact, albeit with different 'local' twists.

Similarities with the Wider Global Market

Certain global trends and developments impact strongly on Asia. For example, global technology developments – in both the consumer and business-to-business arenas – will be important in the Asian industry. Not being burdened with 20th-century technology infrastructure gives Asia the capability to leapfrog the West. This is seen as a significant opportunity, as adoption will be able to grow quickly.

The use of all mobile consumer technologies will empower consumers and provide new opportunities for retailers and manufacturers. On the business-to-business side, there is a major opportunity for information sharing to extend collaboration among value chain partners.

Sustainability is another common theme, although the level of urgency varies from country to country. There is significant industry drive to improve collaboration on sustainability topics, including addressing NGO activities and consumer awareness.

Across Asia, industry will have more and greater opportunities to lobby government involvement, on areas like sustainability, raw material prices (including energy) and trading models.

Differences with the Wider Global Market

Consumer segmentation changes will also be an important factor in the evolution of the future value chain in Asia. There are, however, some differences within the continent. In highly populated China and India, in particular, the importance of low-income consumers will prevail – with a valuable opportunity

for our industry to serve their needs. In Japan the growing number of elderly people, with specific needs such as health and wellness, and significant spending power offers an opportunity for tailored products and services.

Another difference – in the developing Asian countries – relates to the gradual transition towards modern trade and the establishment of hybrid business models, where traditional and modern trade structures co-exist.

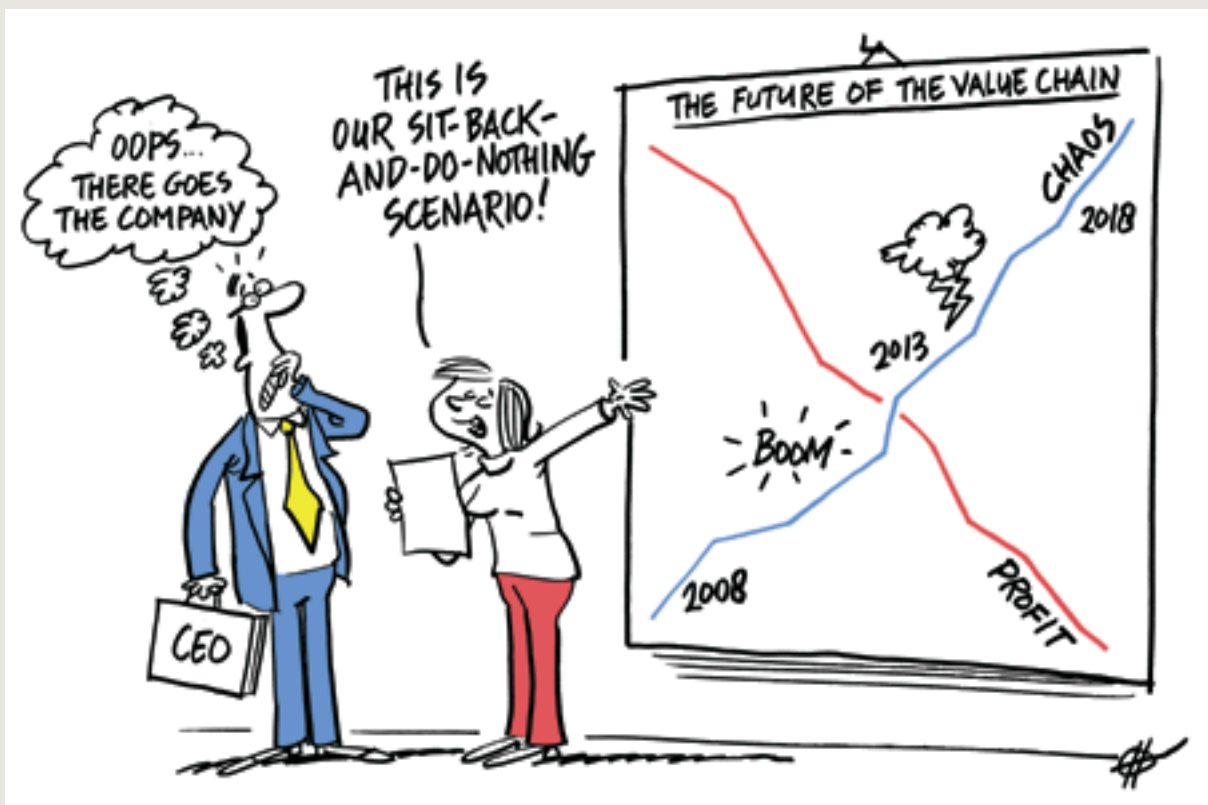
Asia Next Steps

In all Asian regions a number of follow-up initiatives have been identified. These all have a regional flavour – but in many cases they will also be able to leverage the learnings and practices from similar pre-existing initiatives elsewhere in the world.

Not being burdened with 20th-century infrastructures gives Asia the capability to leapfrog the West.



Conclusion: Choose Our Future



The bottom line resulting from our 2018 workshops is clear: What got you here, won't get you there!

The next 10 years are expected to bring as much change as we saw in the last 50. The difference between success and failure in the consumer goods industry in the coming decade will be our ability to adapt to these changes.

The conclusions of the report are clear:

- Despite the tough economic, social and environmental climate that we operate in, there are many opportunities for our industry to continue to grow and to better serve our consumers' needs.

- Greater collaboration between trading partners, sharing of leading practices, better use of information, standards and technology, and aligned lobbying are all things our industry should do now to ensure that we are ready for 2018.

- The 2018 workshops have, therefore, proposed global, regional and national projects. The CEOs of our industry need to commit their companies to lead, engage in and support these projects together with related industry programmes. Without this commitment these projects will not succeed.

The workshops that focused on Asia exposed the amazing diversity across the region, but at the

same time, they highlighted the similarities in the challenges being faced and in the opportunities open to our industry.

This means that Asia can learn a great deal from the global projects that are under way and the leading practices that have been identified in Europe and North America. This is particularly relevant in areas such as collaborative transportation and logistics, the implementation of information standards and information sharing.

The West can also learn much from Asia in many areas. Additionally, without the hindrance of the historical baggage carried in the West, Asia has the opportunity to leapfrog the West. This is most noticeable in areas ranging from the use of consumer technology to the development of alternative channels to serve the needs of consumers, from the newly affluent to the low-income.

Call to Action

1. We urge you to read the full report to evaluate what actions you need to take today to ensure

that our companies and our industry are ready for the challenges and opportunities for 2018. (See accompanying table for a list of the project areas.)

2. Use this report as a catalyst to promote discussion within your organisation, find an internal sponsor to drive your company's own assessment and implementation (the 23 questions asked in the 'Are You Ready for 2018?' section on the following page should help you assess your company's readiness for the future), and, finally, initiate pilot projects with you partners.
3. There are a number of global, regional and national projects and initiatives that can help us as an industry to better serve the consumer of 2018. We ask that you commit your company to lead, engage in and support these projects and the related programmes. These initiatives will help ensure that we arrive in 2018 with a thriving industry that is meeting consumer needs in Asia and across the globe.

Industry Initiatives Linked to Trends

Project Areas	Projects Identified by Workshops				Trends							
	Global	SE Asia	Japan	India	Declining economy	Changing society	Raising cost & scarcity of raw materials	Sustainability	Consumers & technology	Availability of info in the supply chain	Business model change	Product safety
New ways of working together	X											
Collaborative transport	X	X	X	X			X	X		X	X	
POS & distributor database	X	X		X		X			X	X	X	
Implementation of global information standards	X			X					X	X	X	X
Industry training/education	X			X		X					X	
Safety initiative	X		X						X	X		X
Government lobbying	X	X	X				X	X				X
CO ₂ measurement & reduction program	X	X						X				

Are You Ready for 2018?

To be successful in 2018, companies will need to have a number of capabilities in place. To help determine your readiness for the challenges and opportunities that lie ahead on the road to the future value chain, it is important to ask yourself the following questions regarding the key trends and initiatives for 2018:

Declining Economy

- How will your company invest in developing new business models?
- Do you have a portfolio that anticipates consumer down-trading?

Changing Society

- How well are you tracking consumer behaviour and are you leveraging consumer insights with your trading partners?
- Do you have programmes under way to serve very low-income consumers (affordable, available and appropriate products)?
- Do you have a portfolio that responds to the new consumer segmentation?

Rising Cost and Availability of Raw Material

- Are you actively looking for alternative ingredients?
- Have you allocated increased funding to R&D?
- What measures are you taking to calm price and supply volatility?
- What opportunities are available for combined industry research into new technologies?

Sustainability

- How would a charge of €50 per tonne of CO₂ emissions impact your company?
- Are you preparing your company to measure and report the company's total environmental impact and footprint? How about for each product and service? And are you ready to share that with your trading partners? And your consumers?

Consumers and Technology

- Will you be able to manage an effective two-way communication with your, say, 200 million consumers on an individual basis? Will you be able to deal with the vast amount of data that will be generated through the new dialogue?
- Do you have a mobile commerce strategy in place – ideally together with your trading partners?
- How do you deal with a growth of home shopping of 10% per year?

Business Model Change

- How quickly and well can you adapt your choice of channel and format as well as product portfolio to respond to the different needs and markets? Are you as agile as your consumer?
- How efficient is your current supply chain for both rural and urban distribution?
- With shipping costs climbing and real estate prices falling, are you prepared to radically overhaul the physical location of your supply chain?

Availability of Information in the Supply Chain

- Are you prepared to share sales data in a standardised way to improve the collaboration with mutual benefits – free of charge?
- How close are your business systems and operations to a full and consistent implementation of GS1 standards?
- Could you imagine sharing your physical logistics with a competitor?

Health, Wellness and Safety

- Will you be able to recall a contaminated product in one hour?
- Do you have full control over the safety of your production, distribution and usage of your product, up- as well as down-stream?
- Is your company involved in a joint initiative related to consumer health and wellness (for example, through a joint product development or an education initiative)?



Appendix

Resources

Please check the following websites for further information:

www.gci-net.org
www.futuresupplychain.com
www.ecr-net.org
www.aim.be
www.ciesnet.com
www.fmi.org
www.gmaonline.org

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About the Global Commerce Initiative (GCI)

The Global Commerce Initiative (GCI) was established in October 1999 as a voluntary platform. Its mission is to lead global value chain collaboration through the identification of business needs and the implementation of best practices and standards to serve consumers better, faster and at less cost.

It is a network created by the member companies and sponsors to simplify global commerce and link the value chains to improve consumer value.

GCI operates through an Executive Board composed of senior representatives of more than 45 companies drawn equally from manufacturing and retailing that do business across continents or via global supply chains. It works closely with seven partner organisations – the regional ECR Initiatives, four trade associations (AIM, CIES, GMA and FMI) and the standards organisations GS1 and GS1US – representing more than 1 million companies in the world.

For more information about the Global Commerce Initiative and questions raised by this report, please contact:

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About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience® - and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 83,000 people worldwide.

More information about our services, offices and research is available at www.capgemini.com

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About SAP

SAP is the world's leading provider of business software and has been serving consumer industries for 30 years. More than 3,000 consumer products companies and more than 2,000 retailers worldwide use SAP software, which meets the needs of companies ranging from small businesses and midsize companies to large global organizations. Powered by the SAP NetWeaver platform to integrate, drive innovation, and enable business change, SAP for Consumer Products and SAP for Retail solutions are helping enterprises around the world become more consumer-driven and achieve profitable and sustainable growth.

More about SAP in consumer industries is available at www.sap.com/industries

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About HP

HP, the world's largest technology company, provides printing and personal computing products, IT services, software and solutions that simplify the technology experience for consumers and businesses.

HP is well-positioned to help retailers and consumer goods manufacturers take full advantage of technology to achieve better business outcomes. HP's capabilities include an industry-leading portfolio of technology infrastructure, software and services -- as well as the experience gained from facing many of the same issues you face each day. HP is an on-line retailer (shopping.hp.com; snapfish.com) and a major consumer goods manufacturer, with an industry-leading range of consumer electronics products. In addition, HP operates one of the world's largest commercial supply chains reaching out to over 100,000 retail outlets around the globe.

This practical experience provides HP with wide-ranging expertise, including:

- Business intelligence and data warehousing
- Supply chain visibility and RFID capabilities
- Point-of-sale (POS) solutions
- Outsourcing, at the store and enterprise levels
- Decision-support services

We welcome your call or email to discuss how technology powers your retail or consumer goods business.

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www.hp.com/go/consumergoods



Building the Future Value Chain

For this report, 130 people, representing local and international retailers and manufacturers, third-party partners, academia and industry associations, took part in four workshops: in Utrecht, the Netherlands, Hong Kong, Mumbai and Tokyo.





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