BUILDING STRATEGIES FOR THE NEW DECADE

FUTURE VALUE CHAIN
2020

The Consumer Goods
FORUM
The Global Network Serving Shopper & Consumer Needs

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FOREWORD

From Nigel Bagley, Unilever, and Dr. Gerd Wolfram, METRO Group, Co-Chairmen, 2020 Future Value Chain

The Future Value Chain initiative operates on two connected and complementary platforms: the report and the workshops.

In your hand is the third Future Value Chain report, "Building Strategies for the New Decade." This report lays out the trends that will most impact our business over the next 10 years. It presents the strategic objectives that will help us, as a collective industry, to continue to meet the needs of our ever-changing shoppers, consumers and communities. And it demonstrates how the programs under way in The Consumer Goods Forum will help us to achieve those objectives.

But it is on the second platform, the workshops, that the Future Value Chain, we believe, now provides the biggest benefits.

In the five years that the Future Value Chain initiative has been operating, more than 400 professionals from our industry have directly engaged in workshops that have taken place in Europe, North America, Latin America, Asia and Australasia.

It is at the workshops that the Future Value Chain project comes alive. Participants leave the workshops excited and enthusiastic.

During the 2008 workshops, in Hong Kong, a participant from a regional retailer told us: "In the 10 years I have been in this industry, I have never before sat down with my industry partners and talked frankly about how, by working together, our industry can better serve our joint consumers."

In the same year, in India, we were told that "this workshop has brought together leaders from the biggest businesses in India in a way that has never happened before."

And in this year's workshops we have seen, again, fantastic participation and concrete outcomes:

- In Australia the workshop team is now working with government on establishing the blueprint for a collaborative supply chain.

- In the Netherlands and Mexico the output from the workshops has become the central theme for those countries' industry programs.

- A communication platform developed in the U.S. workshop is now being adapted for global use as part of The Consumer Goods Forum's "Knowledge Sharing" pillar.

- The "GS1 in Europe" workshop has resulted in significantly better alignment between national GS1 programs and the global vision.

Since this last round of workshops we have also seen many national associations, as well as individual companies, initiating their own workshops based on the Future Value Chain framework.

This is where the real success of the program lies; in the way that the principles and concepts are being adopted across our industry to drive real collaborative action that delivers value to our consumers.

Our reward for leading this initiative is to see and hear that enthusiasm.

From Jean-Marc Saubade, Managing Director The Consumer Goods Forum

It is with great pleasure that we share this third Future Value Chain report with you.

This initiative is one of the cornerstones of The Consumer Goods Forum program and continues to bring valuable and usable deliverables into the Forum.

This current report uniquely provides us with the opportunity to consider the many activities that we have under way in The Consumer Goods Forum in relation to the 10-year vision for our industry. In particular, we can review our program against the industry objectives that have emerged from the workshops.

I am pleased to see that the initiatives and projects under way across the Forum's five strategic pillars are right on track to deliver these objectives.

Sustainability, the Shared Supply Chain, Consumer Technology and Health and Wellbeing are all topics that we address today and will continue to address tomorrow. And we look forward to the Future Value Chain initiative continuing to help us bring the right focus across our portfolio.

Success, though, comes through implementation of these programs by our members and across the industry. In this, I ask for your continued support and engagement on the Forum's initiatives and projects.
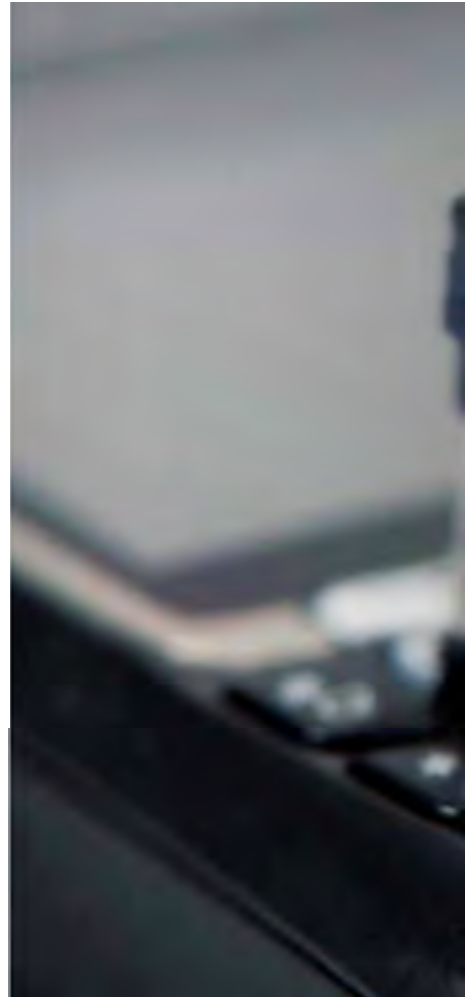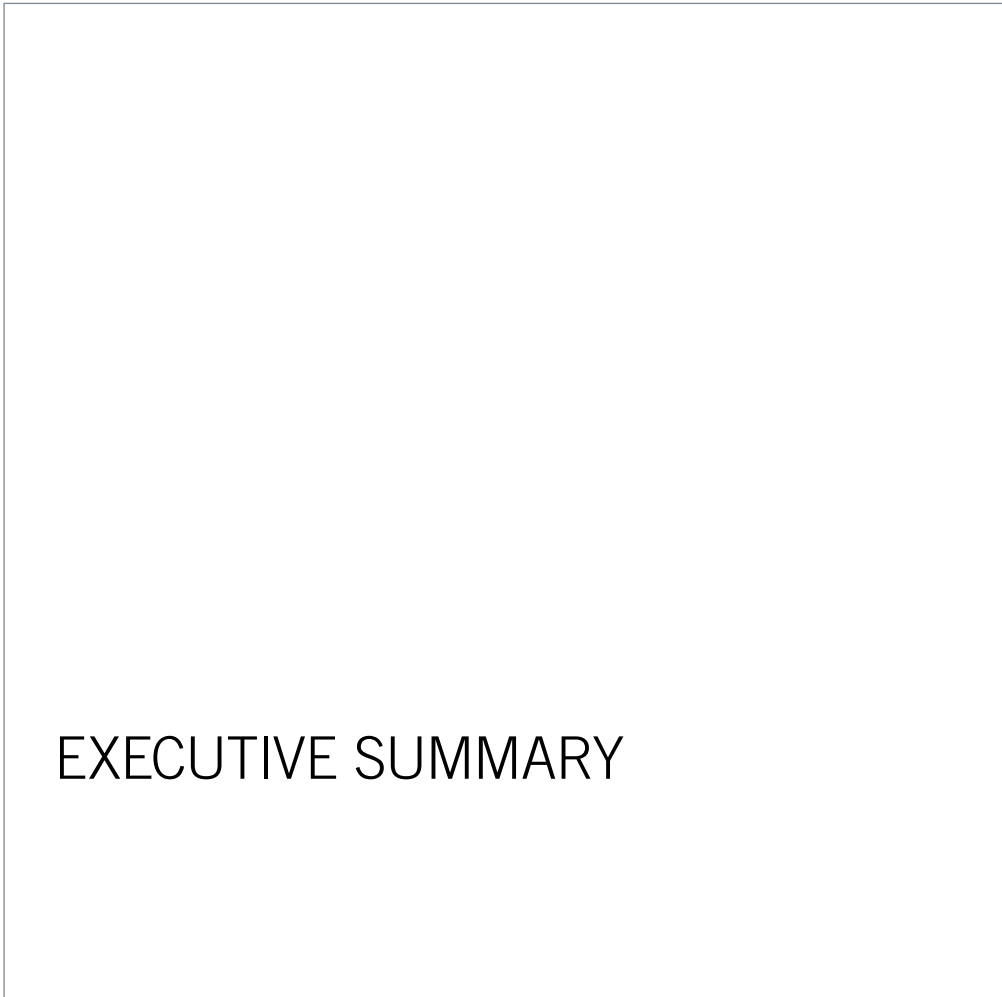
EXECUTIVE SUMMARY

What do you want to achieve in 2020? Are you focused on making your business more sustainable, optimizing a new shared supply chain, engaging with technology-enabled consumers or helping consumers improve their health and wellbeing? Do you expect to achieve all this by yourself, or will you look for collaboration?

Our ability to achieve these objectives is essential for the success of the consumer goods industry over the coming decade. This lies at the heart of the 2020 Future Value Chain project.

In the conclusion of the prior "2018 Future Value Chain" report, we noted that the difference between success and failure in the consumer goods industry in the next 10 years would be our ability to adapt to rapid and significant change. This is still true. However, it is clear that success will also require focused strategies and effective tactics – for individual companies and for the industry as a whole.

This new report provides the industry and companies with the framework – in the form of **trends**, **objectives** and **tactics** – to build strategies and action plans for 2020. And the time to act is now.

Trends: What Is Driving Our Objectives

The first phase of the 2020 Future Value Chain project involved identifying and analyzing the trends that will have the greatest impact on our industry in the coming 10 years. Twelve global root trends were identified that address change in society, shopper behavior, environment and technology.

"2020 Future Value Chain" on the Web
More information about the "2020 Future Value Chain" report and program can be found at www.FutureValueChain.com.

1. **Increased Urbanization** and the rise of megacities will impact the size of stores, logistics and the supply chain, and distribution infrastructures, among other factors.

2. **Aging Population** will have economic and political consequences related to the amount of money spent on necessities like food and drink, and the type of delivery services, store formats and locations offered to older consumers.

3. **Increasing Spread of Wealth** will lead to a growing middle class in developing regions, impacting consumption and availability of food items and providing a source of growth for manufacturers and retailers.

4. **Increased Impact of Consumer Technology Adoption** will be reflected not only in consumers' own behavior but also in their ability to influence the buying behavior of other consumers as the use of social and digital media continues to spread.

5. **Increase in Consumer Service Demands** will define new service models, offered via the Internet, that move beyond selling individual products and will bring different types of "solutions" to consumers and shoppers.

6. **Increased Importance of Health and Wellbeing** will have significant ramifications as sales of healthful products and services are expected to nearly quadruple in the coming five years.

LOCAL IMPACT IN A GLOBAL CONTEXT

During the course of the 2020 Future Value Chain project, a series of workshops was held, including a global session, a pan-European workshop and country-specific workshops in Australia, France, Mexico, Netherlands and the United States. These markets were selected to provide a broad cross-section of the industry. The objective of these country workshops was to examine the most relevant trends from a local perspective, and from there to define and develop initiatives that could help address these trends.

All workshops used the same Future Value Chain framework and globally identified trends as the starting point, but each country workshop had its own specific focus, depending on the market. For example, in Australia the group chose to focus on developing a sustainable supply chain with a goal of helping to shape the overall sustainability agenda. In the U.S. the team determined that creating a sustainable value chain and engaging with technology-enabled consumers were particularly relevant in their market. In Mexico the group focused not only on trends like technological developments and product safety, but also on crime and national security.

Throughout this report, you will find sidebars that take a close-up look at the country workshops. Note: For a closer look at Asia, please see the earlier report, titled "2018 Future Value Chain: Succeeding in a Volatile Market," which highlighted the results of similar workshops held in Hong Kong (focused on Southeast Asia), India and Japan.

7. **Growing Consumer Concern about Sustainability** will lead consumers to look to governments and companies to play a major role in combating climate change.

8. **Shifting of Economic Power** to countries like China and India will cause trade areas to evolve and a new generation of globally competitive companies from these developing markets to emerge.

9. **Scarcity of Natural Resources** like energy, water and food will become a growing issue as demand is projected to outstrip easily available supplies over the next decade, resulting in increasing production costs.

10. **Increase in Regulatory Pressure** will be seen particularly for hot-button areas like the environment, sustainability and food safety.

11. **Rapid Adoption of Supply Chain Technology Capabilities** will enable a more synchronized value chain with greater visibility and traceability.

12. **Impact of Next-Generation Information Technologies** like cloud computing will lead to a new way to deal, jointly, with business and technology in the consumer goods industry.

Objectives: What We Want to Achieve
The overall impact of these root trends is significant, and will require a fundamental change in the way consumer products companies and retailers run their businesses and serve consumers and shoppers. Things not only need to be done differently, they also need to be done collaboratively. By working together – not only as an industry but also with governments, NGOs and consumers – we can achieve collectively what none of us can achieve alone.

The analysis of the trends was the starting point to help the industry determine what our strategic objectives – defined as "what we want to achieve" – should be for the next 10 years. The 2020 Future Value Chain project went through a thorough process to identify the global strategic objectives on which the industry should focus. The objectives identified were:

1. **Make Our Business More Sustainable**

2. **Optimize a Shared Supply Chain**

3. **Engage with Technology-Enabled Consumers**

4. **Serve the Health and Wellbeing of Consumers**

The trends link to these objectives. For example, trends such as scarcity of natural resources and increased regulatory pressure will be direct change drivers for the industry's supply chain in the coming decade. And the rapid adoption of consumer technology and the increase in consumer service demands will require industry and companies to rethink the way they engage with technology-enabled consumers.

These four industry objectives are not only relevant at the global level; they also apply at the regional and country levels, although sometimes with differences in their "accents" and degree of impact.

Tactics: How We Will Achieve Our Objectives as an Industry

After knowing *what* we want to achieve, the next step is to determine *how* to achieve it. The good news is that we don't have to start from scratch to develop tactics that address the four global strategic objectives. A wide range of global programs are already in place, as demonstrated by a review of current initiatives run by The Consumer Goods Forum under the organization's pillars of Sustainability, Safety and Health, and Operational Excellence.

Matching the four strategic objectives with the current scope and strategic priorities of The Consumer Goods Forum shows good alignment. All four objectives are addressed in global industry initiatives and projects, many of which are outlined in this report. The respective global, regional and local organizations will need to continue to work closely to align their activities, provide company-driven focus on some key priorities and help avoid duplication of efforts.

How to Use the Future Value Chain in Your Company

From the first Future Value Chain project in 2006 it was clear that companies were taking the Future Value Chain ideas and output and using them internally to drive their own thinking and actions.

There are at least three ways companies can leverage the Future Value Chain in their own business:

1. **Apply the Future Value Chain framework inside your company.** The recommended and proven three-step Future Value Chain framework (Trends, Objectives, Tactics)

includes a company track that can be used to help businesses develop long-term action plans to respond to the external trends.

2. **Implement the relevant tactics and ideas from the Future Value Chain initiative.** In addition to industry global, regional and local programs, many initiatives that address the four strategic objectives are already ongoing inside companies. A sampling of these initiatives is presented in this report to offer ideas and inspiration.

3. **Challenge yourself to see how robust your 2020 strategy really is.** Of course, your company already has strategies in place. And of course, you believe that you are addressing the trends in the market that are relevant to you. But is your strategy really robust in the context of the rapid and dramatic changes that will impact the industry over the next 10 years? We recommend you challenge yourself with the list of questions presented near the end of the report.

A Call to Action for the Industry

The conclusions of the report are clear:

- To be ready for 2020 (and 2018 and 2016) we need to **increase the collaboration** across our industry.

- The Consumer Goods Forum companies need to **fully support** the Forum programs – and the appropriate regional and local programs that are under way.

- Companies across our industry need to **challenge themselves** on how prepared they are for 2020.

- Companies should use the Future Value Chain framework to **develop a strategy and tactical plan** that responds to the external shopper, consumer and societal trends.

The following pages provide a close-up look inside the 2020 Future Value Chain: the **trends** that will have the greatest impact on the industry for the coming 10 years; the **objectives** on which the industry should focus; and the **tactics** that will help us achieve these objectives. We strongly recommend you 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 of 2020.

THE EVOLUTION OF THE FUTURE VALUE CHAIN

A windowless hotel meeting room at Schiphol Airport in Amsterdam was the birthplace, in 2005, of the Future Value Chain initiative.

In the room was a handful of executives from leading manufacturers and retailers who were meeting to discuss how our global industry associations could move to the next level in facilitating collaboration across our industry. Collaboration that would bring benefit to our shoppers and consumers as well as removing inefficiency from our shared business activities.

The consideration of this next level did not imply that the industry was not progressing well on areas of collaboration. In fact, the first few years of the new century saw tremendous progress, including the merging of EAN and UCC to create GS1, the collaborative principles of ECR being institutionalized within our businesses, and the development of a series of business case reports by the Global Commerce Initiative on programs such as Global Data Synchronization and the Electronic Product Code.

So, you might ask, why did the people in that Schiphol meeting room think there was a need to look for another level?

The answer was simple. Much of the success taking place around the industry activity was based on concepts and ideas that had been developed in the 1990s or even earlier. But the new century was bringing change at a phenomenal pace, change that would fundamentally impact our industry and would trigger the need for new collaborative business models for our industry.

The explosion of consumer communication and technology – from social networking to the mobile Internet – is perhaps the most visible change. But if you cast your mind back 10 years, how focused was your company in 2000 on environmental sustainability, obesity or increasing regulatory pressure?

At the Schiphol meeting the view was taken that while we, as an industry, should continue to fully support the programs under way, we also needed to establish a think tank that would develop a collective future vision and response for our industry in light of the rapid changes.

Hence the establishment of the Future Value Chain initiative.

The objectives were clear. The Future Value Chain initiative would:

- Provide the consumer goods industry with a comprehensive, connected and updated view of the critical trends that will impact companies over the coming decade, with a goal to identify action plans that address these trends.

- Identify key areas where we believe companies should collaborate in order to successfully manage the value chain.

- Identify, initiate and implement appropriate industry activities.

From the outset, clear principles were also established:

- The initiative would publish a report every two years that would be based on a 10-year perspective.

- Input would come from workshops that would bring together experts in marketing, supply chain, sales, commercial and across the business. This would ensure that the initiative reflected what our industry felt – it would truly be an initiative *by* the industry, *for* the industry.

- While the initiative would benefit from the support of consultants it would not be a consultant project.[1]

2016: A Vision of the Future Value Chain

In mid-2006 the 2016 Future Value Chain project kicked off with two global workshops that involved nearly 80 people.

The resulting report, "2016: The Future Value Chain," was launched in late 2006. The report laid out a series of scenarios of how our consumers would behave and how our industry would operate in 2016. Each of the report's three key findings led to the creation of a global industry project. The findings were:

- **The industry must *Redefine the 2016 Supply Chain*.** The ensuing project has specifically focused on the industry's physical supply chain and has designed an integrated supply chain model that takes into account sustainability parameters as well as traditional measures.[2]

- **Trading partners must more readily and freely *Share Information in their Bi-Lateral Relationships*.** To address this a project was launched to examine how the industry can better share information, the barriers

that prevent it, the benefits that can be derived from doing so, and the possible technical solutions that could enable it.

- **The industry must *Develop New Ways of Working Together*.** A senior executive team was established to address innovative forms of collaboration between manufacturers and retailers. Aimed at stimulating sustainable changes in culture, collaborative business planning and new measures and rewards, the New Ways of Working Together framework has been adopted for The Consumer Goods Forum's Operational Excellence pillar.

The report was well received across the industry. Regional and national associations (including ECR and GS1) took the report to heart and starting aligning their programs to the report outcomes and to the three new global projects. Individual companies internalized the findings, challenging their own business to see how prepared they were for 2016. Board-level presentations at a number of companies confirmed the significance of the findings.

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1 In this respect the project has benefited in the past five years from the support of Capgemini, which has acted as lead consultant and has provided independent facilitation of the workshops and reports.
2 For more information see www.futuresupplychain.com.

2018: Succeeding in a Volatile Market

For the second iteration of the initiative in 2008, the team decided to drill down from a global perspective to regional and national levels.

The choice of region to focus on was simple: Asia. In addition to the rapid economic growth in the region, Asia also contains extremes on just about every aspect of our industry. An emerging middle class on one hand, a massive low-income population on the other. Rapid migration to urban environments coupled with vast under-populated rural expanses. Global leadership in technology in a region dominated by a supply chain infrastructure decades – and, in some cases, centuries – old.

One of the takeaways from the 2018 report was that despite the apparent differences among regions and countries, the regional priorities and the local priorities were nearly always fully aligned. At all levels the need for greater collaboration and improved efficiencies are apparent. Countries may be at different places on a spectrum but it was the same, globally applicable spectrum. This meant that global collaborative programs really are applicable at regional and national levels and that learning in one market can easily benefit other, seemingly very different, markets.

2020: Building Strategies for the New Decade

As a result of the outcomes of the Asian workshops several regional and national associations approached the Future Value Chain team through 2009 looking to run workshops in their markets to help them build their own industry work plans.

This, coupled with the use by member companies of the "2016 Future Value Chain" report internally to trigger long-term strategic planning, led to a refocusing of the Future

Value Chain initiative. The focus shifted to providing a framework to help the industry and individual companies understand the trends that impact our business, envision how they will impact, and then formulate plans to benefit our business from those changes.

Collaboration and, of course, the global industry projects under way in The Consumer Goods Forum would remain the platform for resulting actions.

The Future Value Chain Framework

The Future Value Chain framework was developed in an iterative process throughout the eight workshops that took place in the 2020 project between February and September 2010. The framework's roots are in the "scan," "focus," "act" methodology that has been used successfully in all the Future Value Chain project workshops since the initiative started in 2005.

These three phases have now been translated to:

- **Trends:** Understanding what is happening in our world and how it will impact our industry or organization in the next 10 years.

- **Objectives:** Identifying where the industry or organization wants to be in 10 years, what it wants to achieve.

- **Tactics:** The activities that must start now to enable the industry or organization to achieve its 10-year objectives.

Through a facilitated workshop, project participants progress through the three phases, arriving at a set of tactics that will help them achieve their objectives and be well positioned for the anticipated trends.

The framework allows for two tracks: an industry track and a company track.

The industry track would be used by global, regional and national associations to formulate strategic non-competitive industry objectives and to set a tactical agenda based on collaboration. The company track would be used by individual companies to set their own strategic objectives and competitive agenda.

For both the company and the industry tracks, however, the starting point – trends – would be the same.

It is also the case that industry objectives and company objectives should have common themes. And, in the tactics, a company may include engagement with trading partners on industry projects as part of its tactical plan. So the two tracks are continually connected.

While different countries or regions may have different priorities, we have found that the same trends and objectives come through at both the global and local levels.

This new report presents the findings from the 2020 Future Value Chain workshops and provides the industry and individual companies with the framework to plan for 2020.

BUILDING STRATEGIES FOR THE NEW DECADE
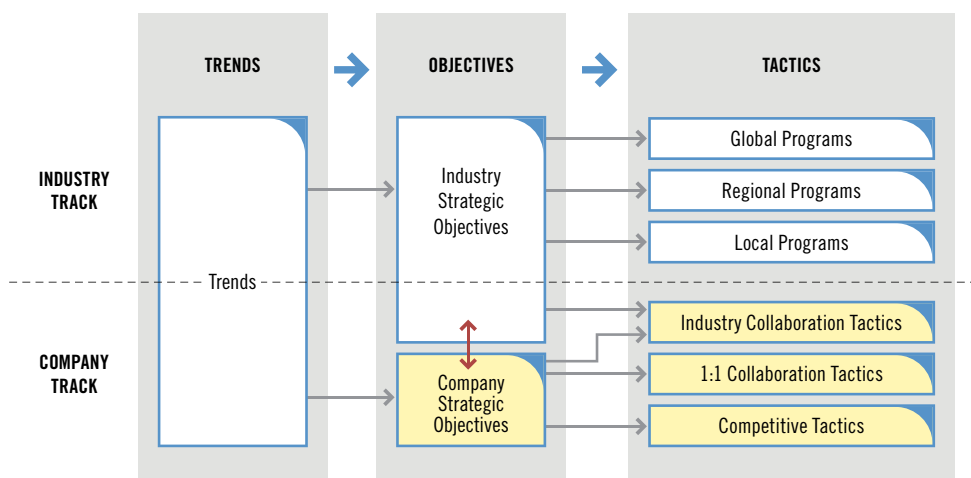
THE FUTURE VALUE CHAIN INITIATIVE

What started in 2005 with a handful of executives from a few leading manufacturers and retailers has grown over the years to include more than 400 participants from across the industry as well as academia, logistics service providers, consultants and subject matter specialists.

Consider a few facts about the Future Value Chain:

2016 Future Value Chain
- The 2016 project involved two global workshops held in Utrecht in the Netherlands and Chicago in the U.S.

- Participants comprised nearly 80 people from retailers, consumer products manufacturers, logistics service providers and technology companies.

- The project was led by the Global Commerce Initiative and endorsed by AIM - European Brands Association, CIES - The Food Business Forum, ECR Europe, Food Marketing Institute (FMI), Grocery Manufacturers Association (GMA), GS1, GS1 US and Voluntary Interindustry Commerce Solutions (VICS).

2018 Future Value Chain
- The 2018 project involved 130 participants representing local and international retailers and manufacturers, third-party partners, academia and industry associations.

- Four workshops were held: a global workshop in Utrecht, the Netherlands; an Asian regional workshop in Hong Kong; a Mumbai workshop focused on the Indian market; and a Tokyo workshop focused on the Japanese market.

2020 Future Value Chain
- The 2020 project involved nearly 200 participants in eight workshops.

- Two global workshops were held, one at the start of the project in Brussels, Belgium, and one at the end that took place at Les Fontaines (Chantilly) in France.

- A regional workshop was held in Antwerp, Belgium, for GS1 in Europe, along with country workshops in Australia, France, the Netherlands, U.S. and Mexico.

While different countries or regions may have different priorities, we have found that the same trends and objectives come through at both the global and local levels.

TRENDS: WHAT IS DRIVING OUR OBJECTIVES

The speed of change is accelerating. Organizations and industries must respond faster and faster. But how do we ensure that change happens *for* us instead of *to* us? And that decisions are made with full information?

The first phase of the Future Value Chain framework addresses these questions by identifying and analyzing the trends that will have the greatest impact on the industry for the coming 10 years.

Starting with extensive research as a foundation, the trends and scenarios were developed with engagement and input from different functions and backgrounds across the industry as well as input from academia and consultants – all jointly addressing these trends from their different perspectives through facilitated interactive workshops. The net result is seeing beyond the obvious.

For the 2020 Future Value Chain project 12 global root trends were identified that address change in society, shopper behavior, environment and technology.

These trends should not be considered in isolation. It is important to understand the influence that the trends have on each other. Increasing urbanization, for example, can impact availability of resources; the increasing spread of wealth is a factor driving the shift of economic power; and rapid consumer technology adoption has led to greater service demands in the web-based economy.

The combined effect of trends will also result in new trends being identified. For example, the growth of online shopping is a trend that is driven by four of the 12 global root trends: increased urbanization (in densely packed cities smaller retail outlets will not be able to carry the range that shoppers ask for but home delivery can source from the wider assortment of a warehouse), the aging population (older people don't want to carry heavy shopping bags back from the store – and they are computer literate!), the increased impact of consumer technology adoption and the increase in consumer service demands.

The Future Value Chain approach of looking beyond the ordinary and identifying the unexpected consequences of the root trends is instrumental to the development of the industry strategies and tactics. These global trends provide an excellent starting point for any organization embarking on a Future Value Chain project.

Let's have a closer look at the 12 identified root trends.

1.   Increased Urbanization
Over half of humanity now lives in cities, and there is no end in sight for urban growth. By 2050, roughly 70% of the world's population will live in urban centers.[3] The number of cities with populations greater than 8 million is expected to double by 2015.[4] Many of these megacities will be in Asia, but also in Africa, Europe and Latin America. By 2020, Mumbai, Delhi, Mexico City, Sao Paulo, New York, Dhaka, Jakarta and Lagos all will have achieved metacity status (more than 20 million people).[5]

Among the consequences of urbanization for the consumer goods and retail industry will be a shift to smaller-footprint stores, with no room for unproductive inventory. In addition, the industry will face significant supply and logistical challenges, and new distribution infrastructures will be required. The industry has an opportunity to work with cities that will massively invest in modernizing and expanding their infrastructures.

SURVIVING IN MEGACITIES
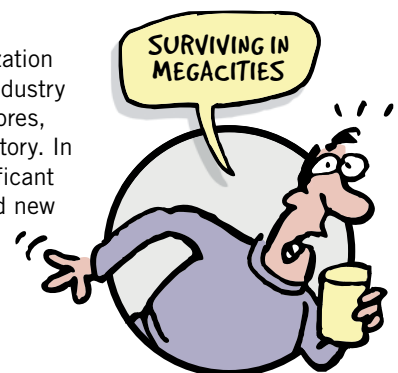
[3]   "Siemens anticipates massive investments worldwide in sustainable urban infrastructure," 360 Degree View of Money, http://www.sathyamurthy.com/finance/2009/12/siemens-anticipates-massive-investments-worldwide-in-sustainable-urban-infrastructure/#ixzz13y8PJRmA, Nov. 25, 2009
[4]   "Long Term Global Demographic Trends: Reshaping the Geopolitical Landscape," CIA, 2001
[5]   "UN-Habitat: State of the World's Cities 2006/7," UN-HABITAT, 2007
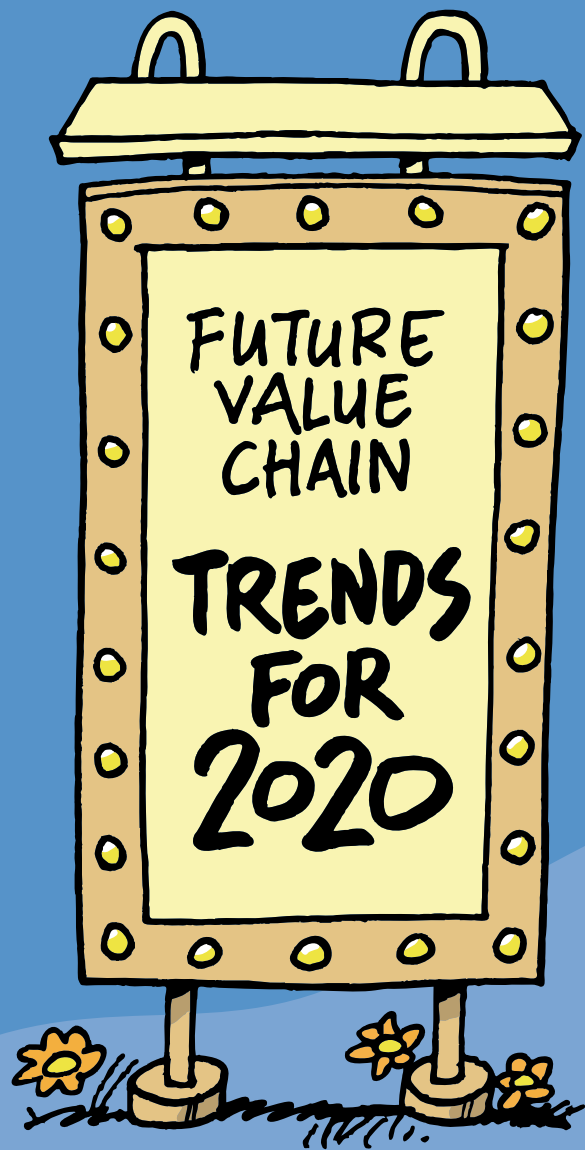
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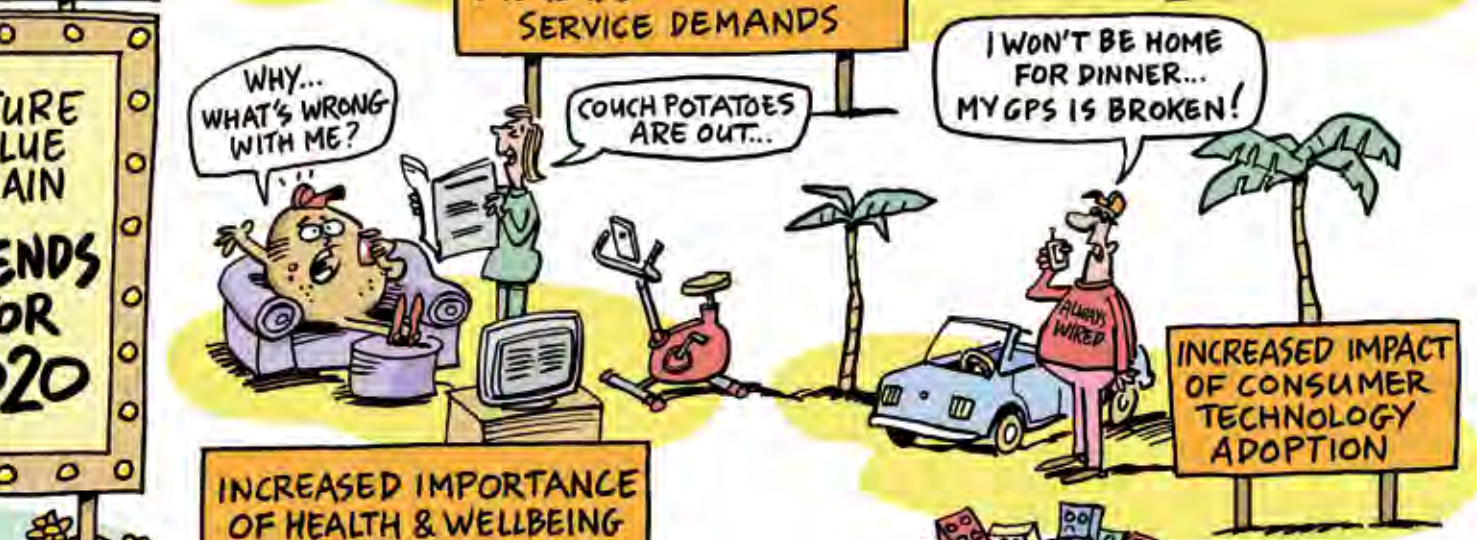
Older consumers have substantial economic power and devote a greater proportion of their total expenditure to necessities like food and drink.

2.   Aging Population

The aging of societies will have unexpected economic and political consequences. The view of an older population as being relatively poor does not hold up. Older consumers, in fact, have substantial economic power and devote a greater proportion of their total expenditure to necessities like food and drink and housing, fuel and power than do younger households.[6] In many countries, consumers 50 and older may soon represent the majority of the voting public, making it harder to implement political policies that adversely affect them.[7]

Retailers will need to consider changes to their business model to accommodate the needs of an older population. This might include shuttle services, more home delivery, wider aisles, stores in nursing homes and assisted-living facilities, large-print labels, among other developments.

At the same time, population aging will likely depress growth rates in advanced economies, while more youthful developing countries may enjoy a growth boost as working-age populations increase. Even with productivity increases, slower employment growth caused by the shrinking workforce in some countries will likely reduce already tepid GDP growth, impact labor supply and put pressure on social programs.
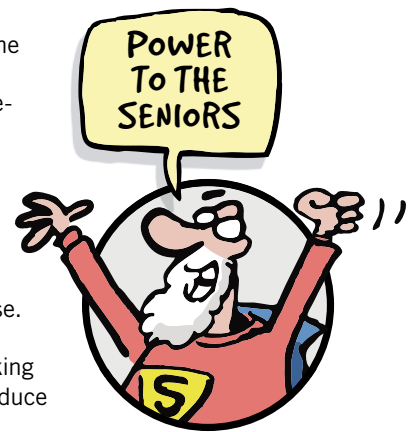
3.   Increasing Spread of Wealth

The middle class, particularly in developing regions, is rapidly expanding, with the population in low- and middle-income countries with purchasing power parity (PPP) expected to triple by 2030.[8] In 2000, developing countries were home to 56% of the global middle class; by 2030 that figure is expected to reach 93%.[9]

The rise in the developing world's middle class will lead to an increase in consumption, which may have implications for availability and price of commodities like oil and food-stuffs. It may also result in protectionist policies by countries with a middle class that feels threatened by growth abroad. But the new middle class will also be the source of growth for manufacturers and retailers.

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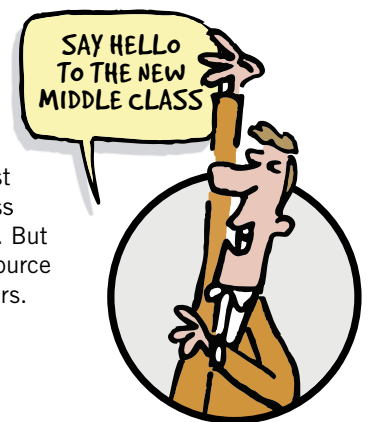
6   "Is business ready for an ageing nation?" Department for Business Innovation & Skills, March 2010

7   "How will demographic change affect the global economy?" www.imf.org, 2004

8   "Global Economic Prospects," The World Bank, 2007

9   "The New Global Middle Class: Potentially Profitable – but Also Unpredictable," Knowledge@Wharton, July 2008

4. Increased Impact of Consumer Technology Adoption

Over the next 10 years, shoppers will continue to become more empowered through the use of new communication technologies. The growth of mobile features and device convergence such as wallet phones will drive mobile commerce. By 2013 more than 2 billion mobile users globally will have made a purchase via their handsets.[10] At the same time, store visits will be enhanced by dynamic digital displays and personalization through a hand-held device or the customer's own phone.

The use of these new tools will impact not only consumers' own behavior but will also influence the buying behavior of other consumers as the use of social media continues to spread. Keys to success will be selecting the right social communities to effectively interact with the target consumer groups, managing communication on the sites, and determining how to leverage the huge amounts of online consumer data. Consumer products and retail companies will need to become more transparent and collaborative in their interactions with shoppers while keeping a close eye on privacy concerns.

5. Increase in Consumer Service Demands

The exponential growth and adoption of consumer technologies will drive new levels of service demands by shoppers and consumers. We will see the rise of a stronger web-based service economy, giving consumers greater choice of shopping options and improved transparency. In this environment, consumers will expect and demand services 24/7. The most prominent occurrence of this trend is shown by the expected impact of sales via the Internet: Over the next decade the online channel will grow to 25% to 30% of total retail sales, up from the current 4% to 15%.[11]

This trend will also define new service models, offered via the Internet, that move beyond selling individual products and will bring different types of "solutions" to consumers and shoppers.

6. Increased Importance of Health and Wellbeing

Health, safety and wellbeing are increasingly important to consumers as well as to manufacturers and retailers, and will have significant ramifications in the future as shoppers place greater attention on more healthful products as well as healthier lifestyles. Emerging consumer segments like LOHAS (Lifestyles of Health and Sustainability) will help drive the safety and health market in the next decade.

In the U.S., for example, the LOHAS market is estimated to comprise approximately 19% of the adult population, representing a market of 41 million consumers.[12] Sales from LOHAS consumers are expected to nearly quadruple in the coming five years.
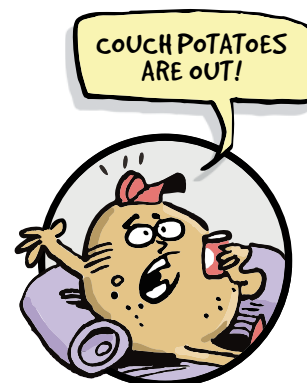
[10] "Fifth of online retailers use mobile microsites to push promotions," Retail Bulletin, November 2008
[11] "Future Channel Shopping," Capgemini, 2009
[12] "Going Green: The Future of the Retail Food Industry", www.ats.agr.gc.ca, March 2009

7. Growing Consumer Concern about Sustainability

Consumer awareness and carbon-footprint regulations are expected to significantly increase, as consumers look to governments and companies to play a major role in combating climate change. According to the Natural Marketing Institute (NMI), the green marketplace in the U.S. is predicted to grow from $420 billion in 2010 to $845 billion by 2015.[13]

Food and beverage and personal and household goods sectors are particularly exposed to carbon-emissions costs and future regulation risks due to their relatively high levels of emissions compared with revenues. Waste is also becoming a key focus of sustainability discussions. In the food industry, in particular, there are major waste losses due to inefficient processes across the value chain. At the consumer level, 14% to 26% of purchased food in the United States and around 25% of food and beverages in the United Kingdom are wasted in households.[14]

CARBON FOOTPRINT SCARIER THAN BIGFOOT
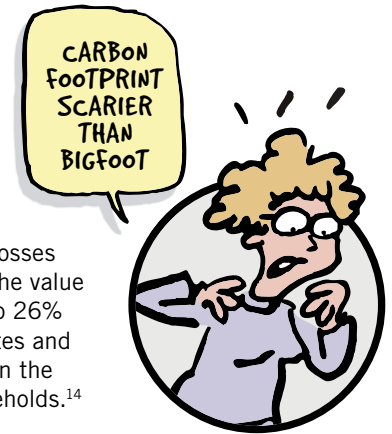
8. Shifting of Economic Power

In the next decade new economic powers like China and India will continue to rise. China's share of total world GDP in terms of PPP has increased from 7.1% in 2000 to 13.3% in 2010 and is expected to reach 20.7% by 2020. China will overtake the U.S. to become the world's largest economy as early as 2017.[15] And by 2012, India will have overtaken Japan to become the world's third largest economy, with GDP accounting for 5.8% of the world total in PPP terms.[16]

As this power shift occurs, a volatile global economy will remain the norm for the coming decade. Trade areas will evolve and a new generation of globally competitive companies from developing markets will emerge, helping to further solidify their position in the global marketplace: Brazil in agribusiness and offshore energy exploration; Russia in energy and metals; India in IT services, pharmaceuticals and auto parts; and China in steel, home appliances and telecommunications equipment.

The recent recession has severely affected the global commodity markets, thereby calling into question the impact future recessions may have on global economic growth across most industries. In addition, although this cannot be predicted in great detail, the occurrence of disruptions such as natural disasters, military conflicts and terrorism will have a great impact on the economy.

THE POWERS OF TODAY WILL NOT BE THE POWERS OF 2020

China will overtake the U.S. to become the world's largest economy as early as 2017. And by 2012, India will have overtaken Japan to become the world's third largest economy.

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[13] Ibid

[14] "Driving Sustainable Consumption: Value Chain Waste," World Economic Forum, October 2009

[15] Euromonitor International from IMF, International Financial Statistics and World Economic Outlook/UN/national statistics

[16] Ibid

9. Scarcity of Natural Resources

By 2030, the world's population will reach 8.3 billion, with the demand for food and energy increasing by 50% and for fresh water by 30%.[17] This growth will continue to put pressure on natural resources like energy, water and food, with demand projected to outstrip easily available supplies over the next decade, resulting in increasing production costs. The USDA, for example, expects unit costs of cereal production to rise by up to 15% by 2016-17.[18] The industry will need to collaborate to address sustainability in business practices going forward, particularly as consumers consider sustainability aspects in their buying decisions.

Energy: As the cost of fossil fuel remains volatile and supplies finite, an energy revolution could occur in the coming decade with wind and solar becoming viable sources of energy in some parts of the world.

Water: Water-related disruptions in the agricultural supply chain will have a dramatic impact on the industry's economic performance. Additional challenges may come in the form of plant siting obstacles in water-stressed countries and stricter water policies.

Food: Global economic growth and climate-change impact on the availability of food ingredients will lead to volatile food prices over the next decade. Food prices will also be impacted by the use of raw material for generating alternative energy like biofuels. As food demand increases, pressures on quality and safety will also mount.

10. Increase in Regulatory Pressure

Over the next decade regulatory pressure is expected to increase, particularly for hot-button areas like the environment and sustainability. The recent global economic meltdown serves as a timely reminder of the inter-connected nature of global trade today, and how without proper regulatory frameworks in place, companies could face significantly worse scenarios.

Food safety will also be a key focus for regulatory action. For example, China, Japan and Korea have signed a food safety pact that enables the three nations to notify each other immediately if a food safety problem surfaces and to clarify the process of investigation.[19] Activities to improve the effectiveness of food safety recalls will need to be addressed.
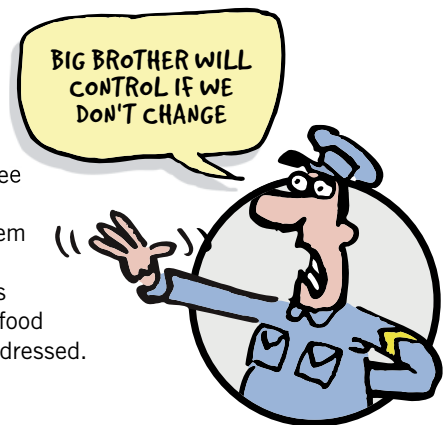
The industry will need to collaborate to address sustainability in business practices going forward, particularly as consumers consider sustainability aspects in their buying decisions.

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[17] "Rising food prices: A global crisis," Overseas Development Institute, 2008
[18] Ibid
[19] "China, Japan, South Korea sign food safety pact," www.ap-foodtechnology.com, November 2009

11. Rapid Adoption of Supply Chain Technology Capabilities

In the coming decade, improved collaboration together with new supply chain/logistics technologies and information transparency will enable a more synchronized value chain with greater visibility and traceability. Already 73% of fast-moving consumer goods companies say they have implemented or improved logistics-related technology tools or enablers.[20]

We will see an increasing ability to constantly read, analyze, exchange and react to information inside and outside the company boundaries. Visibility will be enhanced by suppliers that have access to better demand signals, enabling them to efficiently use their capacity and other resources. Communication and high-quality data sharing will be the most critical factor in successful collaboration. EDI, GDS and RFID will be key enablers for this supply chain transparency in the future.

12. Impact of Next-Generation Information Technologies

Information technology will no longer be just an indispensable support function, but an expansion of the organization's intelligence, a universal connector, the way to become adaptive. With executives, employees, partners, shoppers and consumers experiencing information technology in a new way, with business making technology its own, there will be a new way to deal, jointly, with business and technology in the consumer goods industry.

New waves of business technology solutions will enable manufacturers and retailers to quickly and dynamically simulate, describe, model, execute and manage business processes – for example, to collaboratively manage promotions, categories, inventories or joint value chain performance. This opens up vast opportunities for new value and innovation. In addition, new technology solutions (readily deployable on-demand via the Internet, the so-called "cloud") will help companies to free themselves from current constraints provided by often inflexible and costly IT landscapes.
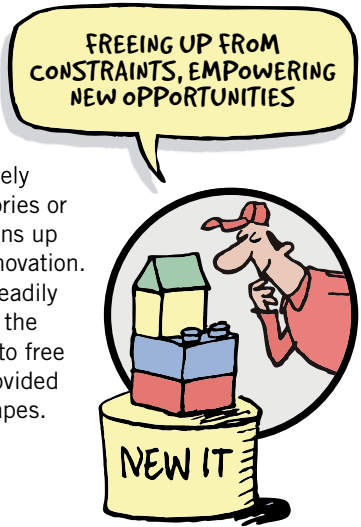
Establishing a clear understanding of these trends and the potential impact to our industry led to the identification of the strategic objectives that will help the industry – and companies – to set the agendas for 2020.

[20] 2010 Third-Party Logistics Study, Capgemini, September 2010

OBJECTIVES: WHAT
WE WANT TO ACHIEVE

The overall impact of all these root trends is significant, and will require a fundamental change in the way consumer products companies and retailers run their businesses and serve consumers and shoppers. Things not only need to be done differently, they also need to be done collaboratively. By working together – not only as an industry but also with governments, NGOs and consumers – we can achieve collectively what none of us can achieve alone.

The analysis of the trends was the starting point to help the industry determine what our strategic objectives – defined as "what we want to achieve" – should be for the next 10 years. The 2020 Future Value Chain project went through a thorough process to identify the global strategic objectives on which the industry should focus its energies. The objectives identified were:

1. **Make Our Business More Sustainable**

2. **Optimize a Shared Supply Chain**

3. **Engage with Technology-Enabled Consumers**

4. **Serve the Health and Wellbeing of Consumers**

The true power of these objectives is based on the fact that they result from a synthesis of extensive research on the identified trends blended with the outcomes of the country and global workshops.

The trends link to these objectives. For example, trends such as scarcity of natural resources and increased regulatory pressure will be direct change drivers for the industry's supply chain in the coming decade. And the rapid adoption of consumer technology and the increase in consumer service demands will require industry and companies to rethink the way they engage with technology-enabled consumers.

These four industry objectives are not only relevant at the global level; they also apply at the regional and country levels. We live in a global world and in local societies at the same time. In each of the country workshops these four objectives were identified as important, although there are different "accents" in different countries or regions. For example, in Mexico the focus of "serve the health and wellbeing of consumers" relates largely to security, as people feel insecure due to the increasing crime rates. And in Australia, because of its particular geographical situation, "optimize a shared supply chain" requires a strong focus on import/export and on urban vs. rural distribution collaboration.

These industry objectives require a new and different type of collaboration within the industry. Let's see what industry success looks like for each of these objectives.

1

Make Our Business More Sustainable: From Niche to Norm

The urgency to achieve a more sustainable business is driven by a number of trends. The continued growth of economies like China, India and Brazil will put a further strain on the world's natural resources, whether food, energy or water. The predicted scarcity of some of these critical resources will increasingly be top-of-mind topics for media attention and societal discussions. People will be more and more aware of the impact of their behavior and be more cautious about the choices they make, as sustainability grows from niche to norm.

In this environment, companies need to take responsibility – in fact, if they don't consumers will force them to do so. The regulatory environment as it relates to environmental issues may significantly change, but the industry has the opportunity to get ahead of it by taking responsibility and acting now.

Sustainability must be viewed holistically, with a lifecycle approach that includes consumer use. This means that influencing consumer behavior will likely be the biggest challenge for the industry and the biggest opportunity to make a difference.

SCARCITY OF NATURAL RESOURCES   GROWING CONCERN ABOUT SUSTAINABILITY   SHIFTING OF ECONOMIC POWER

2020

The View from 2020 – What Success Looks Like: Consumers Trust Our Industry
Future success on this objective is measured simply by the trust consumers put in our industry to be doing the right thing. Trust in the stores in which they do their daily and weekly shopping, and trust in the brands with which they interact on a daily basis.

Back in 2010, consumers were skeptical about "big business," they were wary of "green-washing" and confused about what needed to be done and who needed to do it.

In 2020 consumers see retailers and brand manufacturers working together, collectively, to tackle the big challenges and to help consumers understand the role they play in living an environmentally friendly lifestyle. The important word here, for consumers, is "collectively." The actions that our industry

collectively took since 2010, and led by The Consumer Goods Forum, that addressed hotspots on carbon emissions such as deforestation and refrigeration, demonstrated to consumers that retailers and manufacturers can trust each other. Trust *within* our industry has helped consumers trust *in* our industry.

With a collective voice – using common measures, a common language and consistent messaging also developed by The Consumer Goods Forum – the industry has helped consumers understand the role they play and helped them make the right decisions. This has enabled a significant change in consumer behavior. This was really necessary, since for many of our industry's categories, the consumer use produces the largest climate impact.

This did not negate the opportunity for competitiveness. But competitiveness is delivered by the performance of the brands and stores and by breakthrough innovations that really improve sustainability.

Consumers also benefit in 2020 from greater transparency in our industry. Retailers and manufacturers are open and honest about the impact of their operations and their brands. They openly share their policies and their initiatives and are willing to admit where they have not made the progress they had hoped for and where the hotspots are that they need to focus on.

Consumers in 2020 see that our industry has stepped up to the plate and provided leadership for business in general. By working with our upstream suppliers and encouraging them to join us in our programs – in fact, by making it a condition of doing business with us that they match our industry agreed standards and policies – we have extended our influence over many other contiguous industries.

To summarize, success came when consumers began to trust our industry.

Optimize a Shared Supply Chain:
Collaborate Differently, Compete Differently

There are clear trends that drive the need to optimize and share our supply chains. Increasing urbanization – which leads to strict regulations by city governments – requires new collaborative formats for city distribution. Consumer awareness about sustainability demands a more CO_2-friendly supply of products and services. Increased adoption of consumer technologies, the aging population and growing urbanization will significantly change shopping behavior and will lead, for example, to strong growth in home shopping. This will trigger new mechanisms for home delivery and neighborhood pick-up. The adoption of supply chain technologies

provides further transparency and visibility. New information technologies will enable new ways of collaboration and information sharing among all partners in the value chain.

New business models will focus on "collaborating to compete," as brand-independent and "smart" supply chains emerge where information (including POS, forecast and inventory data) as well as assets (technologies, facilities and fleets) are shared across the value chain. Distribution logistics will no longer be a competitive playing field – but a collaborative foundation that allows for competitive differentiation on other areas on top of that.

2020

The View from 2020 – What Success Looks Like: Supply Chains Are Optimized and Shared

The successful supply chain of 2020 originated from a significant reconsideration of the supply chain model assumptions that existed well before 2010. In addition to key performance indicators (KPIs) focused on cost efficiency and availability, the new model also incorporates parameters such as CO_2 emissions reduction, reduced energy consumption, enhanced traceability and reduced traffic congestion. This next level of supply chain optimization is based on transparency and collaboration.

The 2020 supply chain model is driven by consumers. They are the originators of the demand signal – from home, any mobile location or a store. They are the trigger for an optimized collaborative supply chain flow:[21]

- Production is synchronized with the predictive and actual demand signals from consumers.

- After production the products are shipped to collaborative warehouses in which multiple manufacturers store their products.

- Collaborative transport from the collaborative warehouse delivers to city hubs and to regional consolidation centers.

- Non-urban areas have regional consolidation centers in which products are cross-docked for final distribution.

- Final distribution to stores, pick-up points and homes in urban and non-urban areas takes place via consolidated deliveries using energy-efficient assets.

This model has delivered tangible results on two types of success metrics:

- **Effectiveness measures** such as increased in-stock availability, CO_2 emissions reduction, improved order fill rates, better customer service and reduced lead times.

- **Efficiency measures** like cost reduction, fewer nodes and less handling.
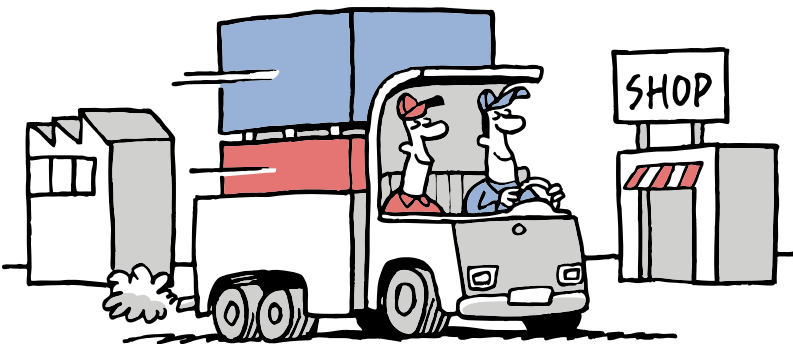
To summarize, success came when supply chain optimization was treated from a total value chain perspective rather than from individual company perspectives.

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[21] This future model is described extensively in the Future Supply Chain vision (as presented in "Future Supply Chain 2016: Serving Consumers in a Sustainable Way," published by the Global Commerce Initiative and Capgemini; see also www.futuresupplychain.com).

3

Engage with Technology-Enabled Consumers: The Consumer in the Driver's Seat

The urgency to engage differently with technology-enabled consumers originates from the enormous increase in consumer technology adoption. Consumers seamlessly integrate the use of all kinds of technologies in their lives and their buying behavior – at any time, at any location. Shoppers will become even more informed and opinionated about the products and services they want and use; they will take greater control over their own lives and will be more empowered towards the industries that serve them. This in itself also has set the stage for a next level of consumer service demands. The good news is that a similar development is taking place regarding business technologies, which enable companies to seamlessly and directly connect their new IT platforms with shoppers and consumers.

Companies will have the opportunity to drive greater value by making a switch from "talking to" towards "engaging with" consumers and shoppers. The shopper and consumer will be in the driver's seat, and the challenge for companies will be to maintain a true two-way dialogue with consumers and shoppers – and to be responsive to their changing needs.

2020

The View from 2020 – What Success Looks Like: Consumers Are Fully Engaged via Technology

It's 2020 and 15-year-old Maria and her friends – all "digital natives" who use technology ubiquitously and intuitively – are sending each other videos over their phone wallets of themselves modeling clothes they're interested in buying. They are all simultaneously commenting and adding accessories online to collectively choose outfits for each other.

James, 35, has all his food basics automatically replenished weekly by his grocery retailer based on the family's "store cupboard" availability, consumption patterns and preferences. He browses the recipe suggestions sent to his mobile and selects a couple each week; the ingredients are automatically added to his delivery. If he is out, the order is placed in his refrigerated "reception box" located at the back of his house.

And 52-year-old Anna shops online as she has for 10 years for gifts and household purchases. In contrast, her time spent in the malls is all about her shopping "inspirience," an experience aimed at inspiring – touching, feeling, trying and getting sales advice about new products and technologies. She usually takes in a

cooking or beauty demo and fashion show during her shopping mall visits. She likes using the location-based services on her phone that link into her social media community, which tell her "on the spot" which of her friends were here and what they liked (and sometimes she locates a friend in a nearby shop – which provides a nice opportunity for lunch).

In 2020 consumer technology has a significant impact on the lives of consumers and every phase of the shopping journey – awareness, choosing, transacting, delivery and aftersales care. The marketplace has become much more transparent (for example, on prices) and trust is key for consumers, who demand personalized dialogues and offerings anytime and anywhere. Generation Z, the digital natives who grew up with the Internet, is now a significant consumer base, but at the same time all other older generations, the "digital immigrants," are heavy users of consumer technologies as well.

Rapid change caused by technology-enabled consumers was not ignored by the industry between 2010 and 2020. We recognized that technologies are much more quickly embraced by consumers than by corporations. We figured out how to effectively interact with consumers via social media networks and provided them with mobile store fronts so they could shop and interact via their smart phones.

By 2020, the industry is viewed by consumers as a trusted source for information due to an effective ongoing dialogue and interaction with clear respect for privacy. The industry has made quantitative progress regarding the standardization and quality of data and information being communicated to and from consumers. Successful companies have included consumer input and control in the design and function of their products and services.

To summarize, success came when we understood how to maintain a true dialogue with consumers via their preferred channels and technologies.

4

Serve the Health and Wellbeing of Consumers: Focus on Quality of Life

Among the trends directly impacting this objective are, of course, the overall increased importance placed on health and wellbeing by societies and consumers as well as the aging population. Consumers increasingly demand convenience and no loss of quality of life. There is strong pressure on the industry to find new ways to inform, educate and engage consumers, governments and other stakeholders.

Health and wellbeing will increasingly become a key focus area for regulatory actions by governmental bodies. For example, food safety will further drive the need for greater transparency in the supply chain and thus will increase the adoption of new supply chain technologies. By taking voluntary and responsible action the industry may have an opportunity to forestall safety and health regulations.

Achieving this objective will require full industry collaboration and a focus on issues such as product safety (both food and non-food) as well as providing healthier choices. In addition, improved collaboration on product recalls is essential in order to achieve a globally common and reliable way to get tainted products off the shelf. And collaboration with consumers will be essential to identify brand innovation trends in the area of health and wellbeing in the future.

AGING POPULATION   RAPID ADOPTION OF SUPPLY CHAIN CAPABILITIES   INCREASE IN REGULATORY PRESSURE   INCREASED IMPORTANCE OF HEALTH & WELLBEING

2020

The View from 2020 – What Success Looks Like: Better Lives through Better Business
Serving the health and wellbeing of consumers in 2020 covers a broad range of aspects, from healthy diets and healthy lifestyles to personal care and hygiene, all contributing to the physical, emotional, spiritual, intellectual and sustainable wellbeing of consumers and shoppers.

The availability of healthy choices for all budget levels and the provision of information and education for consumers and shoppers to make informed choices led to consumers in 2020 having changed their behavior towards a more healthy lifestyle with increased

exercise and moderated intake of calories. Between 2010 and 2020 we saw a decrease in the obesity rates and the number of people with chronic diseases caused by unhealthy behavior. This changed behavior is impacting overall health care costs, social factors, the workplace and the local economic and environmental infrastructure.

In many countries success is also delivered by the availability of affordable healthy food choices to help prevent malnutrition. In addition, the availability and improved quality of water and hygiene has helped reduce the incidence of diseases like cholera and the infant mortality rate.

This has all been established via a new way of working together among governments, consumer goods companies, pharmaceutical companies and NGOs. This has enabled new business models and a dialogue to collaboratively work on concrete solutions.

To summarize, success came when we focused on "better lives through better business."

Now that we know *what* we want to achieve, the next step is to determine *how* to achieve it. The good news is that we don't have to start from scratch to develop tactics for a viable 2020 action plan. Global, local and company programs already under way provide a host of ideas and tools that can be leveraged – as we'll see in the next chapter.

FOCUS ON SUSTAINABLE SUPPLY CHAINS IN 2020

The Australia Future Value Chain workshop focused specifically on developing a sustainable supply chain, with a goal of helping to shape the overall sustainability agenda. As a foundation, the group of 27 participating executives chose to build on the findings of the "Future Supply Chain 2016" study published in 2008 by the Global Commerce Initiative and Capgemini. The report concluded that a sustainable supply chain creates economic benefits to the enterprise such as a 40% reduction in pallet costs and 20% reduction in energy costs. The way to achieve those benefits is through the creation of collaborative frameworks to enable business to work together.

The participants developed four initiatives to take forward:

1. Export/Import Model for Unitized and Bulk Cargo. Two distinct types of import and export tasks are important to Australia: the unitized and bulk freight movements. The major change expected in 2020 will be the improved use of information technology, enabling not just the large players, but all players involved in import and export freight movements.

To successfully adopt and implement the proposed model, the group recommended:

- Land-use planning

- A Virtual Shared Logistics Management System (VSLMS) with open access based on standards and protocols

- A national freight strategy, which includes all relevant nodes

- Greater partnership between the public and private sectors

2. Urban, Inter-Urban, Regional and Import Chain Model. The team focused on developing one cohesive future-state model for urban, inter-urban and regional sustainable supply chains by 2020. To create a step change toward sustainability of supply chains will require a set of guiding principles for the movement of freight in the urban domain. These principles are that large volumes require "conveyor-like" transport lanes; medium volumes require "tram-like" mechanisms; and small volumes need "semi-like" movements.

The team recommended raising the profile of freight with policymakers at all levels, and ensuring that it is firmly on the agenda. To assure the viability of the future-state model, the group also recommended that it be placed in the context of a longer-term vision, beyond 2020.

3. Rural and Remote Model. The team developed one cohesive future-state model for rural and remote sustainable supply chains by 2020. They began by examining the current situation for rural and remote, and decided that due to the nature of this area of supply chains, the status quo should remain and the future-state model need not be radically different from the current state.

However, they identified areas for improvement such as enhanced collaboration to provide open access and economic benefits to the community, particularly with regard to deep-sea ports and bulk commodity movement; the consolidation of local logistics providers and resource sharing to enhance rural and remote supply chains; and improved visibility of information regarding supply and demand to enable the ability to consolidate and smooth demand to ensure sustainable distribution.

The team recommended greater collaboration; greater investment where appropriate by government, private enterprise and public/private partnerships; and consolidation of and better access to data.

4. Communications. The group confirmed that current supply chain trends and regulations are unsustainable and identified a strategy to highlight issues and offer solutions to government, industry and the community. The team developed key messages around the burning platform for change that center on how to ensure that our children's future standard of living doesn't decline in the face of reduced housing affordability, increased congestion, reduced resources, increased costs and increased urban tension from population growth. They noted that these factors, if left unaddressed, will lead to a decline in productivity and international competitiveness.

To move these initiatives forward, the Australia 2020 Future Value Chain group has published a report titled "Future Supply Chains 2020." The report highlights a number of key influences, forces and drivers that the Australian transportation and logistics industry is currently experiencing which the group believes will remain constant or may increase in intensity over the decade ahead. Through a consideration of these influencing forces the group has developed a roadmap for the journey that Australian supply chains will take over the next decade.
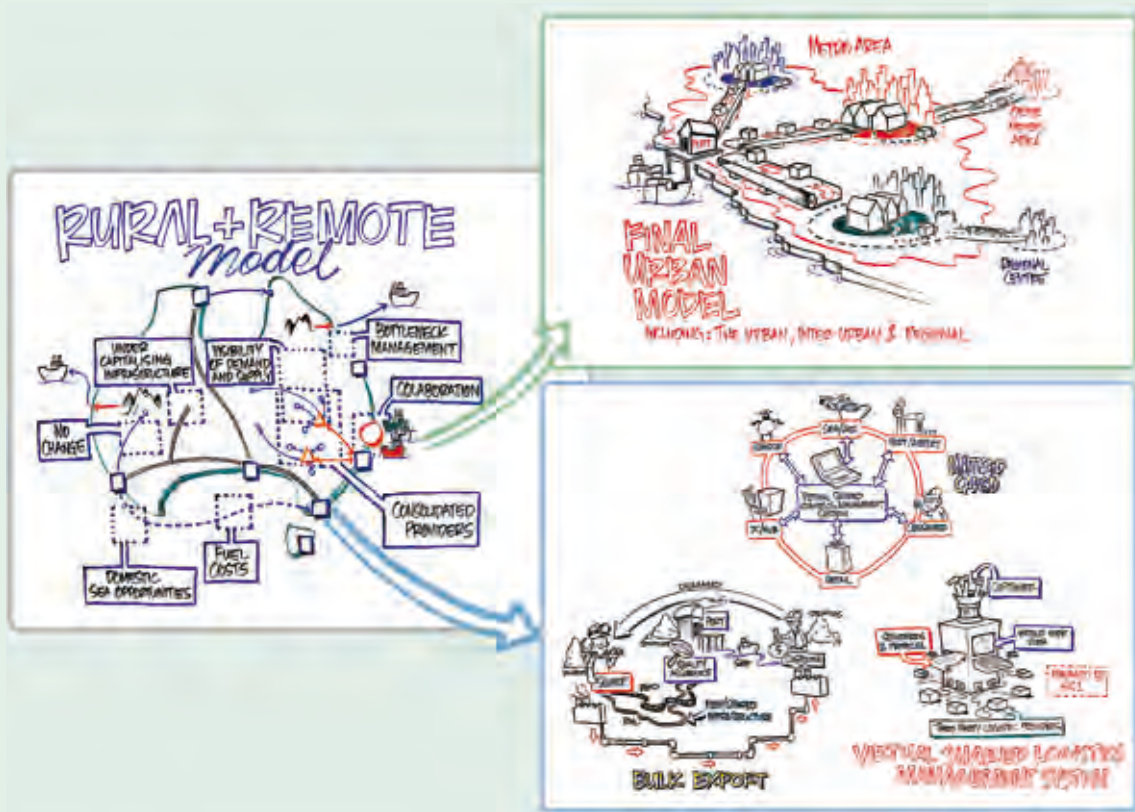
CREATING VALUE FOR THE CONSUMER THROUGH COLLABORATION

The group of 20 participants from manufacturers and retailers in the French Future Value Chain workshop noted that consumption patterns in France are changing and will continue to do so over the next decade as a result of evolving demographics such as the aging population. At the same time, consumers are more informed and aware of their buying choices. These shifts will have a significant impact on the consumer products and retail industry in France in the coming 10 years.

Based on these assumptions, the group addressed six key trends impacting their market:

1. Price vs. value trade-off
2. Multi-channel development
3. Sustainable development across the value chain
4. Health and wellness at the heart of consumer concerns
5. New steps to be taken in collaboration
6. Enhanced upstream or downstream integration for commerce players

The group concluded that effectively dealing with these critical issues would require improved collaboration, with a goal of creating more value for the consumer. They identified three major collaboration areas:

1. Optimize the product delivery to the final consumer. Although initiatives are already under way, there is considerably more that can be done in areas such as sustainable transport, stock reduction, on-shelf availability and production synchronization. However, a question was raised: Do we really want to be transparent on all our costs?

2. Give consumers better information about our products. Product information currently provided to consumers is too limited and not always clear or standardized. It is incumbent upon the industry to provide better information in areas such as health, organic products, carbon footprint, fair trade and packaging. The group determined that standardization of information is a key subject for collaboration. But should it be done at an international level or only in France?

3. Collectively create more value in our categories for consumers. The demand for products and services typically grows faster on the Internet than in physical stores. The challenge is how to optimize this and how to grow the "share of wallet" together. One approach is for manufacturers and retailers to collaborate on researching changing demographics.

The group determined that a further workshop was necessary to take additional steps towards turning these recommendations into concrete activity.

TACTICS: HOW WE WILL ACHIEVE OUR OBJECTIVES AS AN INDUSTRY

A wide range of global programs is already in place to address the four objectives, as demonstrated by a review of the initiatives run by The Consumer Goods Forum.

The Consumer Goods Forum was founded in June 2009 as a global retailer and manufacturer parity industry body, driven by its members. It brings together retailers, manufacturers and suppliers to collaborate across the value chain to enrich shopper and consumer value in all markets. Its vision, "Better lives through better business," is accomplished by "working together to enable the industry to passionately serve shoppers, consumers and communities better, faster, with great value and in a responsible way."

The Consumer Goods Forum addresses common issues collaboratively with measurable plans designed to be acted upon. It builds its work on the Strategic Pillars that are defined by the membership as central to

the future of the business they share. They are shown in the accompanying diagram. As the diagram illustrates, all four strategic objectives are currently already addressed in many of the activities within the five Strategic Pillars of The Consumer Goods Forum.

The Consumer Goods Forum works closely with regional collaborative platforms and the strategic partners and alliances it has identified. One key aspect of this collaboration is to align the activities on non-competitive issues, provide company-driven focus on some key priorities and help avoid duplication of efforts.

Following is a look at the current global initiatives and how they align with the four strategic objectives.*

STRATEGIC PILLARS OF THE CONSUMER GOODS FORUM

EMERGING TRENDS	SUSTAINABILITY	SAFETY AND HEALTH	OPERATIONAL EXCELLENCE NEW WAYS OF WORKING TOGETHER	KNOWLEDGE SHARING
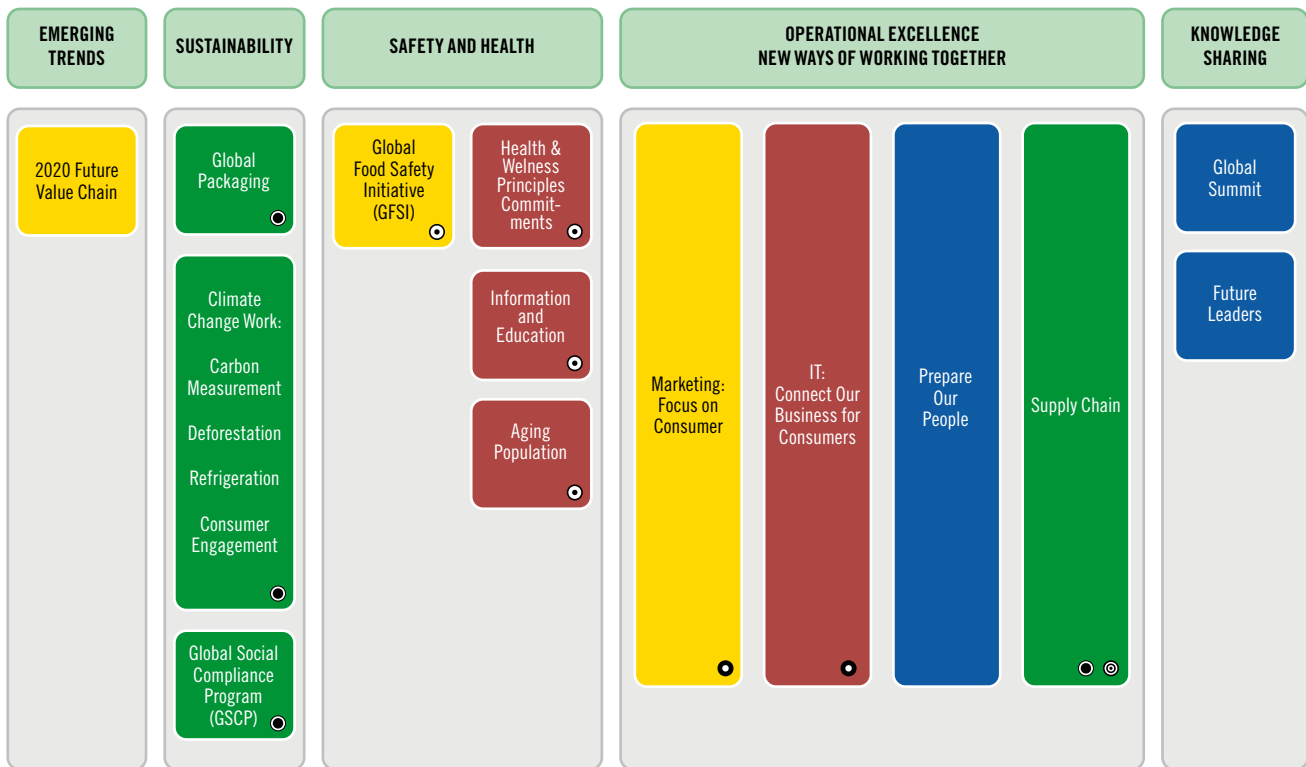
◉ Make Our Business More Sustainable   ◎ Optimize a Shared Supply Chain   ● Engage with Technology-Enabled Consumers   ⊙ Serve the Health and Wellbeing of Consumers

Circles indicate projects where the strategic objectives are primarily addressed in The Consumer Goods Forum.

* No activity of The Consumer Goods Forum, including these initiatives, involves the exchange of confidential or competitive information.

Make Our Business More Sustainable: Towards Collective Action

The Board of Directors of The Consumer Goods Forum has agreed on a **Climate Change Initiative** that encompasses the following four projects:

Deforestation. Deforestation accounts for about 20% of all greenhouse gas emissions. While the causes of deforestation are complex, it is generally acknowledged that the biggest drivers are the cultivation of soya and palm oil, logging for the production of paper and board, and the rearing of cattle. All of these commodities are major ingredients in the supply chains of most consumer goods companies.

The objective of The Consumer Goods Forum project is to minimize the impact that the consumer goods industry has on the degradation and destruction of tropical rainforests. At its meeting in Paris in November 2010, The Consumer Goods Forum's board agreed upon a resolution on deforestation, which includes a pledge to mobilize resources within the respective businesses to help achieve zero net deforestation by 2020 as well as an action plan. The aim is to achieve this both by *individual* company initiatives and by working *collectively* in partnership with governments and NGOs like the World Wildlife Fund (WWF) and others.

Refrigeration. Refrigeration is also a significant and growing source of greenhouse gases. This is because the dominant technology – hydrofluorocarbons (HFC) – is 1,400 times more potent than carbon dioxide as a greenhouse gas. HFCs represent 1.5% of total warming potential today, and are expected to increase to 6% to 9% of total greenhouse gases by 2050 unless we take action.

Again, The Consumer Goods Forum's Board agreed on a resolution and action plan in November 2010: The companies recognize the major and increasing contribution to total greenhouse gas emissions from hydrofluorocarbons and derivative chemical refrigerants. The companies

are taking action to mobilize resources within their respective businesses to begin phasing out HFC refrigerants by 2015 and replace them with non-HFC refrigerants (natural refrigerant alternatives) where these are legally allowed and available for new purchases of point-of-sale units and large refrigeration installations.

Carbon Measurement. The objective of this work is to develop a common, global approach and system for measuring and sharing value chain carbon data. The idea is to enable a simple, cost-effective and consistent assessment of the greenhouse gas/energy in products, processes and services, and provide a strong basis for cooperation across the industry.

Consumer Engagement. A prerequisite to communicating with and educating consumers around sustainability is for the businesses in our industry to agree on using consistent vocabulary. This project will develop a glossary of terms to be used by commercial partners; the agreed language will be used to engage customers in meaningful behaviors. A second phase should take the form of a dialogue with consumers to find and agree on the best ways to motivate them on sustainable consumption. This should in turn lead to specific initiatives on the part of the member businesses – both on an individual company basis and in collaboration

across the various industry sectors – to achieve leadership in engaging and empowering sustainable consumption.

The work of the Forum also includes two key initiatives:

The **Global Social Compliance Program (GSCP)**. The vision is to harmonize existing efforts to deliver a shared, consistent and global approach for the continual improvement of working and environmental conditions in global supply chains. The program provides a cross-industry platform to promote the exchange of knowledge and best practices as well as the convergence between existing labor and environmental standards through a process of equivalence using the GSCP reference tools as a benchmark.

The **Global Packaging Project (GPP)**. This project addresses the need in our industry for a common language to allow for informed debate and better decision making between and within companies on packaging and sustainability. A framework has been developed that considered the role of packaging, the principles of sustainability and addresses how packaging can contribute to improving sustainability. It also includes an overview of the measurement system, which included agreed metrics, indicators and guidance on usage.

Optimize a Shared Supply Chain: Where to Compete and Where to Collaborate?

The global **Future Supply Chain** project is designed to help manufacturers and retailers define their future supply chain and its requirements.

Initiated as a follow-up to the "2016 Future Value Chain" report, the project developed a vision for a new integrated supply chain model that takes into account sustainability parameters such as CO_2 emissions reduction, reduced energy consumption, better traceability and reduced traffic congestion, as well as traditional measures like on-shelf availability, cost reduction and financial performance.

The Future Supply Chain project focuses on concrete initiatives, such as multi-modal transport sharing; multi-retailer, multi-manufacturer distribution sharing; and KPIs.
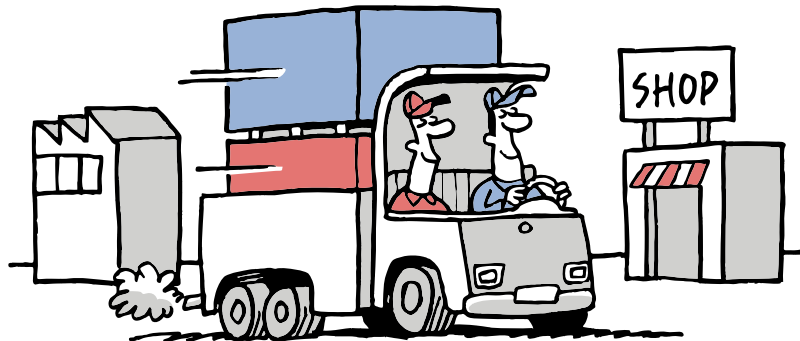
The multi-modal transport sharing project (see accompanying graphic), supported by Capgemini, brought together a group of route experts and logistics directors from 10 manufacturers and nine logistics service providers (LSPs) to look for ways to launch concrete projects. A pilot focus was selected regarding multi-modal collaboration on primary transportation in certain corridors

between East and West Europe. The main benefits identified relate to business continuity ("stay in business"), CO_2 reduction, customer service levels, costs and security. First results from the pilot are expected in autumn 2011.

MULTI-MODAL TRANSPORT SHARING INITIATIVE: AS-IS VS. TO-BE
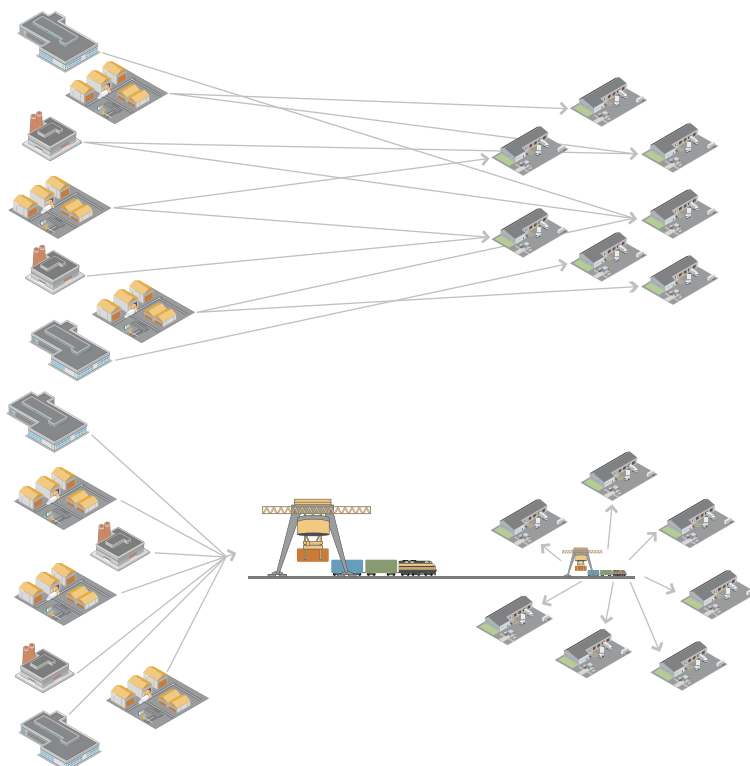
- **AS-IS: 100% Road Transport**
  - Over longer term diesel prices will rise
  - German MAUT (road tax) will increase
  - CO_2 taxation – EU regulations
  - Congesetion increase (unreliable transit times)
  - Trailer theft
  - Short transit times
  - Limited timeslots for lorry transport

- **TO-BE: Multi-Modal Transport Sharing**
  - Less road KM
  - Less personnel required
  - 50%-80% less CO_2 emissions
  - Low cost, provided a critical mass
  - Longer, but more reliable transit times
  - Payload increase (24 tons → 28 tons per trailer)

To enable an effective dialogue with the consumer requires the development of a new-generation marketing model for the industry. This model will focus on a new and collaborative information flow.

Engage with Technology-Enabled Consumers: How to Create a Two-Way Dialogue

In the original "2016 Future Value Chain" report the industry agreed on the need to create a two-way dialogue with consumers in order to better serve them, help them make more informed decisions, and link the store and the home with emerging in-house and consumer technology. However, there is still considerable room for improvement to achieve this goal.

To enable an effective dialogue with the consumer requires the development of a new-generation marketing model for the industry. This model, proposed in the 2016 report, will focus on a new and collaborative information flow. Product data will be divided into:

- **Generic data,** such as traceability information and rich-media product data, including images, will be available for everyone.

- **Differentiating data,** such as special promotions, will only be available to certain customers or customer clusters.

The Operational Excellence Pillar will address this topic in a working group.

A GS1 B2C program currently under way is designed to extend the GS1 global standards to provide consumers with authoritative product information, which they can trust. Pilot activities are in place and an action plan has been agreed and endorsed at the latest Consumer Goods Forum Board meeting.

The goal of the Health and Wellness initiative is to equip the industry with a thought leadership and collaboration platform on non-competitive health and wellness questions among manufacturers, retailers and their common stakeholders.

Serve the Health and Wellbeing of Consumers: Taking Joint Responsibility
Companies can engage in two concrete initiatives from The Consumer Goods Forum:

Global Food Safety Initiative (GFSI).
The GFSI is focused on reducing food safety risks by delivering equivalence and convergence among effective food safety management systems.

Health and Wellness: The goal of this initiative is to equip the industry with a thought leadership and collaboration platform on non-competitive health and wellness questions among manufacturers, retailers and their common stakeholders.

One major initiative is focused on ongoing issues such as childhood obesity by :

- Developing and implementing health and wellness principles and commitments for the consumer goods industry.

- Providing information and education to empower consumers and shoppers to make informed choices for their health and wellness.

Another initiative focuses on preparing for the future by building a clearer understanding of the health and wellness consequences and needs of aging populations.

Clearly, there is no shortage of existing initiatives to help the industry achieve the strategic objectives for 2020. But how does this translate for individual companies? In the next chapter, we look at how organizations can apply the same Future Value Chain framework to their own business and we highlight examples of current company initiatives that address the strategic objectives.

**GS1 IN EUROPE
REGIONAL
WORKSHOP**

ALIGNMENT IDENTIFIED BUT SOME GAPS REMAIN

In addition to the country Future Value Chain workshops, a European regional session was held in Antwerp, Belgium, by GS1 in Europe. Participants were the GS1 CEOs of 24 European countries and representatives from GS1 Global Office, ECR Europe and The Consumer Goods Forum. The objectives of the workshop were to understand the 2020 Future Value Chain program and the globally identified trends; translate this to a country-specific context, including prioritization on the "level of impact"; match relevant trends with current programs and initiatives (GS1 and/or ECR); and understand the role of GS1/ECR in addressing these trends.

The group presented their country initiatives (covering a range of activities on topics like EDI, global data synchronization, data quality, EPC, traceability, B2C/mobile commerce and savvy consumer). In addition, they analyzed the global trends towards 2020 and mapped GS1 country initiatives against those trends. In the area of the shared supply chain, for example, they concluded that GS1 activities cover a wide range of relevant topics, including efficient logistics, CO_2 measurement for transport and warehousing, sustainable warehousing, traceability and product recall, and e-invoicing.

The participants determined that a high degree of overall alignment exists among the various initiatives, but full alignment is lacking. Among the gaps, they identified a need for a single agenda, more transparency on initiatives, a more "managed" sharing of leading practices, and improved alignment within international businesses.

The group also developed a number of tactical next steps. They recommended that The Consumer Goods Forum provide the global direction going forward. Specific actions include developing relationships with government, strengthening long-term stakeholder commitment, identifying "champions of global standards," and maintaining the focus on technical developments by promoting and optimizing the use of existing technology and standards. In addition, GS1 needs to clarify – and communicate – its role in areas such as the use of natural resources and engaging with technology-enabled consumers.

COLLABORATION INITIATIVES ADDRESS CRITICAL TRENDS

The 2020 Future Value Chain workshop in Mexico City, with 30 Mexican representatives of retailers and manufacturers, was divided into four modules: Scan the Trends, Predict Scenarios, Pitch for Collaboration Initiatives and Create a Future Action Plan.

In the Scan the Trends module, four trend areas were selected for analysis:

1. Impact on Society: The group focused on key demographic trends such as the population growth rate and the relatively low education levels in the country.

2. Technological Development: A number of technology trends will impact the country including the growth in the mobile market, the production of services in the local market, the rise of Mexico as a global IT destination, the lack of integrated logistics and security transportation service providers, and the steady growth of e-commerce.

3. Product Safety and the Environment: Increased spending by Mexican consumers on functional/fortified products, low-fat/low-sugar foods, nutraceuticals and organics can be attributed to an aging population and increased concern about health among the general population.

4. National Security: Crime and national security is a critical issue in Mexico due to a number of factors, including an increase in organized crime activity, low prosecution rates, a rising murder rate and the need to train local police forces and support their activities with the proper technological infrastructure and equipment.

From this analysis, the group identified four sub-trends they believe will have the greatest impact on the industry in the next decade: e-commerce, and regulations and politics (in the technological development area), safer and healthier products (product safety and the environment area), and the use of IT as a tool (national security area).

The participants then modeled potential future scenarios to address these sub-trends and developed three collaboration initiatives to support the scenarios.

"For a Healthy Mexico": In this initiative, the focus is on standardization and signaling in production; aligning the government with the initiative; communication at the point-of-sale; reaching consumers through thought leaders; and delivering messages regarding "healthy enterprises." Benefits from this initiative include helping Mexicans become more health conscious, promotion of healthier products, greater transparency of information, cost savings from synergies, and a greater capacity to influence the government.

EPC Implementation – Information Chips: The group identified key steps toward implementation. These include the creation of a business case for change, content alignment/standards adoption,

selection (product/material), development of certified providers and the establishment of pilots. Potential benefits include improved traceability, control of inventory, reduction of loss, more effective distribution networks, and improved ability of the government to track stolen merchandise.

90% of Mexicans Buy and Pay from Mobile Devices: Focusing on the issue of security, the group identified an opportunity to take advantage of the mobile system to link all phone, banking, account and payment information, with cell phones as a universal electronic monetary depository. Benefits of such a system include improved mobility, simplicity, greater efficiency and safety in the use of money, and improved fiscal processes.

For each collaboration initiative a future action plan was developed that identified initiative leaders and specific action steps to be taken.

MEXICO: FROM TRENDS TO INITIATIVES
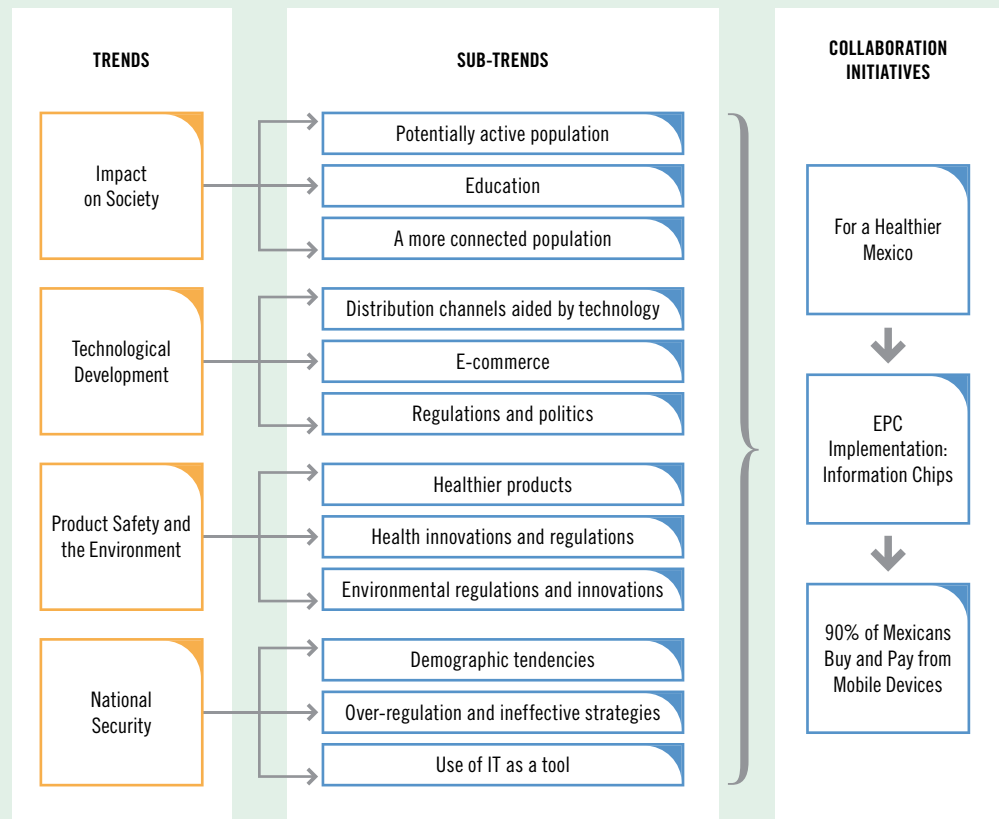
HOW TO USE THE FUTURE VALUE CHAIN IN YOUR COMPANY

From the first Future Value Chain project in 2006 it was clear that companies were taking the Future Value Chain ideas and output and using them internally to drive their own thinking and actions.

There are at least three ways companies can leverage the Future Value Chain in their own business:

1. Apply the Future Value Chain framework inside your company.

2. Implement the relevant tactics and ideas from the Future Value Chain initiative.

3. Challenge yourself to see how robust your 2020 strategy really is.

Apply the Future Value Chain Framework in Your Business
The Future Value Chain framework includes a company track in addition to the industry track. This reflects the growing awareness that individual companies were taking the Future Value Chain ideas and using them within their business to develop long-term action plans to respond to the external trends.

The recommended and proven three-step framework is quite simple to apply.

Step 1: What Are the Trends that Impact My Company's Objectives?
Start by scanning and prioritizing the trends and determining their impact on your company and your company's goals. You will likely find that the same set of trends is impacting your company as the industry overall. More information on these trends can be found at www.FutureValueChain.com.

Step 2: What Strategic Objectives Should We Have Inside Our Company?
The next step is to establish an aligned focus on your strategic company objectives within the context of the industry objectives. When individual companies use the Future Value Chain framework they will focus primarily on strategic objectives to differentiate themselves in the market and achieve long-term business success (for example, "we will be ranked number one by our customers for service" or "we will be a zero carbon company").

However, the Future Value Chain initiative has repeatedly demonstrated that companies need to work together in order to sustain their business in the long term – simply because many of the trends cannot be addressed effectively by individual companies on their own. For this reason, alignment between the overall industry objectives

BUILDING STRATEGIES FOR THE NEW DECADE
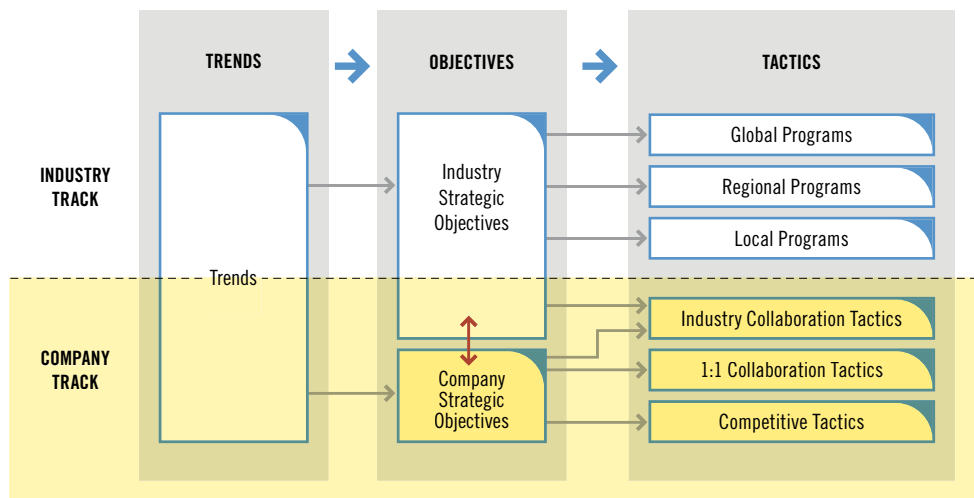
and the individual company objectives is important, and this will give direction to where you need to differentiate and where you need to collaborate.

Step 3: What Tactics Do We Need to Put Into Place to Achieve the Objectives?
As the third step, you should develop an action plan that includes tactics to achieve the identified objectives and identify stakeholders willing to lead the initiatives. Consider what competitive and collaborative activities are already going on inside your company that may address these objectives. In addition, you should identify global and local industry programs that could be leveraged in your organization and determine if gaps exist that need to be addressed.

You should define a roadmap consisting of a coherent set of industry initiatives, one-to-one collaborative initiatives and competitive activities that you should embark on in order to be successful. You will need to prioritize these initiatives, determine the necessary resources and organize for them based on the importance they deserve.

Implementation: Existing Company Programs Address Strategic Objectives
Once you have applied the framework to your organization, take the next step and implement an action plan that can help realize your strategic objectives. In addition to industry global, regional and local programs, many initiatives are already ongoing inside companies that address the four strategic objectives. Companies have submitted examples of initiatives under way that are shared herein as examples.[22]

In some cases the examples focus on industry collaborative tactics involving multiple companies; in others, the tactics involve one-to-one collaboration between companies; and in still others, individual company initiatives are highlighted.

Further information about these and other projects can be found on www.FutureValueChain.com.

Make Our Business More Sustainable
Many companies are addressing the issue of sustainability with programs ranging from a sustainable aquaculture initiative in Vietnam's Mekong Delta to a dynamic pricing and promotion system that helps reduce fresh produce waste. Following are a few examples:

- **Unilever and ASDA-Walmart** launched the "Family Kitchen" in-store program in the UK to communicate directly with shoppers about the difference they can make to the environment and to their families' wellbeing.[23]

- **METRO Group** is developing a sustainable aquaculture program for fish and shrimp in the Mekong Delta in Vietnam. The program

involves farmers and processors in Vietnam, the World Wildlife Fund, GlobalGAP (Global Partnership for Good Agricultural Practice), the government of Vietnam and others.

- **Nestlé** has put in place, with the required long-term investments, a cocoa plan to help tackle key issues facing cocoa farmers, their families and communities in order to create a better future for cocoa farming. It covers all aspects of a cocoa bean's journey, starting with farmers and ending with the consumer. A similar plan also exists for coffee.

- **Henkel, General Mills, Nestlé Unilever, Carrefour, Cadbury** and other industry companies are members of the Roundtable on Sustainable Palm Oil, which was formed in 2004 to promote the growth and use of sustainable palm oil products through credible global standards and engagement of stakeholders. Additional roundtables exist for soya and other important agricultural commodities.

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[22] Examples are included only for projects in the public domain.
[23] "Consumers, Business and Climate Change," University of Manchester SCI, 2009

- **Coca-Cola Hellenic** recently opened an energy-efficient bottling plant in Northern Ireland that includes a combined heat and power system and other features designed to cut CO_2 emissions by up to 66% while supplying excess clean electricity to the local power grid. Coca-Cola Hellenic Belarus is also working to conserve the large Yelnya peat bog in Belarus. The project is helping to protect species of rare birds and plants and counteract the emission of greenhouse gases.

- **Albert Heijn,** in collaboration with Capgemini and other partners, implemented an intelligent waste management solution to reduce food waste in stores that is based on adjusting the messaging on electronic signs to reflect changes in pricing, product information, promotions and plan-o-grams. The system compares predicted and actual sales rates and analyzes expected deliveries and current stock levels to determine what predefined measures must be executed to avoid overstock or imminent out-of-stock situations.

- **Kraft Foods** has made sustainability a key part of its corporate culture with a wide range of programs, including waste reduction, sustainable agriculture, and reduction of packaging material using a tool called the Packaging Eco-Calculator. The calculator enables packaging developers worldwide to positively affect the environmental impact of the packaging systems they create.[24]

- From the sands of the deserts in Inner Mongolia **PepsiCo China** has established a highly productive agricultural development producing potatoes, wheat and corn. PepsiCo has installed the necessary infrastructure (roads, electric supply), water-conserving pivot irrigators and sand dune stabilizing crops (sand willows, trees) to protect from erosion caused by sand storms. By partnering with local farmers, the result is a rotation of commercially viable crops (winter wheat, potato, sorghum and corn) with an initial

water savings of 30% by moving from traditional flood irrigation to pivot. With further evolution from pivot to drip irrigation, the aim is to conserve 50% of the water needed over traditional farming methods.

Optimize a Shared Supply Chain
The issue of a shared supply chain is being addressed with company initiatives that include shared transport and shared data to standardize business processes, drive efficiency and enable faster innovation. Examples include:

- **Danone Dairy** is working with **Carrefour** in France to leverage supply-driven shopper insights based on near real-time (daily) transaction (POS) and inventory data at store level. This not only enables optimization of shelf availability, but also improves the effectiveness of innovations (new launches) and promotions due to real-time insights. The initiative provides clear evidence that supply chain optimization also creates sales growth: On-shelf availability has improved from 92% to 98%, leading to business growth for Danone of 2.5% and category growth for Carrefour of 1.2%.

- **Colgate-Palmolive** and other companies are using Global Data Synchronization (GDS) as the essential foundation for trading partner collaboration. The use of GDS has provided benefits that include improved data quality, affecting efficiency of all processes; standardization of business processes; one-to-many – data to

anyone, anywhere; reduced trade partner set-up time; increased speed to market for new products; customer data integration; and improved global spend analysis.

- **United Biscuits** and **Nestlé** are sharing transport, which allows them to generate significant environmental and cost savings. The companies have created roundtrips that are more efficient and avoid empty truck movements.

- **Mars Netherlands,** working with Capgemini and logistics provider Kuehne + Nagel, has implemented the Green Order® sustainable logistics initiative, which measures and visualizes the impact of order placement behavior on the environment for all partners in the logistics chain. This program has been rolled out internationally within Mars, and increasingly other manufacturers are implementing Green Order® as well.

Engage with Technology-Enabled Consumers
From product co-creation to interactive digital vending machines, manufacturers and retailers are increasingly communicating with consumers using technology. Examples include:

- **PepsiCo** successfully engages a large consumer base to interact in product development through its DEWmocracy program. The multiplayer game-based website allows consumers to help shape the flavor, color, name, logo and design of the next Mountain Dew drink.
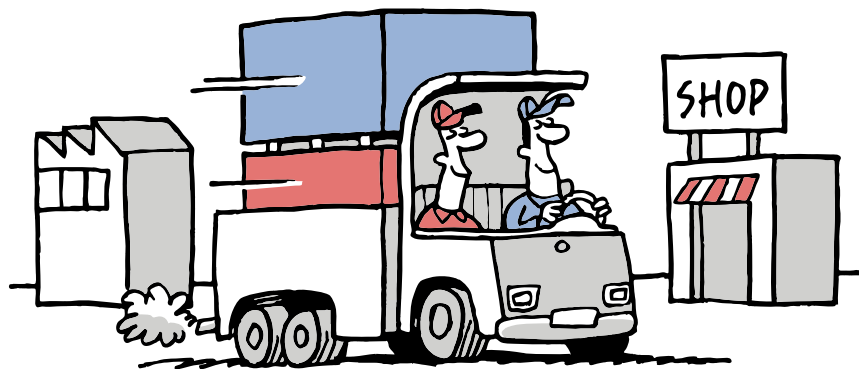
24 "Thinking Green," *Consumer Goods Technology,* July/August 2010

- In Japan, **Coca-Cola** operates interactive digital vending units that allow consumers to pay by e-cash (cashless payments). In addition, contactless activation enables loyalty program members to engage via their mobile phones.

- Network provider **O2** offers location-based mobile marketing in the UK, enabling brands like **Starbucks** and **L'Oreal** to deliver relevant SMS and MMS messages to consumers in a targeted manner.[25]

- **Unilever** and **Albert Heijn** have developed Strategic Activation Platforms, using shopper insights to drive joint growth. The platforms enable privileged contact with shoppers and consumers.

Serve the Health and Wellbeing of Consumers

Company programs focused on health, safety and wellbeing range from product recall initiatives to education efforts in rural India. Examples include:

- **The Council of Better Business Bureaus' (BBB) Children's Food and Beverage Advertising Initiative (CFBAI)** seeks to address the problem of childhood obesity by self-regulating advertising to children under 12. Participating companies include Coca-Cola, Hershey, Mars, Cadbury Adams, Sara Lee Corp., Burger King, Campbell Soup, ConAgra, Dannon, General Mills, Kellogg, Kraft, McDonald's, Nestlé USA, PepsiCo, Post Foods and Unilever U.S.[26]

- The **Rapid Recall Exchange** program in the U.S. and Canada applies industry expertise and best practices to standardize product recall and withdrawal notifications between retailers/wholesalers and suppliers. It enables fast and accurate information exchange to protect customers and save trading partners time and money.

- The "**Nestlé Healthy Kids Global Program**" is a nutrition education program aimed at raising nutrition, health and wellness awareness of school-age children around the world. Nestlé believes that education is the single most powerful tool for ensuring that children understand the value of nutrition and physical activity to their health through the course of their lives. Healthy Kids programs are designed in collaboration with national health authorities, child nutrition experts or educational authorities. There

are now 56 programs operating globally and Nestlé intends to develop partnerships aimed at implementing Healthy Kids in all countries where the company has operations by the end of 2011.

- **Hindustan Unilever Limited** has educated and provided on-the-job training for more than 42,000 Indian women in villages to serve as distributors. At the same time, the program, called Shakti (meaning "power" in Hindi), has enabled the company to enter the growing consumer market in rural India.

- **Walmart** offers a solution to make technology more accessible and affordable for the large but scattered market of small health practices. A suite of hardware, software and services provides electronic record and practice management software, for billing and patient registration, as a service over the Internet. The system has the potential to bring not only lower costs to physicians and consumers, but also an efficient distribution channel to cater to small physician groups.

This overview provides just a handful of examples of existing programs. However, when taken together with the trends, strategic objectives and global and local programs, they should provide companies with the framework to begin to build their own strategies for 2020.

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[25] "O2 and Starbucks combine for technology trial," Shaun Weston, FoodBev.com, Oct. 15, 2010
[26] "Sara Lee Joins Children's Advertising Initiative," *Media Post News*, Sept. 24, 2010

Are You Already Addressing the Strategic Objectives?
The case study examples included here provide just a small sampling of company programs. If your organization has an initiative in place that addresses one of the four strategic objectives identified in the 2020 Future Value Chain project we'd like to hear about it. We invite you to visit www.FutureValueChain.com and "submit your examples."

How Robust Is Your Strategy?
Of course, your company already has strategies in place. And of course, you believe that you are addressing the trends in the market that are relevant to you. But is your strategy really robust in the context of the rapid and dramatic changes that will impact the industry over the next 10 years?

We recommend you challenge yourself by asking the following questions related to the trends and objectives that have been identified and developed by the 2020 Future Value Chain project. Your answers should help determine whether you have the right strategies, capabilities and action plans in place to deal with the challenges and opportunities that lie ahead on the road to the Future Value Chain.

Make Our Business More Sustainable
- Will you drop product lines that are fundamentally not sustainable?

- Do you have a contingency plan for an unexpected eco-disaster or climatic disruption?

- Do you have programs in place to address, for example, restrictions on truck emissions, access to urban zones and noise pollution?

- Are you prepared to transparently report the detail of your company's environmental impact?

Optimize a Shared Supply Chain
- Do you still see your supply chain as a source of competitive advantage?

- Would you share a truck or a warehouse with a competitor?

- Is your supply chain able to cope with the impact of oil returning to its 2008 historical high of $147 a barrel? Or even exceeding that, and hitting $200?

- Are you willing to share non-competitive information with trading partners – including competitors – about product movements along the supply chain?

Engage with Technology-Enabled Consumers
- Do you know how to survive a negative social network viral fan page?

- Is your company really differentiating between a "shopper" and "consumer"?

- Do you know who else is providing information about your brands or stores to consumers and shoppers?

- How do you create transparency with consumers while maintaining control?

Serve the Health and Wellbeing of Consumers
- Are your products creating the health crisis rather than solving it?

- Are you prepared to meet the new demands of older consumers?

- Do you know where you will get your labor force once your current labor force retires?

- How will you efficiently serve the underserved customers in developing markets?

BUILDING A ROADMAP FOR COLLABORATION

The goal of the U.S. 2020 Future Value Chain workshop was to understand how the industry in the U.S. can collaborate in non-competitive areas to ensure that it is well positioned to respond to the critical trends in the next 10 years. The group of 40 executives from retailers and manufacturers determined that sustainability, shared supply chain and engaging with technology-enabled consumers were particularly likely to impact their market.

The workshop goal was to build a roadmap to implement, execute and scope the key trends that would lead to actual pilots. To that end, the group identified four "big ideas" for development and implementation.

1. New Ways of Working Together. The group addressed the issue of how to build a standardized, scalable collaboration model for the industry. They determined that to succeed, the value proposition must balance value contribution and return across retailers, suppliers and consumers.

The team identified a number of existing related industry projects, led by The Consumer Goods Forum and organizations such as GS1, Grocery Manufacturers Association, Food Marketing Institute and ECR Europe. Leveraging these initiatives will provide a solid foundation to develop a collaborative model for the industry. At the same time, the group addressed key challenges such as ensuring equal value for suppliers and retailers, metrics definitions, data standards, lack of process standardization and data mining complexity.

2. Global Industry Portal. The group established an initial plan for a collaborative platform that would enable the industry to communicate and share ideas. The mission of the portal is to promote greater awareness of current objectives and initiatives within the industry; provide a social network for industry executives; and promote collaboration across the consumer value chain.

3. Shared Supply Chain. The group began by using the model developed by the Future Supply Chain 2016 initiative (see chapter titled "Objectives: What We Want to Achieve"). They determined that the first focus area should be transportation and the second warehousing. As a reference point, the team analyzed an ongoing European supply chain project that focuses on shared transport (see previous chapter for more information on the multi-modal transport sharing initiative). They also addressed hurdles such as trust, resources, existing infrastructures and contracts, complexity, regulatory/legal restrictions, scalability and different stakeholder agendas.

4. Industry Sustainability. The workshop team concluded that the industry must develop a consistent definition and scorecard for sustainability across retailers and suppliers that focus on water, energy and waste, as well as tighter goals and capability building. They examined existing work by industry associations and leading companies, and developed a series of next steps, including a business case, definition of success, identification of a team, creation of an action plan and development of metrics. The group also addressed some of the likely barriers to a consistent industry-wide sustainability initiative, including costs, technology, regulations and competitive pressures.

CRITICAL THINKING ON REALISTIC INITIATIVES

The Future Value Chain Netherlands workshop (with over 20 Dutch consumer products and retail executives) had three goals. The first was to share and develop a vision on the specific trends that will impact the industry in the Netherlands. The second was to determine what breakthroughs in collaboration are needed to optimize the value chain in the Netherlands in 2020. And the third was to launch activities aimed at realistic collaboration initiatives.

To achieve these goals the following four key trends were regarded as most impactful for the Netherlands:

1. Sustainability. Sustainability is about more than the environment; it is about a strong and high-performing society. Scarcity is a key factor in driving more sustainable behavior; it shows us that we cannot succeed by focusing on short-term wins. The necessary changes will be driven by top performers in the industry. It is essential for companies to become focused on the long term rather than the short term.

2. Consumer Technologies. Predicting the development of consumer technologies is impossible as consumers are continually learning about and adapting to new technologies. Consumers have access to increasing levels of product information, which raises their bargaining power. The most successful firms will be those that take care of their customers and provide the most convenient products.

3. Regulation. Regulation is closely connected to sustainability. Currently regulation is not a key topic for organizations; companies tend to be taken by surprise when new regulations are imposed. A key issue is that governments often do not understand the motivational path of an organization. This situation needs to change. The workshop team noted that by 2020 companies will proactively participate in regulation development, together with governments and NGOs. The team believes this transition can be achieved by more commitment from companies, better understanding of the industry on the part of

governments, and the establishment of platforms to facilitate the discussion and implementation of regulations that impact the industry.

4. Aging Population. The population will be much older in 2020 and the labor market in the Netherlands is expected to decrease by as much as 30%. To address these changes, firms will have to automate, education levels will have to increase and people will have to work longer. The workshop group also believes that the population will shift location. In the Netherlands, the "Randstad" (the highly urbanized/populated area in the midwest region of the Netherlands) will have the most jobs, while many elderly will move to less densely populated areas in the eastern part of the country. This implies that retailers will have to change their concepts to serve customers in the different regions.

The group jointly looked at the collaborative break-throughs that are needed to deal with these trends.

New Forms of Collaboration; Breaking through Collaboration Barriers. The group believes there is real urgency to increase collaboration, but the path will be challenging as companies often avoid collaboration in the supply chain. They believe the supply chain can be a competitive advantage (however, this barrier is believed to disappear when firms reach maximum efficiency level). Another barrier is the fear that the collaborating party has more power in the relationship. This barrier should be overcome by putting it on the CEO's agenda to shift focus from the company's own interest to focus on sustainability and stakeholder-wide benefits.

New Business Model Creation. The traditional collaboration between firms does not seem to work well, as there are different supply chains for different suppliers and retailers. The group raised the idea of integrating these supply chains by creating a new business model based on strong alliances. To achieve this, companies will need to move from supply chain thinking toward platform thinking.

Optimization of Consumer Distribution. Research in the UK shows that more than 50% of the carbon footprint of transport is caused by consumers driving their cars to a shop.[27] The carbon footprint can be reduced by increasing home delivery. The group believes city distribution is a solution to decrease the carbon footprint. In this model, large quantities of products are transported near the city and are then distributed locally in smaller batches.

The group indentified two forms of collaboration: the current platforms, which have a formal and passive setup; and new proactive platforms, which focus on a commitment to ensure the implementation of ideas. The group argued that such platforms need to have an international character, will require obligations and must have committed participants. There is no shortage of ideas but the challenge lies in the follow-up and implementation.

The participants accepted responsibility to implement the findings of the 2020 Future Value Chain program. The workshop provided the participants with new ideas and stimulated critical thinking on the discussed subjects.

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[27] "Lean and green, doing more with less," David Simons and Robert Mason, *ECR Journal*, Vol. 3, No. 1

CONCLUSION

The 2020 Future Value Chain project involved eight workshops with almost 200 participants from across our industry, and from across the globe.

As a key element of the Emerging Trends strategic pillar of The Consumer Goods Forum, this report and its outcomes have been endorsed by the Forum board in November 2010.

Also, the project has, at the time of publication, already been presented at many global and regional industry conferences and meetings with audiences in the thousands. The work has been used in national events and publications by many GS1 member organizations and ECR national

initiatives. Throughout 2011 the project and the wider Future Value Chain initiative will continue to be a topic high on our industry agenda.

But what conclusions do we draw from the project? What is the call to action that we challenge ourselves, as an industry, with?

There are four conclusions:

- To be ready for 2020 (and 2018 and 2016) we need to **increase the collaboration** across our industry.

- The Consumer Goods Forum companies need to **fully support** the Forum programs – and the appropriate regional and local programs that are under way.

- Companies across our industry need to **challenge themselves** on how prepared they are for 2020.

- Companies should use the Future Value Chain framework to **develop a strategy and tactical plan** that responds to the external shopper, consumer and societal trends.

When we look at the conclusions of the 2016 and 2018 reports and compare them with the 2020 conclusions we see the same common themes in the need to increase collaboration and to drive for more implementation. There is, however, a noticeable difference: The urgency to act has significantly increased.

Does this mean we are not making progress? No! We are making progress. But we can do an awful lot more and move an awful lot faster.

Which comprises the key call to action of this report: Act together, act now, act fast!

About The Consumer Goods Forum

The Consumer Goods Forum (CGF) is a global, parity-based industry network, driven by its members. It brings together the CEOs and senior management of over 400 retailers, manufacturers, service providers and other stakeholders across 70 countries and reflects the diversity of the industry in geography, size, product category and format. Forum member companies have combined sales of EUR 2.1 trillion.

The Forum was created in June 2009 by the merger of CIES - The Food Business Forum, the Global Commerce Initiative (GCI) and the Global CEO Forum. The Consumer Goods Forum is governed by its Board of Directors, which includes 50 manufacturer and retailer CEOs and Chairmen.

The Forum provides a unique global platform for knowledge exchange and initiatives around five strategic priorities

– Emerging Trends, Sustainability, Safety & Health, Operational Excellence and Knowledge Sharing & People Development – which are central to the advancement of today's consumer goods industry.

The Forum's vision is: "Better lives through better business". To fulfil this, its members have given the Forum a mandate to develop common positions on key strategic and operational issues affecting the consumer goods business, with a strong focus on improving processes in non-competitive areas. The Forum's success is driven by the active participation of the key players in the sector, who together develop and lead the implementation of best practices along the value chain.

With its headquarters in Paris and its regional offices in Washington, D.C., and Tokyo, the CGF serves its members throughout the world. Further information is available via the Forum's website: www.theconsumergoodsforum.com

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About HP

HP creates new possibilities for technology to have a meaningful impact on people, businesses, governments and society. The world's largest technology company, HP brings together a portfolio that spans printing, personal computing, software, services and IT infrastructure to solve customer problems. More information about HP (NYSE: HPQ) is available at http://www.hp.com.

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About Capgemini

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™. The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 35 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion and over 100,000 employees worldwide.

Capgemini's global Consumer Products and Retail practice works with 27 of the world's 30 largest consumer products companies, 27 of the world's top 30 retailers and hundreds more. Our team of approximately 5,000 specialists throughout the world helps these clients reap the benefits of industry-specific solutions such as Global ERP Integration, Demand and Supply Chain Management, Multi-Channel Integration and Global Data Synchronization. More information is available at www.capgemini.com/products.

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About Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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Key Trends Discussed
- Society/Spread of Wealth
- Technology-Enabled Consumers
- Health and Wellbeing (including Safety)

Key Initiatives Identified
- For a Health Mexico
- Supply Chain Information Sharing
- Mobility and Safety

MEXICO

Key Trends Discussed
- Sustainability
- Technology-Enabled Consumers
- Health and Wellbeing

Key Initiatives Identified
- Shared Supply Chain
- Industry Sustainability
- New Ways of Working Together

UNITED STATES

Key Trends Discussed
- Aging population
- Sustainability
- Technology-Enabled consumers

Key Initiatives Identified
- Supply Chain Collaboration
- Consumer Distribution
- New Business Models and Platforms

NETHERLANDS

FUTURE VALUE CHAIN: A GLOBAL PROGRAM WITH LOCAL RELEVANCE

The Future Value Chain initiative is largely based on the outcomes of local, regional and global workshops with participants from the consumer goods and retail industry. For the 2020 Future Value Chain project country-specific workshops took place in Australia, France, Mexico, Netherlands and the United States, and a regional workshop took place with GS1 in Europe. For the 2018 Future Value Chain project country workshops were held in India and Japan and a regional workshop for Southeast Asia took place in Hong Kong. The objective of these workshops was to examine the most relevant trends from a local and regional perspective, and from there to define and develop initiatives that could help address these trends.

Key Trends Discussed
- Technology-Enabled Consumers
- Sustainability
- Regulation

Key Initiatives Identified
- B2C/Mobility
- Initiatives Driven by TCGF Direction
- Collaboration with Governments

EUROPE

Key Trends Discussed
- Technology-Enabled Consumers
- Sustainability
- Health and Wellbeing

Key Initiatives Identified
- Optimized Supply Chain Delivery
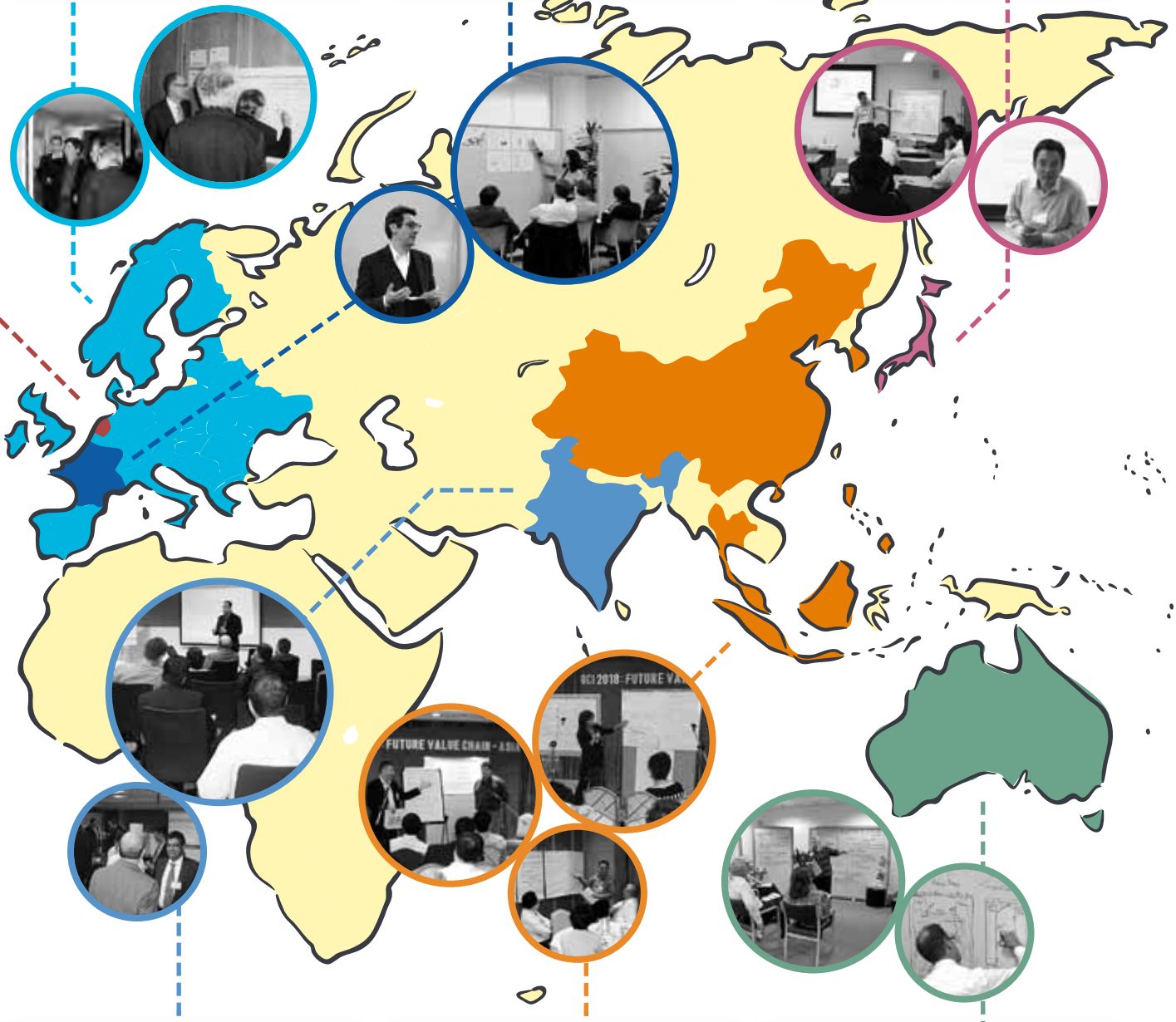- Consumer Information
- Valuable Categories and Services

FRANCE

Key Trends Discussed
- Aging Population
- Technology-Enabled Consumers
- Sustainability and Safety

Key Initiatives Identified
- Sustainability Initiative
- Wellness and Safety Initiative

JAPAN

INDIA

Key Trends Discussed
- Spread of Wealth and Urbanization
- Technology-Enabled Consumers
- Supply Chain Technologies

Key Initiatives Identified
- Collaborative Logistics
- Category Management and Training
- Supply Chain Standards Implementation

SOUTHEAST ASIA

Key Trends Discussed
- Spread of Wealth and Urbanization
- Technology-Enabled Consumers
- Sustainability

Key Initiatives Identified
- Collaborative-Transport Footprint Reduction
- Carbon Dioxide Emissions Information
- Standard POS Database

AUSTRALIA

Key Trends Discussed
- Sustainability
- Supply Chain Technologies
- Regulation/Role of Governments

Key Initiatives Identified
- Export and Import Collaboration Model
- New Urban and Inter-Urban Model
- Enhanced Rural and Remote Model

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