

A blue-tinted photograph of a large group of people in a hallway, shown as dark silhouettes against a lighter background. The people are scattered throughout the space, some standing and some walking, with their reflections visible on the floor. The overall mood is professional and busy.

2009 CONSULTANT OUTLOOK REPORT

CGT
CONSUMER GOODS TECHNOLOGY

**Industry Experts Offer Thought Leadership
and Guidance for a Successful 2009**



THROUGH THE CONSULTANT'S EYES

INDUSTRY THOUGHT-LEADERS SHARE GUIDANCE FOR CONSUMER GOODS FIRMS FACING NEW CHALLENGES IN 2009

ROUNDTABLE PARTICIPANTS



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When it comes to weathering challenging times, perhaps President Barack Obama puts it best: “If you’re walking down the right path and you’re willing to keep walking, eventually you’ll make progress.” Consulting firms can help ensure that consumer goods (CG) companies stay the course with strategic initiatives by offering guidance, research and thought leadership. In our first Consultant Outlook Report, analysts from Accenture and Capgemini lend their skills and expertise to answer the questions on every CG executive’s mind:

How is the current economic state impacting the CG industry?

COLEMAN: While it’s true that consumer companies are usually considered a relatively safe haven in turbulent times and are less impacted than other manufacturing industries in absolute terms, they do face challenges. Many are

laden with debt from large acquisitions; they’re all impacted by volatile raw material, energy and packaging costs; and consumers are cutting spending due to the declining credit and job markets.

The relative impact differs by industry sub-sector. We see consumer health companies holding up well and remaining acquisitive.

Food and basic household product segments are not feeling as much stress, but drinks companies, especially soft drinks and beer, have been negatively impacted with drops in profitable out-of-home consumption. The high-end beauty segment, like luxury apparel and footwear, is also feeling the pressure.

The increased cost of goods caused by elevated commodity costs combined with decreased pricing power is positively impacting food processors, while challenging manufacturers. While we see a break in the commodity cost trend, manufacturers still need to lower their cost-to-serve and balance the mix of near-term versus sustainable long-term performance.

As part of our High Performance Business research that was conducted across industries, we analyzed the financial results of 850 companies in the United States that lived through the recession of 1990 to 1991. Those who outperformed their industry for six years following the recession kept their eye on the prize and actually put distance between themselves and the low performers during a recession. High performers adapt well to change and think differently. They act decisively — they focus on generating cash flow, investing in segments in which they lead and managing a narrow portfolio of businesses.

GIROUARD: In 2009, CG companies will face unparalleled pressures



Accenture

HELPING CONSUMER GOODS COMPANIES ACHIEVE HIGH PERFORMANCE

Accenture is a global management consulting, technology services and outsourcing company.

Combining unparalleled experience, comprehensive capabilities across all industries and business functions, as well as extensive research on the world's most successful companies, we collaborate with clients in order to help them become high-performance businesses and governments.

With more than 186,000 people serving clients in over 120 countries, Accenture generated net revenues of \$23.39 billion for the fiscal year ended Aug. 31, 2008. We have offices and operations in more than 200 cities in 52 countries, and in fiscal 2008, we served 96 of the *Fortune* Global 100 and more than three-quarters of the *Fortune* Global 500.

Having worked for decades with the world's most successful consumer goods companies in home and personal care, food and non-alcoholic beverages, alcoholic beverages, consumer healthcare and fashion segments we have the insight and experience to help these organizations come out on top.

We enable consumer goods companies to achieve high performance through dynamic market conditions by developing an in-depth understanding of the consumers and their varying

needs; enabling sustained capabilities through ERP, custom and emerging technologies; optimizing supply chain and cost structures; and offering a unique mix of strategies that serve as building blocks for accelerating growth and sustaining long-term success. For the past 10 years the Accenture Institute for High Performance has applied rigorous academic research to the problems facing today's businesses. We define a high-performance business as one that consistently delivers superior returns to its shareholders through economic cycles, industry cycles and changes in leadership.

An important byproduct of our research has been insights into the commonalities of high performance in the consumer goods industry.

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that will squeeze their margins tighter than ever. The deteriorating economic picture will further compound the outlook as even some of 2008's key growth areas lose aspects of their appeal. Today's CG companies are experiencing:

- Potentially a slowing of consumer demand as consumer confidence and disposable income are squeezed
- Consumer pressure for "greener" products and socio-political pressure to collaborate

"The low-hanging fruit has been taken, so a focus on more efficient organization is required."

— BRIAN GIROUARD, CAPGEMINI

- Continued brand equity loss, particularly in developed markets and categories with a high proportion of private-label goods.
- Brand hyperventilation: an unprecedented number of brand extensions resulting in more consumer choice than ever but also more unprofitable SKUs
- Further stagnation in developed markets with softening economic conditions
- and reduce CO₂ emissions
- The trade-off between reaching profitable consumer groups with fragmenting media options and tightening marketing budgets
- The continued pressure on direct and indirect input costs coupled with a growing issue of securing supply as governments and organizations buy up suppliers and sources
- The burden of expensive

- operating models caused by rapid expansions into growth markets and partially integrated acquisitions
- Complex and expensive ERP platforms, which have only partially enabled the business change promised

Many CG companies have already undergone initiatives such as process improvement and cost reduction in raw materials. The low-hanging fruit has been taken, so a focus on more efficient organization is required. While CG companies certainly need to keep a tight rein on costs, they must also build organizations that are capable of surviving and growing to withstand the volatilities of the longer term.

How will the recession affect technology spending in 2009? Do you expect any one category to flourish or to flounder?

COLEMAN: CG companies are being smart and continuing to

focus on programs that can yield real value to the business operations. Most major project initiatives with sound value propositions and business relevance have stayed the course as companies remain focused on the strategic benefits that will give them an edge when the economy rebounds.

Everyone is looking for short-term investments with quick returns, but high-performers are also keeping an eye on the long-term impact of this activity.

In 2009, we see companies investing in tools that help them manage working capital and the cost to serve. Technologies that enable improved forecasting accuracy and integrating demand and supply plans are in this category.

These initiatives leverage point-of-sale data and help decrease inventory carrying, manufacturing and distribution costs, while reducing lost sales.

The goal is to build a more collaborative and responsive value chain that is oriented around the



Capgemini

THE COLLABORATIVE BUSINESS EXPERIENCE

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies.

Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working — the Collaborative Business Experience™ — and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost.

Capgemini has worked with 27 of the world's 30 largest consumer goods companies and 27 of the world's 30 largest retailers — and hundreds more — to provide solutions designed to meet their unique requirements. Capgemini's Consumer Products and Retail practice helps businesses reap

the benefits of industry-specific solutions such as Global ERP Integration, Supply Chain Management, Product Lifecycle Management, Trade Promotion Management and Global Data Synchronization.

We leverage our experience, people and tools to achieve breakthrough results for our consumer products clients. Capgemini employs a proprietary method — the Accelerated Solutions Environment (ASE) — that delivers increased value within a

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compressed timeframe. We also leverage our extensive experience and skills in the retail industry to bring “voice of the consumer” insights to our client engagements.

About Capgemini's Global Consumer Products and Retail Research Group

Our consumer products and retail research group carries out research and produces thought leadership on current global issues affecting the industry.

Present in 36 countries, Capgemini reported 2007 global revenues of 8.7 billion euros and employs more than 88,000 people worldwide.





consumer in order to drive sustainable, long-term performance while capturing short-term, process-driven benefits.

We will also see companies optimize their product portfolios through effective SKU rationalization technologies. These initiatives increase top-line profitability by examining the product attributes that appeal most to consumers and removing unprofitable products from the portfolio.

Another area of technology investment will be trade promotion management systems that more effectively plan, execute and evaluate promotions to optimize cost to serve and increase return on trade dollars.

GIROUARD: Capgemini expects technology budgets to be much more tightly managed in 2009. Projects will need to show a rapid return on investment by taking cost out of operations, or directly contributing to top-line growth. Large-scale, enterprise-wide ini-

tiatives will be highly scrutinized and possibly scaled back in scope or postponed.

From speaking with our clients, we expect CG companies will continue to invest in technology-related initiatives that:

- Improve insight of and intimacy with the consumers
- Shorten the time for introducing new products
- Allow a better understanding of demand and a stronger link to supply (forecasting and replenishment, sales and operations planning)
- Improve on-shelf availability, while reducing investment in inventory
- Take actions to optimize the distribution network and make transportation and logistics more efficient
- Improve the ability to source materials globally and at lower cost
- Reduce information technology and business process costs (think outsourcing!)

What value can consultants bring to CG companies in these troubled economic times? How does this differ from services provided in the best of times?

COLEMAN: In challenging economic times, consultants help companies focus on cost reduction activities as well as strategic

questions that are needed to streamline spending. Through informed, fact-based analysis we identify opportunities to better manage costs and keep companies focused on the objective, rather than reacting abruptly to market ups and downs. In short, consultants help organizations react more quickly during recessions because we can supply a temporary but

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efforts to position organizations for greater advantage when the market rebounds.

On the cost side, consultants bring objectivity, speed and focus. We contribute an objective business perspective, asking the tough

experienced team of resources equipped with proven, repeatable cost management processes.

For example, our rapid and sustained cost management approach carries out cost reductions that aim to be sustainable for the CG com-



pany. Value is created by generating incremental cash that can be used to solidify existing positions and fund new directions based on organizational priorities. The company can become leaner and simpler but with a sharper roadmap for the future. The investment risk profile can also improve, making the company more attractive to lenders and shareholders. Initiatives may vary from attacking excessive consumption and rationalizing roles to reducing wage and procurement rates, working capital improve-

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ments, eliminating cross-functional redundancies and optimizing the cost-value relationship.

On the strategic side, a recession presents a buyer’s market, and consultants can help cash-rich companies scrutinize opportunities for growth through mergers and acquisitions. Bargains do become available but need to be handled with care.

In the best of economic times, consultants still help companies streamline processes and find cost efficiencies, but put more emphasis on initiatives that drive long-term growth.

GIROUARD: 2009 will be about taking swift action to improve the top and bottom lines. There will be little time for debate, brainstorming, theory and trial and error. These are luxuries available only during better times. It will be a year for surgical precision.

Any project proposed during 2009 should clearly be able to address the following questions:

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— BRIAN GIROUARD, CAPGEMINI

- How much will the project return in savings or top-line growth?
- How soon will we realize the return?
- How sure are we that we will be successful?

Most companies have a difficult time taking their best people away from their operational roles to focus on new initiatives. Due to legitimate distractions, they have difficulty focusing on the steps necessary to achieve the end goal. Frequently they do not have people possessing the right skills or knowledge of best practices for the initiative. They often

struggle to enforce the change required in the way things are done to be successful.

These are many of the reasons why projects fail to achieve the expected return on investment. Experienced consultants understand the pitfalls and are adept at avoiding them. They are able to make difficult decisions even if those involve killing a few sacred cows.

Unless a company is certain that they have the skills, methods, experience and wherewithal necessary to deliver the promised return on investment, on time, it should strongly consider collaborating with an experienced consultant. ♦