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

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FUTURE VALUE CHAIN

Industry Initiatives Address Challenges of the Digital World and the Fight for Resources

2022

Acknowledgments

The Consumer Goods Forum thanks the following executives for their time, support and valuable insight into the "Future Value Chain 2022" report.

Workshop Participants

Madeleine Apel, Metro Group
Nigel Bagley, Unilever
Belinda Bonazzi, World Economic Forum
Paul Cole, Capgemini
Priscilla Donegan, Capgemini
Cindy Drucker, Weber Shandwick
Jim Flannery, Procter & Gamble
Peter Florenz, Henkel
Xavier Franco, Johnson & Johnson
Mark Fratamico, Henkel
Christophe Geoffroy, Carrefour
Brian Girouard, Capgemini
Corey Glickman, Capgemini
Cameron Green, GS1 Global
Ruediger Hagedorn, The Consumer Goods Forum
Bernard Helders, Capgemini
Kees Jacobs, Capgemini
Joel Jones, Dow Chemical
John Jove, PepsiCo
Michael Law, Johnson & Johnson
Juergen Matern, Metro Group
Richard Muisener, Evonik
Amy Pascal, Johnson & Johnson
Clyde Pereira, Coca-Cola
Florian Peter, Mandalah
John Phillips, PepsiCo
Alejandro Pintado, Bimbo
Sabine Ritter, The Consumer Goods Forum
Sebastian Schilling, Henkel
Jay Schwartz, nextLife
Thomas Storck, Metro Group

Emerging Trends Steering Committee

Nigel Bagley, Unilever
Saliha Barlatey, Nestlé
Jerry Black, Aeon
Stefano Borghi, Heineken
Gordon Farquhar, Alliance Boots
Jim Flannery, Procter & Gamble
Peter Florenz, Henkel
Corey Glickman, Capgemini
Ruediger Hagedorn, The Consumer Goods Forum
Kees Jacobs, Capgemini
John Jove, PepsiCo
Mika Kobayashi, Aeon
Marissa Nelson, Ahold USA
Heinz Pfeiffer, Metro Group
John Phillips, PepsiCo
Alejandro Pintado, Bimbo
Claire Revis, Royal Ahold
Sabine Ritter, The Consumer Goods Forum
Akikazu Sato, Kao Corp.
Koshiba Shigeru, Kao Corp.
Thomas Storck, Metro Group
Maria Paola Vetrucci, Barilla Group

Co-Chairs, Emerging Trends Steering Committee

Thomas Storck, Metro Group
Peter Florenz, Henkel

Co-Sponsors, The Consumer Goods Forum Board of Directors

Olaf Koch, CEO, Metro Group
Kasper Rorsted, CEO, Henkel

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Foreword

With so many critical issues and challenges facing the consumer goods and retail industry, how do we identify those that matter most? Those that will have the greatest impact on companies going forward? Those that can best be addressed by collective action from manufacturers and retailers in our industry?

These questions lie at the heart of The Consumer Goods Forum's Emerging Trends Strategic Pillar. The pillar is a think tank designed to gain a deeper understanding of emerging trends and to subsequently translate this into concrete actions. Emerging trends are defined as those changes gaining a greater long-term prominence, set to continue over the next five to 20 years, and those that concern major issues with a significant effect on, and relevance for, the industry.

To answer the questions posed here, The Consumer Goods Forum (CGF) enlisted the assistance of more than 200 consumer goods and retail executives, together with Capgemini and Roland Berger. The Emerging Trends/Future Value Chain group engaged in an exhaustive process that consisted of desk research, an online survey, a crowdsourcing exercise and a facilitated workshop.

Desk research: The process began with extensive desk research. To develop an initial list of relevant, long-term trends Roland Berger studied more than 200 trends reports from leading research institutes, NGOs and think tanks, including the previous "Future Value Chain" reports of The Consumer Goods Forum.

Online survey: To prioritize the trends, CEOs and their strategic teams from both consumer goods manufacturers and retailers provided their views via an online survey that considered both trend relevance and business impact for the industry.

Crowdsourcing: To dig deeper into the trends and capture additional ideas, Capgemini and CGF reached out to industry executives and experts as part of an online social crowdsourcing exercise.

Workshop: Following the crowdsourcing, Capgemini conducted a facilitated workshop with industry executives to qualify the ideas, validate them against existing CGF activities, translate them into initiatives for collaborative action and build high-level action plans.

The Impact of Megatrends: Digital World and Fight for Resources

This process ultimately led us to focus on two key megatrends that will significantly impact consumer goods and retail companies in the coming years: **Digital World** and **Fight for Resources**.

We also selected three related initiatives for action:

- **Consumer Engagement Protocol:** develop a code of conduct for digital engagement with consumers
- **Next-Generation Product Identification:** transform product identification and information
- **Sustainable Packaging Consortium:** improve the sustainability of packaging across the different value chain stages

This report — which is the latest in the "Future Value Chain" series — takes a close-up look at these megatrends and their implications for the industry, and presents the initiatives and their associated action plans. We invite you to join these initiatives to help ensure a strong "Future Value Chain" that can more efficiently and effectively serve consumers and shoppers around the world.

Olaf Koch CEO, Metro Group	**Kasper Rorsted** CEO, Henkel

Co-Sponsors, Board of Directors, The Consumer Goods Forum

Thomas Storck Metro Group	**Peter Florenz** Henkel

Co-Chairs, Emerging Trends Steering Committee

Two key megatrends will significantly impact consumer goods and retail companies in the coming years: Digital World and Fight for Resources.

Management Summary

Digital World and Fight for Resources. There's no denying the importance of these megatrends. But many other trends also affect the consumer goods and retail industry. Why select these two?

Digitization is changing consumers' lives and hence their shopping behavior, which affects the "moments of truth," the critical points when shoppers make their choices. They expect to find information through multiple channels and devices — and they expect to find it quickly. They are looking for consistency and convergence among different technologies. And they expect more transparency into product information, availability and price.

At the same time, demand for resources like food, water and energy is rising rapidly, particularly as increasing economic prosperity in emerging countries puts pressure on the world's ecosystem. As global demand for resources rises, access becomes more competitive, with the potential for demand to outstrip easily available supplies in the next decade.

Through the course of the Emerging Trends/Future Value Chain project, these two trends stood out as having the potential to significantly alter the industry landscape. In addition, they were not already being addressed by The Consumer Goods Forum's other Strategic Pillars.

Initiatives to Drive Change

To begin to address these two megatrends the Emerging Trends/Future Value Chain team identified three key initiatives for collaborative action:

- **Consumer Engagement Protocol:** develop a code of conduct for digital engagement with consumers. This project is designed to address the technology-driven changes being witnessed in consumer behavior. The project is focused on identifying potential risks and opportunities and establishing guidelines for digital engagement to ensure that initiatives we drive, as an industry, do not compromise our reputation.
- **Next-Generation Product Identification:** transform product identification and information. Today, in a world of rapidly expanding online commerce solutions, barcodes are unable to provide consumers with the rich digital product information they seek. This project is designed to identify a solution to this issue.
- **Sustainable Packaging Consortium:** improve the sustainability of packaging across the different value chain stages. The fight for resources is broad in scope and not all elements can be addressed at once, but the industry has the ability to affect aspects of the issue, particularly packaging. This project is designed to establish a coalition of companies to work together to improve the sustainability of packaging.

An action plan has been developed for each initiative, including elements such as a description of the initiative, rationale, value and impact, and critical success factors.

The following pages provide more detail on the megatrends, their anticipated impact on the consumer goods and retail industry in the coming years, and the initiatives for collaborative industry action.

"FUTURE VALUE CHAIN 2022" ON THE WEB

More information about this report and the Emerging Trends Strategic Pillar can be found at www.FutureValueChain.com and www.TheConsumerGoodsForum.com.

01

Scanning the Trends

Identifying the Trends that Matter Most

The consumer goods and retail industry is affected by issues ranging from social developments like our aging society and urbanization, to environmental concerns like sustainability, and changing consumer behavior such as the digital lifestyle and personalization. The overall objective of the Emerging Trends/Future Value Chain project was to identify concrete collaborative (non-competitive) industry actions to respond to the most significant of these trends.

The first step was an extensive trends analysis of more than 200 reports from leading research institutes, NGOs and think tanks. This resulted in the identification of 20 trend clusters comprising a total of 84 subtrends (Figure 1, pages 10 and 11). The list ranged from Health Awareness (including subtrends such as the growing private market for health products and services, and the convergence of industries like healthy cosmetics and functional foods) to Entertainment Society (with subtrends including the increasing demand for entertaining and unconventional POS, and the growing number of people playing games online).

FIGURE 1: TRENDS ANALYSIS IDENTIFIES 20 TREND CLUSTERS WITH 84 SUBTRENDS

FIGURE 1: SUBTRENDS

1. Health Awareness
Growing private market for health products and services
Stronger engagement of society in health issues and healthy products
Growing share of population suffering from illnesses
Convergence of industries (healthy cosmetics, functional food)

2. Environmental Sustainability
Rising demand for sustainably produced goods
Rising desire for products that are reusable, durable and recyclable
Growing need to use carbon-friendly/renewable energy sources
More private and standalone energy generation (solar panels)

3. Fight for Resources
Rising world energy demand and energy price levels
Greater limitation and speculation of fossil fuels/scarce resources
Growing need for food and water security in developing countries
Growing need for strategic partnerships to secure resource access

4. Environmental Degradation
Increasing exploitation of scarce resources
Ongoing climate change and more severe natural disasters
Growing total volume of non-degradable waste
Increasing awareness of collateral damage on species

5. Income Shift
New middle-class customers in developing countries
Increasing income gap between lower- and upper-income classes
Demand polarization/focus on price-value ratio (lacking mid segment)
Increasing demand for ownership-free products (pay-by-usage)

6. Digital World
Convenient product buying through digitalization (mobile commerce)
Rising usage of digital devices at point-of-sale (augmented reality)
Growing demand for simple technology with intuitive interfaces
Increasing adoption speed of new technologies
Connectivity of products and more add-on services (smart TV)

7. Open Data
Growing amount of interrelated and meaningful data
Greater availability and access to data and knowledge
Growing difficulties to protect private data
Greater usability and exploitation of consumer information for firms
Greater transparency of corporate processes (track and trace)

8. Informed Consumers
Increasing information exchange between firms and customers
Increasing price and value transparency for consumers
Opinions more influenced by peer-to-peer referrals (social media)
Growing desire to fully understand product/service (customer experts)
Customer dissatisfaction spreads faster and has stronger impact

9. Regulations
Strengthening of regulations that protect scarce resources
Growing involvement of NGOs in public affairs
Global collaboration of institutions leads to stronger regulations
More restrictions on product range from regulations (choice editing)
Greater standardization of products and business processes

10. Multipolarity
Growing of trade within countries and regions
Shifting economic power to developing countries
Growing demand for locally produced goods
Increasing legislative protectionism in global trade
Increasing interdependencies of markets

11. Mobility
More time spent for transportation during work and private life
Rising wish for individual mobility services that are publicly available
Growing number of people relocating more often and farther away
Rising number of migration flows

12. Urbanization
Increasing number of people living in urban areas
Decreasing average household size
Greater anonymization of society and need for new social safety nets
More agricultural usage in urban areas of developing countries

13. New Social Structures
Merging of real and virtual relationships and lifestyles
More people connect in online communities of shared interests
Personal relationships and communities change more frequently
People have fewer close friends and more acquaintances/loose contacts

14. Social Responsibility
Stronger request for corporations to fulfill obligations of society
More importance on showing social/environmental impact (CSR reports)
Increasing desire for fair-trade products
Increasing image impact of good-cause initiatives for firms

15. Burden of Aging
Aging of society and labor force in developed countries
Growing cost pressure on public health sector
Increasing willingness of healthy and consuming elderly to spend
Increasing need for firms to cover aging-induced costs of society

16. New Working
Increasing workload leads to growing convenience shopping
Increasing flexibility of business resources such as labor and IT
Increasing demand for job hopping and shorter employment cycles
Growing decentralization of firms into networks of autonomous units

17. Scarcity of Talent
Increasing requirements for new skills that employees need for working
Scarcity of skilled labor in developed countries
Greater need to build international workforce
Rising number of highly educated employees in developing countries

18. Female Shift
Increasing influence of women on family consumption decisions
Increasing number of women working
Increasing number of highly educated women in workforce
Growing demand for work-and-family programs

19. Personalization
Increasing demand for personalized product and service offerings
Decreasing willingness to accept concessions in product choice
Growing demand for personally influenced items (crowdsourcing)
Growing desire for unique products

20. Entertainment Society
Increasing demand for entertaining and unconventional points-of-sale
Growing importance of experience as added value to products
Growing number of people playing games online

Source: The Consumer Goods Forum, Roland Berger

Prioritizing Megatrends for Collaborative Action

While a case can be made that each of these trend clusters will affect the industry in the coming years, we wanted to identify from this long list those likely to have the greatest impact and that could be addressed through collaborative action in the consumer goods and retail industry. Several activities were undertaken to achieve this objective:

- An online survey was conducted among CGF member companies to assess the relevance and monetary impact of each identified subtrend.
- Expert interviews provided an external view of the relevance of trends in the consumer goods and retail industry to help prioritize areas for collaborative, non-competitive industry actions.
- Working sessions were held to help further define the areas for the development of collaboration action.

These activities led to the selection of five prioritized trend clusters — or megatrends (Figure 2). As part of the process we considered the potential impact of each megatrend on the industry and raised related key questions.

Let's take a closer look at these megatrends.

01 Health and Wellness

As consumer knowledge about health and wellbeing grows, so does interest in healthy consumption and products, with product and service offerings evolving to support this interest. Among the factors driving the interest in health and wellness are increasing life expectancy and the rising number of older people.

The potential impact on the industry of the health and wellness megatrend will be significant. For example, the selling of "healthy products" may become more challenging as consumers demand improved transparency and include new decision criteria such as sustainable production in their product selection process. At the same time, the industry may benefit from the evolution of new categories, for example by including more functional food products and healthy cosmetics in assortments.

In light of these developments, how should companies respond to consumers' need for increased transparency and education about health topics in order for consumer goods and retail to become a "healthy" industry?

FIGURE 2: FIVE MEGATRENDS WITH HIGHEST RELEVANCE FOR THE CONSUMER GOODS AND RETAIL INDUSTRY

Source: The Consumer Goods Forum, Roland Berger

02 Fight for Resources

Economic prosperity and a rising middle class in emerging countries is increasing the pressure on the world's ecosystem, including the growing need for food and water security. In addition, as global demand for resources like food, water and energy rises, access becomes more competitive and prices may increase. Factors such as ongoing climate change and more severe natural disasters are also affecting the supply of resources.

This megatrend has the potential to affect the consumer goods and retail industry in a number of ways. Consumers will increasingly expect companies to use the latest technology for reducing waste of natural resources. And businesses will need to consider new types of partnerships (for example, public/private) to secure access to resources. In addition, the industry will have the opportunity to play a vital role in securing the nutrition supply in developing countries.

In this environment, how can the industry ensure that people receive and maintain access to increasingly scarce resources and that these resources are distributed fairly?

03 Sustainability

Awareness of the environmental and social impact of consumption continues to rise, leading consumers to look for greater transparency, more sustainable operations, and sustainably produced and fair-trade products from businesses. The importance of using reusable and recyclable material to reduce waste is also increasing. An additional aspect of this megatrend is the rising demand for firms to contribute monetarily to society and to support good-cause initiatives.

The industry impact may be substantial as consumers and employees become more educated about environmental and social issues and require credible transparency. In addition, corporate social responsibility initiatives will be evaluated more critically. The industry as a whole will need to be more aware of its "social footprint" on both a global and regional level, as instances of misconduct could have a significant impact on businesses.

With this increased focus on sustainability, how can the industry efficiently provide (and transparently communicate about) long-term care for people and the environment?

04 Digital World

New digital devices support ubiquitous and always-available information and enable companies to interact with customers across more touchpoints. Key factors driving this megatrend include the increasing adoption speed of new technologies, the growing amount of interrelated and meaningful data, the greater usability of private data and the growing difficulty of protecting this information.

Industry implications include the challenge of managing the rapidly growing information exchange between businesses and customers, and the increasing price and value transparency demanded by buyers. Consumer goods and retail companies will see their businesses affected as technology startups drive innovation and set new standards, for example in retail processes. Image building will need to be far more credible due to the heightened level of transparency and "open data culture." At the same time, there will be opportunities to adopt new technologies for efficiency gains.

In light of these digital developments, how can businesses further simplify consumers' daily lives through new technology? How can companies handle new options and requirements through data transparency (for example, by providing clear, uniform and accurate digital product information)? And how will this trend impact existing regulations?

05 Future Working

Technological advances will foster new approaches to flexible, digital working. At the same time, access to qualified labor may become more difficult in some markets as requirements for higher skill levels increase, resulting in a battle for talent. The labor pool will also evolve due to the growing number of older workers and highly educated women in the workforce.

These trends will likely continue to drive a growing decentralization of businesses into networks of autonomous units. Changes in the ways of working will require companies to focus more on so-called "soft skills," interpersonal skills that dictate how people interact with others. Image-driven employer branding around topics like social and environmental impact will become more important. The demand for flexible working solutions will drive the industry to make changes to its technological infrastructure and hence its work/life balance models.

As the ways of working evolve, how can companies attract, maintain and develop top talent and future leaders for the consumer goods and retail industry?

Factors Affecting the Potential for Collaborative Action

These megatrends should not be considered in isolation; they are affected by a wide range of factors, including interdependencies and regional differences. Numerous links exist between the different megatrends, potentially driving complexity and conflicts and affecting the potential for collaborative action. For example, the increasing longevity of people implies a greater demand for resources, demonstrating a link between Health and Wellness and Fight for Resources. Employees' interest in the "social footprint" of companies highlights the connection between Sustainability and Future Working. And digitally improved business processes might reduce resource waste, reflecting a link between Fight for Resources and Digital World.

In addition, the relative impact of the trends may vary depending on regional characteristics or industry sector. For example, some developing markets face a shortage of skilled workers, which presents a challenge for companies trying to expand internationally. However, the same situation might not exist in mature markets.

Narrowing Down the Trends: Digital World and Fight for Resources

A key aspect of the analysis was to investigate whether any of the five megatrends were already being addressed by the other CGF pillars. In fact, existing activities within the Sustainability, Safety and Health, and Operational Excellence Strategic Pillars are focused on trends like Sustainability, Health and Wellness, and Future Working.

As a result, Digital World and Fight for Resources were selected by The Consumer Goods Forum Board of Directors as the priorities to be addressed by the Emerging Trends pillar.

After identifying the two megatrends on which to focus, the next step was to consider how best to address these trends. A number of ideas stood out, as we'll see in the next section.

These megatrends should not be considered in isolation; they are affected by a wide range of factors, including interdependencies and regional differences.

02

Focusing on Value Impact

Translating Ideas Into Initiatives

While the first stage of the Emerging Trends project involved a broad scan of trends, the second stage was all about focus. We wanted to dig deeper into the two selected megatrends and develop corresponding initiatives that could be acted on collaboratively by the industry.

We began with a “crowdsourcing” process (see sidebar, page 18) to capture new and additional ideas related to the two megatrends and to assess their value impact. This was followed by a workshop focused on translating these ideas into initiatives and developing corresponding concrete action plan proposals.

Seven Ideas Stand Out From the Crowd

The online crowdsourcing approach, which included experts from inside and outside our industry, uncovered dozens of ideas, which were grouped into seven categories related to the two megatrends.

Digital World

1. Value chain transparency

New technologies will increase demand for transparency of companies' complete value chain, from sourcing to packaging and distribution. Only those companies that can show a sustainable value chain will be competitive in the long run. Value chain transparency is not only a critical enabler for improved supply chain agility, it also links different domains that currently are often disconnected, such as B2B, B2C, C2B and C2C.

In the context of today's rapidly evolving digital world, a number of critical questions related to value chain transparency need to be considered, including how to leverage the connected – or "smart" – environment for a new quality of individual customer service, how to ensure consumers get the "right" information, how to ensure a consistent experience for consumers and how to share stewardship of master data.

2. New ways to listen and learn from consumers

In the digital world, companies face major strategic challenges such as using technology-driven opportunities to understand consumers more deeply and connect with them more effectively and more often. The development of new capabilities like digital-marketing analytics to keep pace with the digital consumer will be a critical success factor in this environment. This involves all digital channels that consumers and shoppers use in their "path to purchase."

This raises key issues for the industry, including how to build trust with consumers via standardization of information relating to product descriptions and ingredients; how to address increasing consumer expectations; how to work with consumer forums to solve issues via open platforms; and how to ensure that accurate data is being delivered by new intermediaries like app providers.

3. How to solve the "consumer insights vs. privacy" issue/trusted digital consumer engagement

Physical retailers have long been confronted with privacy regulations when it comes to analyzing customer interaction data and using it for individualized service. As digital shopping grows, consumer awareness and concern about privacy in e-channels is increasing as well.

Trust is an essential element in addressing this issue, but how should the industry go about establishing trust with consumers in the digital world? A key idea raised was the importance of self-regulation rather than government regulations. This might come in the form of a "code of conduct" to ensure consistency in how companies engage with consumers or the development of a common "digital persona" database or "universal digital profile."

Fight for Resources

4. Collaborative work on standards and processes for sourcing and reusing packages

Consumer goods companies and retailers need to work together on solutions for reducing and reusing packaging, including developing standards regarding the environmental impact of packaging and products. Key considerations in addressing this issue include going beyond reducing CO_2 and gaining a better understanding of the waste streams.

5. Collaborative incentive and reward systems to reduce, reuse and avoid using resources

Changes need to be made to the traditional incentive and reward systems, which are based on the assumption that progress and performance should be measured largely through financial metrics. But what if managers were also compensated on the broader improvement of the business (such as sustainability criteria), not just profitability? This includes new metrics and KPIs for the future supply chain (CO_2 emissions reduction, reduced energy consumption, waste reduction). These metrics need to become more visible and require senior-level ownership to drive them down to all levels within organizations.

THE POWER OF THE CROWD

Online social crowdsourcing technology makes it possible to leverage the power of large groups of collaborating individuals. For the Emerging Trends/Future Value Chain project, crowdsourcing was used to capture ideas from industry executives over a three-week period. The ideas were sorted by popularity, added value (to the industry and its surrounding stakeholders) and feasibility.

Key considerations include increased focus on consumer education; the alignment of profit and sustainability metrics; the development of incentives, such as carbon credits, pollution certificates or positioning on shelves; and the use of ratings agencies to score companies.

6. Improved forecasting to reduce waste and usage of resources

The industry should improve collaborative forecasting in order to reduce the amount of waste that comes from spoilage and product returns and increase the accuracy of inventory flow. This requires new ways of managing food loss and waste, with clear incentives needed for all industry stakeholders.

Considerations include educational programs focused on sustainability for consumers and companies, increased use of product identification like RFID to improve production planning and management in the stores, and greater sourcing from local producers.

7. Collaboration with governments and NGOs on regulations

Regulations are closely connected with environmental constraints, but there is a lack of mutual understanding between companies and governments. Governments often do not know the motivations and actions of companies, and companies tend to be taken by surprise when new regulations are imposed. This needs to change, with companies participating in regulation development together with governments and NGOs.

But this will require a common vision and language – and strong leadership at all involved stakeholders. It also demands significantly faster implementation of "non-greenwashing" voluntary initiatives to avoid government regulations, and potentially the establishment of platforms to facilitate the definition and implementation of regulations that affect the industry.

Bringing the Ideas to Life

How can the industry translate these ideas into initiatives for action? To begin that process, we qualified the ideas based on several factors:

- What is the added value of the idea? Define the impact for the industry.
- How realistic is the idea? Define how this can be successfully taken forward.
- How different is the idea? Don't repeat what's already going on somewhere else.
- How commercially sensitive is the idea? Focus on collaborative, non-competitive industry actions.

This qualification process led to the development of three initiatives that begin to address the Digital World and Fight for Resources megatrends:

- **Consumer Engagement Protocol:** develop a code of conduct for digital engagement with consumers, which stemmed from the trusted digital consumer engagement idea (Digital World).
- **Next-Generation Product Identification:** transform product identification and information, which focuses on replacing the current barcode with a more versatile technology and came from the value chain transparency idea (Digital World).
- **Sustainable Packaging Consortium:** improve the sustainability of packaging across the different value chain stages, which was derived from the idea of collaborative work on standards and processes for sourcing and reusing packages (Fight for Resources).

These initiatives and their corresponding action plans are examined in more detail in the following section.

A qualification process led to the development of three initiatives that begin to address the Digital World and Fight for Resources megatrends.

03

Planning for Action

Driving Industry Change

To move these initiatives from theory to reality requires an action plan. An initial plan has been developed for each initiative, including elements such as a description of the initiative, rationale, value and impact, and critical success factors.

A number of dimensions were taken into consideration, including the role of the consumer, simplicity of the plan, importance of upfront planning and development of a sound foundational model (see sidebar, page 22).

GUIDING PRINCIPLES OF COLLABORATIVE INITIATIVES AND ACTION PLANS

To build business plans that were concrete and realistic, a number of guiding principles were taken into account, including:

Put the Consumer at the Center

- Focus on **clear business demand**, with the consumer in the center.
- Keep in mind that **consumer education and communication** are keys to success.
- **Reward consumers** for good choices and behavior.

Keep It Simple

- Don't do too many things: **focus, focus, focus**.
- **Don't overcomplicate** or over-engineer solutions – go for simplicity.
- Go for the **"right level" of "meaningful" standards** (don't over-standardize).
- Plan for **quick tangible results** (for example, via visualization and/or proofs of concept).

Plan Upfront for Success

- **Engage all constituents upfront** – look for ways to achieve "breakthrough acceleration."
- Start with a **convincing business case**, as the basis for shared common ground and vision.
- Anticipate differences between **developing vs. mature markets.**
- Look for **alignment and synergies** with existing relevant initiatives (don't reinvent any wheels).

Create a Sound Model

- Establish **leadership and accountability** as a mandate to move forward.
- Look for a **balance of trade** between the industry and consumers/shoppers.
- Focus on a **non-competitive scope** that generates energy with a critical mass of companies and people.
- **Extend existing capabilities** and leverage relevant new technology possibilities.
- **Reward companies and the industry** for sustainability.

Following is a high-level view of each initiative and key elements of its corresponding action plan.

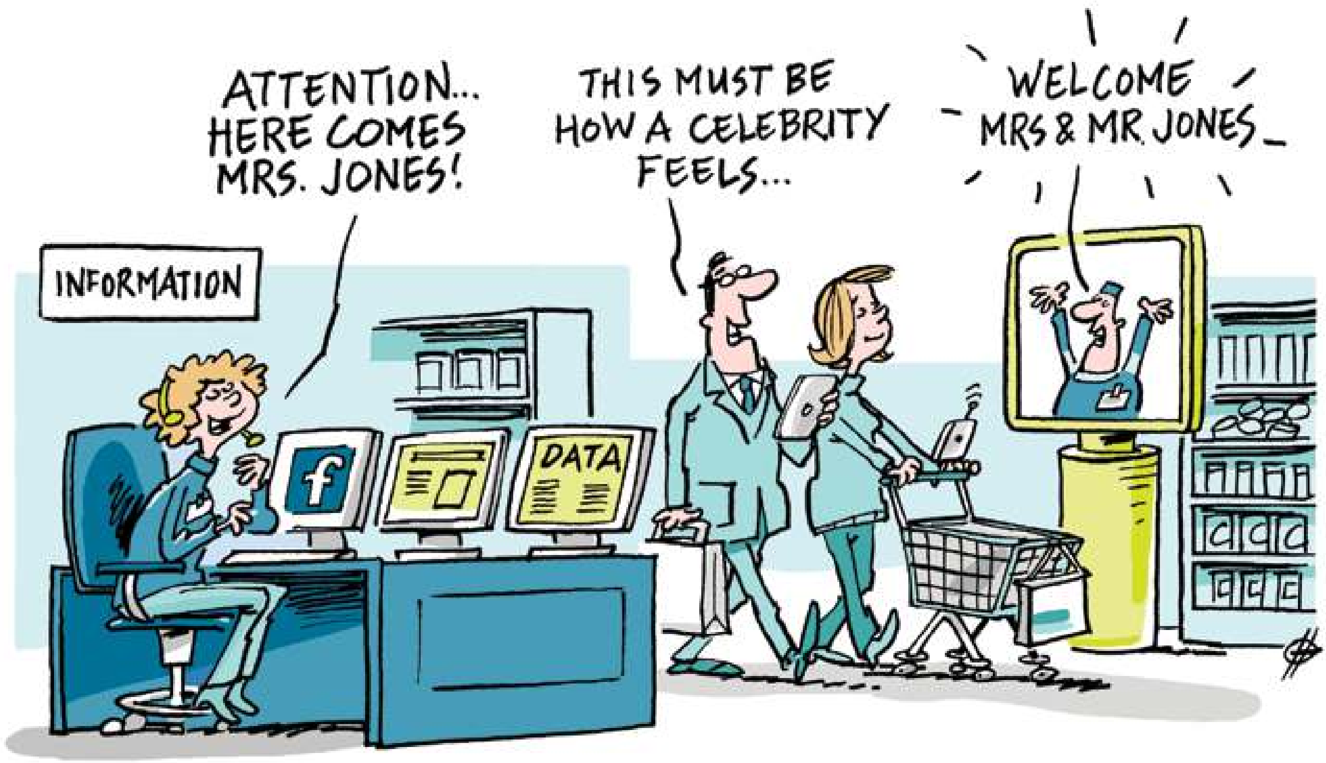
Consumer Engagement Protocol: develop a code of conduct for digital engagement with consumers

Description: This project is designed to address the changes being witnessed in consumer behavior. Driven by user-generated content and social media, the potential power of digital technology to disrupt established institutions and the associated brand equity is undeniable. However, there are also opportunities to connect directly with our consumers and shoppers from a research and marketing perspective. The project is focused on identifying potential risks and opportunities and establishing guidelines for digital engagement to ensure that initiatives we drive, as an industry, do not compromise our reputation and take into account consumer privacy.

The cross-stakeholder framework should define guidelines and principles for the "give-and-get" model (what consumers get in exchange for giving personal data), including how to collect data from consumers, when to engage with them and areas of data usage. The simple, easy-to-use guidelines should address different "classes" of data (such as "who I am," "what I do," "what I like," "where I am").

Rationale: There is a need to build trust with consumers and shoppers in digital channels and to mitigate risks from privacy invasion. Increasingly, companies recognize the need to be proactive vs. being regulated in this area, but currently there is no voluntary global commitment concerning this in the consumer goods and retail industry.

Value and Impact: Avoid regulations, improve consumer trust and therefore satisfaction, and increase sales



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Next-Generation Product Identification: transform product identification and information

Description: Today, in a world of rapidly expanding online commerce solutions, barcodes are unable to provide consumers with the rich digital product information they seek. Consumer barcodes do not uniquely identify product or package variations that carry the same product identifier, meaning minor product variations cannot be accurately disclosed. Also, when the product identifier needs to change to reflect new information, it adds waste to the system in the form of out-of-stocks, remnant inventory and transition costs. This project is designed to identify a solution to this industry concern. It will document requirements for the "next-generation" consumer product identifier, work with GS1 to recommend a standards-based solution and develop the business case needed to support global adoption.

The project focuses on connecting the dots to improve supply chain transparency, efficiency and traceability. The goal is to provide consumers with accurate product information by leveraging new technology capabilities for product identification to replace the current barcode (EAN13).

Rationale: There is an urgent need to provide technology-enabled consumers with accurate digital product information coming from trusted sources. This is not always possible with the current EAN/UPC barcodes.

Value and Impact: Decreased waste in our supply chains and improved availability of accurate data for consumers, manufacturers, retailers and data aggregators

BING: THE IMPORTANCE OF DELIVERING EASY ACCESS TO ACCURATE INFORMATION

The Consumer Engagement Protocol and Next-Generation Product Identification projects are well connected to the B2B2C Information Needs Group (BING) of The Consumer Goods Forum. BING's mission is to describe business requirements that will lead to scalable, standards-based, interoperable B2B2C services, thus empowering shopper and consumer choice through easy access to accurate information attributes, irrespective of the mobile or digital application or device being used.

Sustainable Packaging Consortium: improve the sustainability of packaging across the different value chain stages

Description: A coalition of CGF companies is being organized to work together to improve the sustainability of packaging across the different value chain stages, including collaborative buying, processing and recycling (end of life). The project involves building a roundtable, based on a model similar to the Roundtable for Sustainable Palm Oil (RSPO), to focus on driving improvement around the three R's of packaging and packaging components: Redefine, Reduce, Reuse.

The consortium should set clear, high ambitions, such as: By 2020 achieve 100% sourcing from sustainable materials, net 0% landfill, 100% reuse. The consortium should also evaluate potential areas for further collaboration along the value chain to deliver these targets and ambitions.

Rationale: Mobilizing critical mass will bring consolidated volume to drive improved sustainability and lower costs (as a non-competitive activity). A geographical approach may be necessary.

Value and Impact: Reduce waste and usage of packaging resources along the value chain, reduce costs and lessen dependence on oil

An initial action plan has been developed for each initiative, including elements such as a description, rationale, value and impact, and critical success factors.

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Conclusion and Next Steps

The collective effort of the industry executives who participated in the Emerging Trends/Future Value Chain project resulted in detailed proposals for each initiative. These were presented to The Consumer Goods Forum's Board of Directors at a recent board meeting for approval to develop business plans with existing or new working groups of CGF but outside the framework of the Emerging Trends Pillar. The board subsequently voted to support all the recommended initiatives.

Additionally, the CGF board made the following recommendations:

- The CGF pillar responsible for the Consumer Engagement Protocol initiative will be Operational Excellence.
- Retail leadership was strongly recommended for the Next-Generation Product Identification initiative. The board also indicated that the responsible pillar will be Operational Excellence.
- As a first step for the Sustainable Packaging Consortium initiative, the board recommended that the Sustainability Working Group validate the proposal and that ambitious targets should be set.

The named strategic pillars have considered these topics to be very relevant and have integrated them with high priority into their programs.

Outlook: Next Steps

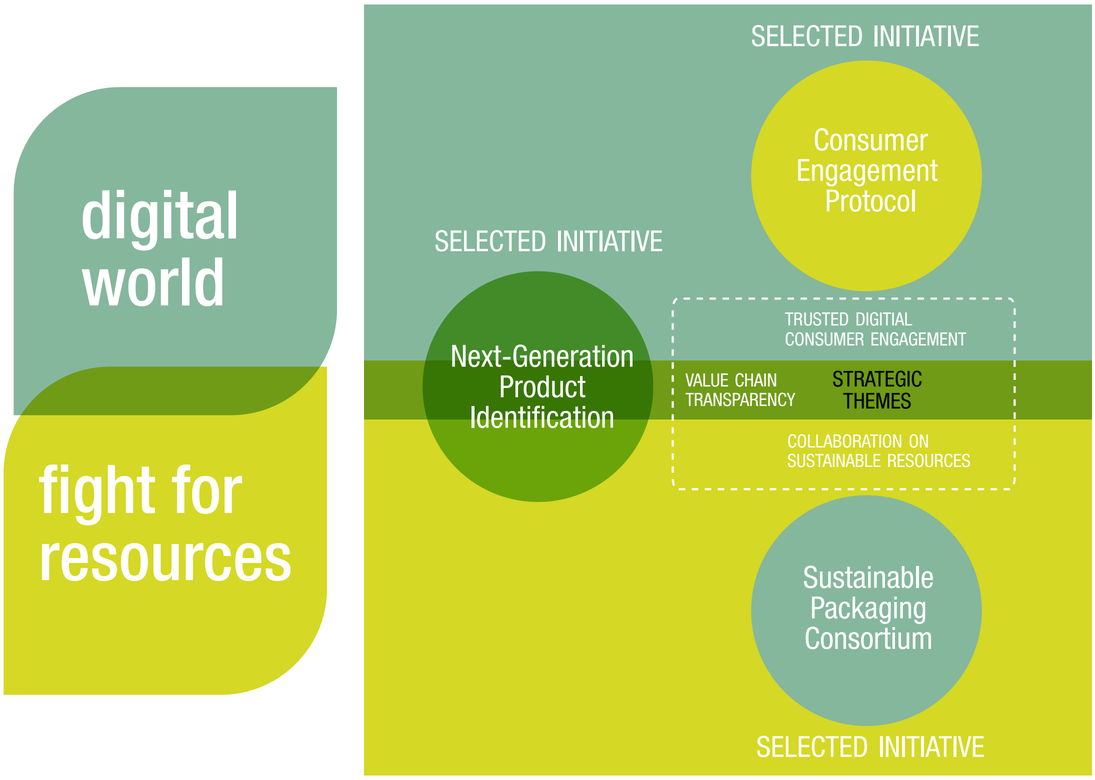
Beyond the three selected initiatives, a number of other ideas that came out of the crowdsourcing process and workshop are interesting to qualify further.

The Emerging Trends Steering Group will continue their activities by reviewing these ideas and evaluating potential further analysis with the respective strategic pillars and/or working groups of CGF. The outcomes of this exercise and the subsequent mobilization will be communicated in due course.

Call to Action

We invite you to engage in and support the three collaborative initiatives to help ensure a strong "Future Value Chain" that can more efficiently and effectively serve consumers and shoppers around the world.

FIGURE 3: MEGATRENDS AND INDUSTRY INITIATIVES: HOW THEY ALL FIT TOGETHER



Source: The Consumer Goods Forum, Capgemini

Appendix

The Process Behind the Project

The Consumer Goods Forum's Emerging Trends/Future Value Chain project included input from more than 200 consumer goods and retail executives and involved a three-step process:

1. Conduct a trends analysis to qualify the most relevant trends and then narrow down those that will have the greatest impact on the industry.
2. Dig deeper into these trends and translate them into initiatives for collaborative action by the industry.
3. Develop supporting action plans to address these initiatives.

CGF engaged Capgemini and Roland Berger to facilitate the process.

Phase 1: Trends Analysis and Prioritization

To develop an initial list of relevant, long-term trends Roland Berger conducted desk research involving more than 200 trend studies from leading research institutes, NGOs and think tanks, including the earlier "Future Value Chain" reports of The Consumer Goods Forum. The list was long, so the next step was to prioritize these trends. CEOs and their strategic teams from both consumer goods manufacturers and retailers provided their views via an online survey that considered both trend relevance and business impact for the industry.

Following the survey, CGF conducted working sessions to define the areas for the development of collaborative industry action. This led to the selection of the five megatrends.

In addition, a gap analysis was conducted to determine whether the five megatrends were already being addressed by the other CGF pillars. This resulted in the selection of Digital World and Fight for Resources.

Phase 2: From Ideas to Initiatives

In the second phase CGF dug deeper into these two selected megatrends and identified corresponding initiatives that could be acted upon collaboratively by the industry. CGF selected Capgemini to help facilitate this phase. Capgemini and CGF have a longstanding relationship working together on the "Future Value Chain" project and other activities focused on key industry issues.

Online social crowdsourcing technology was used to capture new and additional ideas from industry executives and experts over a three-week period. The campaign involved 107 participants from 23 companies who generated 32 ideas on Digital World and 27 ideas on Fight for Resources. The ideas were sorted by popularity, added value (to the industry and its surrounding stakeholders) and feasibility, resulting in the down-selection of seven ideas.

Following the crowdsourcing exercise, Capgemini conducted a facilitated workshop with industry executives and experts from other sectors (e.g., chemical, manufacturing and IT industry, consultants and other organizations such as the World Economic Forum and the World Business Council for Sustainable Development) to further qualify these seven ideas. Capgemini Consulting's Accelerated Solutions Environment (ASE) DesignSession format was chosen for the workshop. The workshop was attended by 31 participants from 18 CGF member companies.

The first stage of the workshop focused on achieving a common understanding of the two megatrends and reviewing and assessing the ideas from the crowdsourcing program. In the second stage the ideas were narrowed down, validated against existing CGF activities and translated into initiatives for the final work round. The process resulted in the selection of the three initiatives:

- **Consumer Engagement Protocol:** develop a code of conduct for digital engagement with consumers
- **Next-Generation Product Identification:** transform product identification and information
- **Sustainable Packaging Consortium:** improve the sustainability of packaging across the different value chain stages

Phase 3: Moving Toward Concrete Plans

In the final stage of the workshop, high-level action plans were built for the three initiatives. These action plans formed the basis for a concrete proposal to the CGF Board of Directors regarding initiatives on which the industry should collaborate to begin to address the two megatrends.

The three-phase process helped achieve alignment among the participants, defined a roadmap for CGF to follow, and created a momentum and commitment to deliver on the recommendations. The process and tools proved to be targeted, pragmatic and effective in analyzing trends and collaborating on solutions to address interdependent issues.

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 2.5 trillion. Their retailer and manufacturer members directly employ nearly 10 million people with a further 90 million related jobs estimated along the value chain.

The Forum's vision is: "Better lives through better business." To fulfill 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 non-competitive process improvements. 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.

For more information: **www.theconsumergoodsforum.com**

Contact Information:

Sabine Ritter
+33 1 82 00 95 80
s.ritter@theconsumergoodsforum.com

Ruediger Hagedorn
+49 171 693 5583
r.hagedorn@theconsumergoodsforum.com

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

About Capgemini

With more than 125,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model. Learn more about us at **www.capgemini.com**

About Capgemini's Consumer Products & Retail Practice

Capgemini's global Consumer Products and Retail practice works with a majority of the world's largest retail and consumer products companies plus hundreds more. A team of more than 12,500 consultants and technologists throughout the world helps these clients reap the benefits of industry-specific solutions such as Demand-Driven Supply Chain, All-Channel Experience, Business Information Management and Global ERP Integration. For more information: **www.capgemini.com/consumer-products-retail**

Contact Information:

Kees Jacobs
+31 653 292 832
kees.jacobs@capgemini.com

Bernard Helders
+31 30 689 7397
bernard.helders@capgemini.com

www.theconsumergoodsforum.com

www.capgemini.com/consumer-products-retail

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