



THE GLOBAL
SUMMIT 2015

TRUST AS A FOUNDATION FOR GROWTH

THE EXECUTIVE
SUMMARY

NEW YORK CITY
THE 59TH GLOBAL SUMMIT
24TH – 26TH JUNE 2015





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THIS WAS
THE 59TH
GLOBAL
SUMMIT
NEW YORK CITY

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WEDNESDAY 24TH

OPENING SESSIONS

Building trust by doing the right thing



PAUL BULCKE

Paul Bulcke welcomed delegates to the 59th edition of the Global Summit in the city that never sleeps – something he observed was also true of the consumer goods industry. He noted that New York was the birthplace of The Consumer Goods Forum in 2009. In the subsequent six years it had shaped and strengthened its ambition to be the pre-eminent global organisation serving consumers, the communities they lived in and the industry as a whole.

Bulcke said The Consumer Goods Forum had been ambitious in its aim of better lives through better business. It was an agenda articulated around opportunities and challenges – and there were many challenges. End-to-end value chain and standards work reflected the fact that consumers should pay for value created and delivered, not for waste. Product safety initiatives responded to the demands of a zero risk society. Leadership efforts around health and safety and in sustainability were undertaken to support consumers, employees and society in their expectations of healthier and

more environmentally responsible lives.

Turning to the theme of the 2015 Global Summit, Bulcke observed that trust was the basis of success but it could not be claimed. It had to be earned, and it was at risk daily. He argued that the industry was at an important inflection point, changing from a historic focus on product and innovation to create value more broadly.

The Consumer Goods Forum was expected to lead changes to produce positive outcomes for both today and decades to come. He offered some examples, including the Consumer Engagement Principles issued in February 2015, the new Health & Wellness Toolkit and an agreement reached in the Board Meeting earlier that day on committing to a resolution on reducing food waste. Implementing these resolutions and commitments would show that the industry walked the talk, and would engage the entire industry to build and maintain trust for the benefit of all.



PAUL BULCKE
Chief Executive Officer
Nestlé S.A.

PETER FREEDMAN

Peter Freedman offered some reflections on the Global Summit's theme, the last year of activity at The Consumer Goods Forum and the connection between the two. He showed data from the Edelman Trust Barometer which showed that taken together, consumer goods manufacturers and retailers just about made the top third of the list. But this level of trust was under significant pressure, with daily news stories about food safety and frequently voiced concerns by consumers and activists alike about social issues upstream in the supply chain and the environment impact of products and their distribution.

Freedman suggested delegates should be asking a number of questions during the Global Summit. The first – whether trust really did drive growth – was easy to answer in the affirmative. But there were others. Could you trust a brand if you didn't trust its industry? What could be done collectively as well as individually to drive trust? And what could The Consumer Goods Forum do to support its members in building trust?

He said that the focus of The Consumer Goods Forum was on action. It could not just be a talking shop. It was also naturally collective in its approach and committed to collaboration. And, finally, it was global. If something wasn't all three of these, it was not the remit of the organisation. His team had therefore explicitly adopted a way of working that started with identifying actions (for instance, the need for company-level improvements in health and wellness), committing to action (such as the Food Waste Resolution), building 'how to' solutions (illustrated by the Palm Oil Sourcing Guidelines), helping members and engaging stakeholders (in which regard he mentioned work with the G7 on social harmonisation and environmental sustainability). Working through the year's activities, he showed how members and The Consumer Goods Forum's staff had been 'filling in the grid' at each stage of this way of working.



PETER FREEDMAN
Managing Director
The Consumer Goods Forum

MICHAEL BLOOMBERG

Keynote opening address

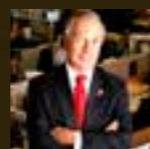
Michael Bloomberg was interviewed by moderator Alex Thomson in a conversation which explored multiple dimensions of trust. Bloomberg said what was without doubt was that there was more disclosure than ever before, whether authorised, ordered by due process or simply leaked. He suggested that if you wrote an email you had to do so assuming that at some point it could and would be open to the public. But he also argued that as a society, we were confused about transparency. We were distrustful of national security agencies trying to protect us against terrorism, but perfectly relaxed sharing our most intimate history with the providers of search engines.

Another aspect of trust was simply giving leaders, whether in politics or business, the time actually to get things done. But he questioned whether consumers truly trusted in companies as such. For many purchases, such as toothpaste, they just cared whether the product was good or not. And he also suggested consumers could not delegate away all responsibility in the name of trust. Governments in

particular had an obligation to make the best scientific information available to citizens, but beyond a certain point, companies should be responsible for their own products and their consumers for their decisions to consume them.

Bloomberg argued that the primary duty of management was to make an economic return and for shareholders to make good decisions about disposing of them (and in a city like New York, that often meant significant charitable contributions). But he also admitted that when hiring at Bloomberg, being able to say that the overwhelming majority of profits would go towards good causes was a powerful factor in attracting younger talent.

Thomson asked him what the motivation was for philanthropy on this scale. Bloomberg asked what else he was going to do with his money? Nothing could give more satisfaction than leaving a better world for his children and grandchildren, and there was no point in waiting until his own death for that. After all, it would be better to be around having helped discover the cure for cancer.



MICHAEL BLOOMBERG
 Founder, Bloomberg LP
 & Bloomberg Philanthropies
 Three-term Mayor of New York City

LARRY FINK

Trust in the financial sector in the aftermath of the crisis

Larry Fink was also interviewed on stage by Alex Thomson. Asked first about trust in financial institutions, he said that a lot of progress had been made since 2008. But as the financial footing of the banking sector had been rebuilt, there had been a barrage of findings about some really bad behaviour. On the other hand, the public could justifiably be confused about punitive assessments made in billions of dollars without anyone individually appearing to be responsible.

Nevertheless, he wondered whether collectively we might be focusing a little too much on trust and not enough on fixing the economy. We were not out of the crisis – or at least, not the broader economic malaise that had followed the financial debt crisis. There was huge uncertainty and we had an underperforming global economy with anaemic growth. This was not simply the result of the financial crisis, but rather the wholesale transformation of the world's economy by technology. He suggested the next crisis

in the developing world could be one of job creation as more production was on-shored or automated without having first trained sufficient numbers of workers in new skills.

In the developed world, the issue might be more about inadequate savings for retirement. In America the average worker was starting to wake up to the realisation that they were significantly underfunded in this regard, and even if the apex of the problem was still 10-15 years out, the pressure on consumer expenditure was going to apply sooner. A world dependent on US consumer activity might in turn find this difficult to deal with.

Returning to the issue of trust, Fink observed that BlackRock had nearly \$5 trillion under management and their platform supported the management of another \$15 trillion. Any difference in how clients of different sizes were treated, or how different offices behaved, would be immensely destructive. They were selling performance and trust and had to do so every day.



LARRY FINK
 Chairman
 & Chief Executive Officer
 BlackRock



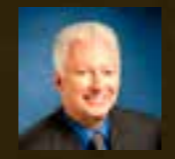
AG. LAFLEY

Trust in brands

AG. Lafley started his presentation with a quick brand comparison test, asking his audience which of a variety of combinations of consumer goods and retail brands were more or less highly rated in Net Promoter Scores versus brands from the technology, media and automotive industries. Consistently (as the audience gradually realised) the answer was always in favour of the consumer industry. As Lafley pointed out, the most popular and most preferred brands are generally the most trusted – and in turn, well established consumer brands have extraordinary reach and frequency, both of purchase and use.

Lafley questioned whether the industry was changing too much, too often and too fast. He cited P&G's Cheer brand as one they had modified too much and with which they were losing share and distribution. But equally, the industry as a whole was introducing too many new products – literally thousands per year. He showed a graph of sales by new product introduction, rank ordered from highest to lowest amongst the top 100. The graph fell off precipitously after

the first 10-20. What, he asked rhetorically, did we think had happened to the others? In discussion with Alex Thomson afterwards, Lafley argued industry professionals often became tired of their brands and what they stood for, and product formulation and packaging, long before the consumer did. The answer varied by category, but he believed what needed the most attention was the basics, and that was by no means changed by a new digital environment. If you were open for business 24/7, were you in stock 24/7? As a company, P&G was dramatically streamlining its portfolio of products and development technologies. Working through category assortments with their retail partners, they typically found they could reduce SKU counts by 10-15% (and sometimes 20-30%) only for the shopper to report there appeared to be more choice because it was so much easier to shop. And in the digital environment, this was significant when it often proved much harder to get to closed sales than simply to attract people into online stores.



AG. LAFLEY
Chairman of the Board, President & Chief Executive Officer
Procter & Gamble



INDRA NOOYI

Building trust by doing the right thing

Indra Nooyi said that trust was the intangible trading currency for consumer industry companies. Without it, every stakeholder was inexorably lost, one after another. She added that trust and reputation went hand in hand, but were not the same thing. Reputation was built on establishing and retaining trust. Nooyi said a set of 'LATTE' factors had emerged as especially important in recent years: being local, authentic, traceable, transparent and ethical. But these should not be to the disadvantage of large consumer industry companies. After all, they were in the habit of transparent disclosure and paid their taxes. Conversely, smaller companies often appeared to generate higher levels of trust despite the digital environment often masking the sale of goods with very poor environmental footprints, low traceability and very little transparency. There was something perverse in having basic ingredients delivered to the home in the interests of authenticity when you didn't know where they actually

came from. She advanced a five point plan. The first step was to keep on doing the right thing with regard to local talent and sourcing and being transparent. The second was to engage actively with NGOs based on an attitude of mutual dependence and not mutual distrust. The third was to lobby for protection against frivolous litigation, across geographies and for large and small companies alike. Fourth, every company needed a rapid response team to deal with unfounded online attacks. And fifth, the industry needed a responsible media that did not contribute to the echo chamber of unfounded accusations. In a lively discussion, Nooyi asked Alex Thomson a number of direct questions about media conduct before the conversation closed with reflections on the requirements of the modern CEO. Nooyi said her cohort had become lifelong students. In the past you were meant to brief the people at the top and train those at the bottom. Right now it was the other way around.



INDRA NOOYI
Chairman & Chief Executive Officer
PepsiCo



THURSDAY 25TH
**THURSDAY
SESSIONS**

- | Disruptive innovation
- | Growth through partnership



CARLOS GIRALDO

Promoting sustainable retail in Colombia: a high potential emerging country



Carlos Giraldo spoke about building trust through sustainability and shared value. In countries facing major social challenges, like Colombia, the bar was high. The nation itself represented a turnaround story. 25 years earlier it had been living under terror and was economically non-viable, but a general consensus between government, business and the people had emerged. The most important consequence was that in the past 12 years poverty levels had been reduced by 60%. It now enjoyed one of the highest levels of per capita investment in the world, but much work remained to be done. Giraldo talked about three initiatives where Exito could take advantage of its privileged position in the midst of a network of hundreds of suppliers, thousands of employees and millions of customers. The first was a determined attack on childhood malnutrition. 35% of the children in Colombia were born underweight but in the first thousand days of a child's life, 75% of the connections and size of the brain were established. Thus early intervention was critical. The Exito Foundation awarded \$10m a year to children and pregnant women and had succeeded in having this approved as a national priority

in the development plan for Colombia. The second initiative was about sustainable retailing and buying locally. Half of the grocery market was in the hands of mom and pop stores. They were a very important part of the social network but often lacked a clear path to formalisation. Exito had explored ways of working together. They had two brands serving the base of the pyramid. They had teamed up with mom and pop stores nationally and given them access to these private brands while helping them regularise their fiscal relationships. But they also had shifted their own sourcing. They had increased their local buying share from 34% to 86% over the last five years. The third initiative was about building trust through defending Colombia's national asset, biodiversity. Colombia was the richest country in the world for fresh water in proportion to its size and it had to be protected. Exito were sponsoring a gift to Colombia' and were premiering a movie on 10th September which would finally show the glorious range and depth of Colombia's natural beauty to Colombians and to the world.



CARLOS GIRALDO
Chief Executive Officer
Grupo Exito

MARK BATENIC J.K. SYMANCYK

Powerful regional chains that build and maintain their consumers' trust



Mark Batenic introduced J.K. Symancyk to speak to the Global Summit. He explained that Meijer was a privately owned business dating back to 1934. The very first store had been called Meijer's Thrift Store and Symancyk pointed out that the very word 'thrift' derived from 'thrive'. In 1962 they opened the first supercenter in the US, using reinforced concrete for the footprint in case it hadn't worked so that it could have been resold to a car dealership. Today, the values the company worked by remained the same: customers, competition, family, freshness and safety and health. In Symancyk's early career, Fred Meijer had taken him on a store visit and checked that the bathroom doors opened outwards (because forcing people to touch doors after washing their hands negated all the health benefits of hygiene facilities). The company was growing through its commitments to freshness in product assortment, community support (the company gave more than 6% of its pre-tax net profit annually to charity) and local sourcing. Innovation was critical, and was based on the behaviours exhibited by customers in store. In discussion with Batenic,

Symancyk observed that one of the advantages for Meijer and most of the strong regional players in the US was knowing the communities they served and knowing their leaders at a local level more directly. Operating at a smaller scale allowed you to do that. It was true their culture was about finding the right people but it was also being better at codifying and communicating what the company stood for. The family owners were themselves very humble and thus the management team had learned to be a little more deliberate in communicating some of what they had done on their behalf. Batenic asked about the challenges of serving multiple age groups in their stores. Symancyk said that millennials, like boomers, were a very large group. He cautioned against thinking of either as a single, homogenous group. Equally, an 18 year old's definition of privacy wouldn't necessarily be the same as that of a 30 year old. Sharing who you were, what you stood for and being open about mistakes were important, but in the end, action was the most important for establishing trust. The speed of making critical decisions was the difference between winner and losers.



J.K. SYMANCYK
President
Meijer, Inc.



MARK BATENIC
President &
Chief Executive Officer
IGA, Inc.

GARY BRIGGS JAMES MANYIKA ANDREW McAFEE DAN WAGNER

What does technology mean to our lives

James Manyika said the pace and scale of the current level of disruption were without precedent in human history. It had taken 150 years for the United Kingdom to double its GDP per capita since the start of the Industrial Revolution. The same thing had been accomplished in China and India in just 12 years, with a base population of over a billion people each. We were fast approaching a point where over half the world would be members of the consuming class – and nearly everyone would have a smartphone. In turn, that was helping new technologies reach massive scale faster and faster. But looking ahead, Manyika said there were a number of new disruptions coming over the horizon, relating to how we actually used technology, changes in some of the fundamental building blocks of life, machines working for us and rethinking the generation and distribution of energy.

Andrew McAfee said that machine learning would play a big part in the near future. He described a recent experiment in machine learning in which the computer had been set to play Atari Breakout with no

instruction other than to optimize its score. From a very poor start the computer had become a competent user after two hours, and was developing new strategies after four.

Gary Briggs noted that every estimate of the shift to mobile tended to underestimate its speed. He offered three numbers to help frame it. There were 7.2 billion connected devices in the world, so we were closing in on the point at which devices outnumbered humans. In 100 countries, that was in fact already the case. And the rate of growth in devices was five times that of population.

Dan Wagner offered a data science example from Democrat election campaigning in 2012. They had been trying to understand how well you could link voting intent with subsequent behaviour and ran a large scale test to see which prompt was most effective – a simple monochrome letter, a colour postcard or a persuasion postcard with clear reasons for voting. They then examined subsequent behaviour to see which was the most effective at driving voting behaviour. The short term surprise was that the letter was

by far the most effective of the three. The longer term reflection was how poor they realised their understanding of voters was (the persuasion postcard had been the accepted best practice for many years).

In a panel discussion moderated by Manyika, speakers covered a wide range of topics. One related to the organisational challenge of adopting data science. Wagner talked of a CEO he had met who had a \$250bn production environment but relatively antiquated decision-making technology. He advised industry leaders to go 'five levels down' in their organisations in order to understand properly what was possible with the newest technology, adding that the leverage power of a small number of really highly skilled people was tremendous.

Another question related to the risk of disruption, given a landscape populated both by small startups and tech giants from outside traditional industries. McAfee argued that it was less important to know where the attack might come from than why it might be successful. He said that the new players and their investors were 'smacking their lips' in anticipation of gains for two reasons. One was the limited capacity of existing tech infrastructure in legacy players, but by far the more important was the mindset gap.

Incumbents had the dangerous conviction that they understood their customers when they didn't, and were often in thrall not to the data, but to the HiPPO – the highest paid person's opinion.

In terms of which categories were themselves most likely to be disrupted, Briggs said the combination of high gross margins and low shipping costs made some products far more obvious targets than others. He singled out razor blades as having precisely those characteristics. In closing, Manyika asked whether tech companies were entirely good for society in that they employed so few people relative to their size. Wagner said that an age of digital information offered the potential for widely distributed productive agency. He noted that the bodegas described by Carlos Giraldo were able to get connected to the global economy, participating in a very wide network in a way that would have been unthinkable before. But he also urged delegates from large companies to embrace the potential of open source software. He used Python as an example of free code being worked on by up to a million people, as opposed to off the shelf alternatives which at best could represent the work of a couple of thousand engineers.

GARY BRIGGS
Chief Marketing Officer
Facebook



JAMES MANYIKA
Director
McKinsey Global Institute



ANDREW McAFEE
MIT Initiative on the Digital Economy



DAN WAGNER
Civis Analytics



TERRY LUNDGREN

Omni channel: Developing long-term, sustainable competitive advantage

The consumer is changing but stores are not dead; indeed, with a true omnichannel model, stores are the new black. Macy's is posting impressive results and creates billions of dollars in shareholder value. How? By making substantive changes in technology focused on a better customer experience in stores and online. The most recent innovation is zTailors – an Uber-like model where independent tailors around the country can come to the customer's home or office to make adjustments to clothing. One of Macy's big breakthroughs was to build the capacity to search the entire store and online network for an item and overlay the predictive likelihood of selling that item at full price to ship from the least promising location to fulfil the order. They also found that getting customers to collect orders in store not only built transactions, but also increased the efficiency of the transaction by allowing them to try clothing on. The more they touched Macy's, the more likely he or she was to become a loyal customer. As the seventh largest e-tailer in the US, Macy's are all in when it comes to online, but that's not the reality of shopping for most consumers today. Integrating

digital into the broader physical reality of the store is a priority. They are becoming one of the largest recruiters on campus, and the ideas that their newest recruits brought in or generated are often some of the most valuable. They also adopted a rapid prototyping and testing lab system to bring ideas to production in the general spirit of More-Better-Faster and based a team in macys.com in San Francisco to have access to the best tech talent and learn from the best tech companies. Macy's was grounded in its US operations that remained a low growth environment. Over the last decade, they strengthened the brand by consolidating it at store level and concentrating buying in New York City, but at the same time, needed better to understand the needs of customers in specific markets. So they also invested in local market intelligence. In the next phase of their strategy they commit to learn better the needs and preferences of customers as individuals. They explore the potential for new formats and entering new geographies as well as reinventing their current estate and broadening their offer.



TERRY LUNDGREN
Chairman
& Chief Executive Officer
Macy's, Inc.

JASON ACKERMAN

Delivering fresh insights on trust: Reflections of an e-grocer

FreshDirect might be an online digital company, but it is also a customer-obsessed, food-obsessed company. Many people assume the business is about home delivery, but really it is about food. They asked themselves how they could use the internet to make the food retail business better. Taking orders in advance of sale into a consolidated facility permitted them to vertically integrate all of the processes after taking the order – allowing mass customisation and reducing shrinkage. They also build the supply chain, building direct relationships with farmers to get produce to the customer in half the time of a conventional retailer. As a consequence, their sales profile is almost inverse to that of a traditional grocer: 67% of their sales are fresh versus 40% in the traditional industry, and they succeeded in getting people to buy fish online. Ackerman argued that by bringing better tasting fresh food, it's easier to get people to eat healthily. For instance, picking melons serially in the middle of the day (as opposed to a single sweep first thing in the morning) increases cost of supply, but also results in greatly superior product. FreshDirect's support

of local farms made them the largest virtual farmer's market in the north east of the US. Many smaller local farmers do not themselves have the means to get product to market. FreshDirect put a team of experts in to go from farm to farm, understand what is being produced and their cutting schedules and then build the supply chain to bring the product back to their facility. They also spend a great deal of time telling farmers' stories to customers. The multiple touch points of online grocery made it a never-ending pursuit of getting the user experience right. They adopted a culture of focusing on the customer first to address the most common reasons for not buying online: trust in the quality of fresh, the accuracy of orders, unwanted substitutions and the lack of convenient delivery options. They also embraced a very high level of transparency, both in encouraging performance measurement and feedback from their customers at every stage, but also in offering frank assessments of produce quality on a daily basis, using a 1-10 star system which was updated at 4am. 85% of customers said their purchase decisions were influenced by the rating system.



JASON ACKERMAN
CEO & Co-Founder
FreshDirect

MARC BOLLAND

When innovation fuels sustainability

Marc Bolland said he was going to talk about the hard truth of the future – a future challenged by food waste, deforestation and the impact of greenhouse gas emissions. As The Consumer Goods Forum, members could hope things would get better or they could make them get better. And that latter alternative was what consumers expected of them.

He then urged members to get involved and take action on the three significant resolutions to tackle climate change adopted by The Consumer Goods Forum. First, it had committed to halving food waste in members' operations by 2025, starting from a status quo in which one third of all calories produced were never eaten. In its own country, food waste alone would rank as the third biggest source of carbon emissions after the US and China. Second, it had committed to zero net deforestation in the palm oil, soya, beef and paper and pulp supply chains by 2020. 15% of all greenhouse gas emissions globally were caused by deforestation. So far, by 2015, 50% of EU palm oil imports were sustainably sourced. Bolland gave the example of a major palm

oil producer who had changed production as the result of NGO pressure and industry refusal to take unsustainable product. Third, it had committed to begin trials to phase out the use of HFCs and replace them with low carbon alternatives. The scope of this ambition was tremendous because the world's stock of commercial refrigerators and freezers ran into the millions. Over 2,000 stores operated by the likes of Ahold, Carrefour, Walmart, Migros, Sobeys, Pick n Pay and Marks & Spencer had already implemented the trial; Coca-Cola, PepsiCo, Nestlé and Unilever had installed millions of new chillers between them. Bolland asked delegates to join them and reinforce a virtuous circle of public trial, refrigerator manufacturer investment and cheaper industry rollout. Bolland said that simply by getting involved and committing to understand what the trial was about, members of The Consumer Goods Forum could already make a tremendous difference to the future. Commercial refrigeration had the potential for a much bigger improvement than the total greenhouse effect of aviation.



MARC BOLLAND
Chief Executive Officer
Marks & Spencer plc

ALEX GORSKY

Health & wellness as a foundation for growth: Get ahead of the curve by driving positive change

Alex Gorsky said he had three key messages. The first was that as he travelled around the world, he was more and more convinced that the issue of providing healthcare in a high quality and sustainable way was one of the biggest challenges we faced – for governments all the way to families. The second was the growing importance of the consumer in determining healthcare outcomes. And the third was the role of new technology in healthcare.

Gorsky quoted the credo written by Robert Wood Johnson, writing just before the company went public in the 1940s. He committed the company to relate to families, employees and communities first, and shareholders (of whom he accounted for 51% at the time) last. The company had a remarkable legacy with 128 years of history. It had leadership positions in multiple healthcare sectors – the consumer products division was a relatively small part, accounting for some \$14.5bn of \$74.3bn in annual turnover.

Gorsky said we were at an inflection point for healthcare. An ageing population would drive increased demand around the world. People over 65 consumed 5-7 times the healthcare

of those younger. As he had noted, technology would have a tremendous impact. It allowed the consolidation of data across the healthcare system as well as offering personalised consumer solutions.

He offered delegates three numbers to think about: 8, 15 and 80. If you as an individual focused on eight behaviours with moderate intensity (diet, exercise, minimising stress, lowering alcohol consumption, sleeping better and so on), you could make a dramatic impact on your vulnerability to 15 diseases (cardiovascular disease and Type II diabetes not the least of them) which in turn accounted for some 80% of the overall healthcare challenges we faced as a society.

Consumers were more and more interested in this, both for treatment and prevention. Johnson & Johnson were exploring how to take concepts of health and wellness into a more comprehensive relationship with the consumer with technological tracking of progress over time. In subsequent discussion, he added that health and wellness programmes for employees within the company had been very effective.



ALEX GORSKY
Chairman & CEO
Johnson & Johnson

STEFANO PESSINA

Health & wellness as a foundation for growth: Get ahead of the curve by driving positive change

The pharmacy industry can make a positive impact on the healthcare market. The industry is experiencing unprecedented changes, driven by fundamental demographic trends. The world over, this transition is both a challenge and an opportunity. Ageing patients suffering from multiple conditions, sometimes worsened by poor care, are leading to an unsustainable level of expenditure. Today's healthcare systems are poorly prepared for this.

Holistic approaches to wellbeing are required, encouraging mindset changes in patients and shifting the focus from cure to prevention. Cloud computing, mobile computing and robotics are giving rise to next generation solutions, but the impact of innovation on the industry has so far been more about expanding demand than improving effectiveness. And industry changes are not going to stop. The increasing expectation of personalisation and acceleration in scientific progress will drive more innovation.

This revolution has the potential for unlimited and sustainable growth for the industry. Retail pharmacies interact with consumers and patients every day. They understand both what people want and need. They are the first to see trends play out on the ground and generate valuable customer insights. They

can themselves be catalysts for change. With over 13,000 pharmacies globally, Walgreens Boots Alliance is in a highly privileged position to understand consumer needs. Change cannot be achieved by acting alone. They work with a range of partners. Co-operating with consumer goods manufacturers they share important insights about consumer behaviours to identify ways to provide better value. Bringing together information about insurance provision they help provide consumers with better choice. Working with medical charities, they help patients understand and cope with the side effects of medication. And their customer reach offers the opportunity to work with healthcare providers and technology companies to realise the potential of new technology to monitor health and get expert advice 24/7. Patients can consult with doctors remotely and be prescribed medications as a result.

A partnership model remains a cornerstone for solving sustainable issues, and Walgreens Boots Alliance is committed to the work of The Consumer Goods Forum in better promoting health and wellness globally.



STEFANO PESSINA
Executive Vice Chairman
& Acting Chief Executive Officer
Walgreens Boots Alliance, Inc.

MARISSA MAYER

A fireside conversation with Yahoo!



Marissa Mayer was interviewed by James Manyika. First, he asked her about her experience at Google, where she had been employee #20. She had only given Google a 2% chance of success (as opposed to the 0.2% she would give most startups), but she knew that working alongside really smart people would cause her to learn in new ways. She had been initially drawn to product management and design, and she had to acquire some of the executive management skills along the way.

Manyika asked her about the famously clean appearance of the Google homepage, which Mayer had managed for a number of years. She observed that it was very hard to keep something in such good order, but she had assumed making it like that in the first place was a different matter. When she inherited the page from Sergei Brin, however, he explained that he didn't have a webmaster and he himself didn't know HTML. Hence, he had kept it simple. Mayer talked openly about the challenges of the turnaround at Yahoo. She was the seventh CEO in 61 months. When she

arrived in 2012, she found that just 60 of a workforce of 12,000 were dedicated to mobile. But the essential DNA of Yahoo remained highly relevant, as did a core of loyal employees who had been there throughout. There were 300 people at Yahoo who had been there more than 15 years, itself extraordinary in the tech business. Yahoo was therefore reinventing its original mission to be a humorous, whimsical guide to the Internet for a mobile age. It remained a digital advertising business, and from that original base had built one of the largest mobile development teams in the world. Mobile already accounted for a quarter of revenue from a very low base. Mayer said there were a couple of virtuous circles to drive. One led from getting the right people to design the right products, drive traffic and thus earn revenue. The other was to harness the full ecosystem of users, advertisers and publishers. With users you attracted advertisers and in turn, the best content owners wanted to partner with you.



MARISSA MAYER
President & CEO
Yahoo!

MUHTAR KENT JERRY BLACK

Rethinking the value chain: New realities in collaborative business

Muhtar Kent said the roles of our companies were being reshaped. Most of the audience had started their careers in a world of consumer-push rather than the consumer-pull which followed from a universally connected world. It had come into being with enormous pace. In 1995 less than half a percent of the world was connected. By 2005, one billion were online. In the last decade another two billion had joined them and experts forecast the same number again to join them by 2025 – connected by a trillion web-connected devices. Consumers now had the power through social and digital media to share their values and amplify their concerns – and their satisfaction.

Kent said we had to ask ourselves some fundamental questions. What had changed since members of The Consumer Goods Forum first came together to form their collaborative body? The answer was a sea change in how sustainably people wanted to live. What they bought, how they bought it and when they bought it had all changed. With these new market realities providing an impetus to action, The Consumer Goods Forum had initiated a new

study, Rethinking the Value Chain: New Realities in Collaborative Business. Its central premise was that the very essence of the value chain was changing, and coming to resemble something closer to a network.

There were multiple challenges to face. Consumer trust needed to be earned afresh, traditional media's influence was waning, the paths to purchase were increasingly non-linear, consumer needs were diverging and incumbents were under attack by different, demanding competitors. Around the world, younger people had more in common with their peers in other countries than their elders locally. The existing linear industry structure was unfit to respond to these challenges.

Kent said it was indeed necessary to shift from a bilateral supply chain approach to a value network approach and to engage more actively with other stakeholders. Ultimately this evolution of the value network would offer tremendous opportunities if the industry could get this right.



MUHTAR KENT
Chairman of the Board
& Chief Executive Officer
The Coca-Cola Company



JERRY BLACK
Chief Digital Officer
AEON Co., Ltd.

Jerry Black said that as retailers, AEON also felt a strong obligation to respond to these challenges. The study Muhtar Kent had described had been completed in rapid time and it took into consideration seven challenges.

First, social media and connectivity had dramatically changed the requirement for transparency – something AEON had felt sharply in the context of radiation testing results in the wake of earthquake and tsunami damage to Fukushima. Second, the evolution of the value chain was being driven by changing demographics, increased urbanisation, digitisation and new shopping landscapes. Third, the evolution of the value chain in developing economies often involved leapfrogging through new technologies (something AEON had experienced directly in their new operations in South East Asia).

Fourth, consumers were driving the value chain hands-on – and the sources of consumer trust were shifting. Fifth, concerns about security and trust contrasted with a general demand for greater openness, ease and utility. It was in this regard the Consumer Engagement Principles had been developed. Sixth,

defining and measuring success now needed to incorporate the conditions for, and results of, collaboration. The MIT Center for Digital Business and Capgemini had helped The Consumer Goods Forum identify the most important goals in this regard. And seventh, there were considerable organisational implications for future ways of working.

The Future Value Network Report would be published very shortly and there was a clear commitment to continue moving forward. It had highlighted three overarching priorities on which the industry as a whole could collaborate to deliver a positive return on investment: transparency, consumer engagement principles and last mile potential collaboration and collaborative processes. The first of these two were already in hand through the work of the Consumer Engagement Principles working group and, with regard to transparency, the Omni-Channel working group. The third was a new challenge. Black said that taken as a whole, they were embarking on a new model for multi-layered collaboration that went a long way beyond previous efforts. He urged executive leaders to work with The Consumer Goods Forum to help build the foundations of the future success of this initiative.



FRIDAY 26TH

FRIDAY SESSIONS

- | New frontiers of growth
- | Beyond growth



EDUARDO

PADILLA SILVA

Growth champions in regional markets

OXXO is the third largest retailer in Mexico, serving more than 10 million customers a day from 13,000 convenience stores and over 250 gas stations. It is part of the larger Femsa Comercio, which has a range of interests: it is the largest bottler in the Coca-Cola system and a major shareholder in Heineken.

OXXO's recent growth followed an inflection point in its history at the end of the 1990s. Having laid a strong footprint with a differentiated format, they had a tremendous growth opportunity ahead of them. Equally they had retained many of the processes and inefficiencies of the traditional trade. Eventually they realised they could not choose between transformation and accelerated growth, and resolved the dilemma by doing both at the same time.

OXXO first standardised its store location planning and core metrics, then built rapid investment appraisal and performance management systems and finally pushed out processes and responsibility throughout the organisation. OXXO started to operate with a culture based on values, a positive attitude and mutual trust. They went further, reversing the chain of authority so that what had been the corporate head office became

a service office for the stores. They remain a fully vertically integrated chain.

This wholesale transformation in capabilities was followed by an intense phase of commercial development. They articulated a customer value proposition around which the entire organisation aligned: a store which is nearby, empathetic, reliable, practical, appealing and innovative. They had gone through the eras of the accountant and then the engineer, but now needed to focus on the customer.

Trust has been a core value in sustaining OXXO's growth and performance. On paper, the business is highly complex, with 13,000 stores in 800 districts across Mexico, support from 55 regional offices and 16 distribution centres as well as the central service office. They learned the importance of system thinking, where every action by any one element affects all of the others, and the total activity of the organisation is not the sum of every individual's behaviours but rather the product of their interactions - with all the potential implied. In this culture of empowerment, Padilla Silva said his job title might better be Chief Cultural Officer.



**EDUARDO
PADILLA SILVA**
Chief Executive Officer
Femsa Comercio
& Cadena Comercial OXXO

GRAHAM ALLAN

Growth champions in regional markets

It is relevant to talk about Asia and the rest of the developing world, where the most pressing current issues are often more about food quality and safety than some of the concerns of the developed world. Asia is changing rapidly. By 2020, it will host over half of the world's population, and 17 billion of them will be living in cities, with a significant proportion of those households spending \$10,000 a year or more.

The vigour of Asia is clearly apparent. It took the US seven years to recover the level of industrial production of 2007. Europe still has not. In Asia, industrial production continues to grow throughout. But conversely, there has been an explosion in household debt across Asia as quantitative easing in the West had lowered the price of borrowing for Asian consumers. Asian retailers now face big challenges. First, growth rates are now dropping across most of Asia, as are consumer trust indicators. Second, the impact of e-commerce represents something of an overhang of impending change, requiring retailers to integrate online with physical operations. Third, consumers are increasingly conscious of the difference in food safety standards in the

West and those in the East. Of course, food safety concerns have trading implications. The demand for Hong Kong baby milk formula in China is so strong that passengers going through the airport there are explicitly rationed to taking just a few cans. Those concerns also explain the resilience of traditional wet markets in Asia, because customers are prepared to place their trust in individual shopkeepers they knew. Paradoxically, the quality of the supply chain for the traditional trade is much lower than that required by the modern trade. As a modern retailer committed to the long term development of its markets, Dairy Farm invests heavily to improve the quality of their supply chain and building hygienic modern food processing centres. You actually had to do things to earn trust - things which give consumers a reason to believe in you. In contrast to Western companies, modern trade retailers in Asia are trying to build trust for the first time rather than defend or regain it. But they need the help of other agencies in reducing trade barriers, simplifying and making more transparent supply arrangements and building modern capabilities at a local level.



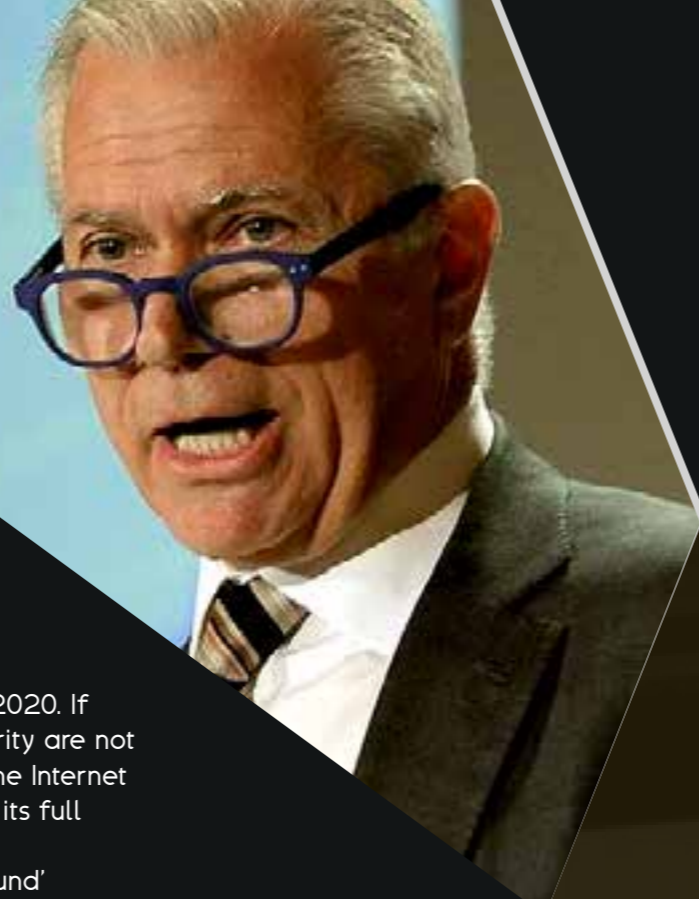
GRAHAM ALLAN
Group Chief Executive
Dairy Farm

MICHAEL PATSALOS-FOX

Cyber security: the challenge of building trust while managing risk

Michael Patsalos-Fox asked delegates whether the number 107,381,357 related to the number of daily users of Twitter, the number of viewers of the 2015 Superbowl or the dollar amount of Michael Bloomberg's recent donation to New York City's tech hub. In fact it is the number of confidential data sets relating to individuals – from 361 major data breaches – in the last six months in the US. The average cost of such breaches for retailers is increasing markedly. Patsalos-Fox said he and his colleagues had been delighted to see The Consumer Goods Forum state that the protection of personal information was one of its Consumer Engagement Principles. Security is presumed by consumers. Consumers do not expect their credit card information to end up on the black market. Equally, that basic presumption is an integral element of trust. \$140 billion in fraud losses are already passed on to the consumer in higher direct and indirect costs by retailers in the US alone each year. But the growing Internet of Things presents a rapidly widening playing field for data security breaches. Gartner estimates suggest the number of connected devices in households will increase from three billion

today to 13 billion in 2020. If issues relating to security are not properly addressed, the Internet of Things will not fulfil its full potential. The 'boots on the ground' experience of Stroz Friedberg has shown that one of the chief threats to data security is the inside threat, whether the malicious theft of data for financial gain, or disgruntled employees intentionally seeking to inflict public shame and humiliation on management. Sometimes, senior leaders are the worst offenders in terms of setting a good example about respecting a culture of data security (for instance, sending confidential material to webmail addresses so it's easier to read at home). Delegates should aim for resilience rather than invulnerability (an old FBI joke is that the only types of companies are those who had been hacked, and those who didn't know they'd been hacked). They should make sure cyber security is the concern of senior managers as a whole, not just one department. And finally, they should always remember security is about people, whether as the source of risk or protection from it.



MICHAEL PATSALOS-FOX
Chief Executive Officer
Stroz Friedberg

KEN CHENAULT

The future of payment

Alex Thomson interviewed Ken Chenault on what had and what had not changed over the 165 years of the company's history. On a number of occasions, the company had been prepared to cannibalise its existing business in order to meet the demands of a changing marketplace. Having started in the freight forwarding business, they moved into payments. And having built an overwhelming share of the global travellers' cheque market (they had 95% by value) it had taken a vigorous debate to confirm the introduction of the card in 1958. Chenault said he did not care about the form factor. If plastic went away, fine. Looking back on lessons learned in the aftermath of the credit crunch, Chenault said American Express had been forced to deal with its reliance on the wholesale funding markets in double quick time. From a standard start, they built a significant savings business – from a decision made over a weekend. It was not fancy. They worked through third party brokers for speed. But despite scepticism inside and outside the company, it worked. Consumers trusted the brand and the company behind it; Chenault noted that while in the wake of the crash billings were

down and bad debts up, there had been remarkably little card member defection and trading down. In piloting American Express at a time of digital transformation, Chenault rejected the idea that the existing business could be treated as a cash cow with a new digital business being developed on the side. They have to be integrated. He said a degree of tension within the organisation was required for different business units to be exploring ways to compete with the existing business, and that tension was something many companies feared. American Express has a tremendous advantage by virtue of having the largest integrated payments platform in the world. No other company enjoys direct relationships with millions of customers and with millions of merchants, and it means their ability to use and benefit from data is vital for both their payments business and as the means for advising merchants through consumer insights. He also spoke about the growth of their Loyalty Partner business: from 32 million customers at acquisition, he estimated they would have 100 million by the same time next year.



KEN CHENAULT
Chairman & CEO
American Express Company

STEPHEN GRÜNEWALD

Shades of trust

Stephan Grünewald said that his work as a consulting psychologist working with consumers had shown him we were witnessing the birth of an entirely new form of human being. The rise of the smartphone represents the acquisition almost of a new limb, and a constant companion in life. The smartphone has a very important psychological function. It gives the user a sense of agency and influence and it becomes a kind of sceptre of power. But paradoxically, his research with consumers shown Grünewald that these feelings of omnipotence mask a converse tendency to fall back into frames of mind more normally associated with childhood. Thus the job of retailers is to deal with an uncertain monarch; to court the king, but at the same time nurturing the secret desires of his inner child for the trustworthy parent.

He identified six distinct roles, three of which could be broadly classified as maternal, and three as paternal, which retailers should think about playing for their customers.

The first of these maternal roles is understanding. Consumers secretly hope that business understand them better than themselves, and their need for help and treats at

different times. The second role is care. The need for freshness, sustainability and hygiene is real, but it is one that consumers want satisfied without themselves doing any work. The third is giving meaning to life. That in itself is why Grünewald does not believe online retailing will ever eliminate physical stores completely. We will always want to come to stores because of our longing for sensuality and meaning in the real world. The first of the paternal roles is transparency. That extends to price transparency – promotions are fine, but only if there is a clear reason which made sense. The second is credibility. Retailers achieve this by maintaining a coherent, consistent world of experience – even if that experience can itself vary significantly. The third is to provide a real sense of challenge. Customers want to enter an inspiring and energising world.

The language of consumers suggests that they regard customer loyalty schemes and their associated rewards in these terms, because these are acquisitions gained after completing a set of tasks.



STEPHEN GRÜNEWALD
Managing Partner
Rheingold Institute



GEORG KELL
Executive Director
United Nations Global Compact

GEORG KELL

Private-public partnership as a key asset in building trust

Consumers represent a sleeping giant who is waking up. A series of factors are making matters which were historically external to companies' internal concerns. First, transparency enabled by the Internet: there was no place to hide. Second, natural resource scarcity is aggravated by a lack of political will and the right incentive structure to drive substitution. That is especially notable with regard to water scarcity, where the price mechanism is broken. Third, foreign direct investment has changed its paradigm: from being a search for cheaper inputs (whether labour or material), it has become a long term bet on other markets. But in turn, that means being significantly interested in helping overcome long term obstacles to market development. And fourth, there are governance issues to solve in an age of greater unpredictability about politics and power. No one company can overcome these challenges alone. Kell believes in classic liberal values. By building an open market where best practices can travel quickly, some of the biggest problems facing mankind can be solved, but there are barriers to this open market. Business statesmen should support governments in

providing core services in health and education. Business leaders should connect the dots because their long term success depends on the long term success of their communities.

Tackling corruption is an especially important priority but Kell also appealed to the audience to engage with climate change. We have been in denial mode for too long. Increasingly, the consequences of climate change will spread to every area of human activity. The evidence is overwhelming, as is the need to change gears. One key element this is carbon pricing. The world still spends some \$600bn on perverse incentive structures and just \$120bn on clean technologies. So Kell asked delegates to see how in their individual businesses they could explore new solutions and team up with others. Change requires more and better measurement of emissions. It needs the right incentives (so consider internal pricing of carbon). And companies need to stop lobbying governments against carbon emission reduction strategies. Young people around the world are ready for real qualitative change. Kell urged delegates to help lead that change.

VICTORIA MARS

Beyond growth

Victoria Mars said the topic 'Beyond Growth' had been familiar in Mars since her great-grandfather's time, and more important than ever. Being a healthy, successful business enabled the company to provide livelihoods for its associates, invest in its communities and create partnerships with suppliers and customers.

Mars was famous for its Five Principles of Quality, Efficiency, Responsibility, Mutuality and Freedom. But Mars focused first on Mutuality as it applies to all of its stakeholders, whether creating an environment in which their associates could feel they had skin in the game or working with smallholder farmers to increase yields and profitability. And ultimately, mutuality with the planet means using less energy and water, and generating less waste.

Only by creating mutual, win-win relationships with all of Mars' stakeholders can they drive growth, which in turn creates financial freedom. They use that freedom to operate the way they want to as a private, family-owned company, albeit in collaboration. They actively need partnership between governments, academics, scientists and suppliers, and pre-competitive collaboration

with other industry players. Real, fundamental and lasting change can only be achieved through some real game-changing collaboration across all of these groups.

The challenges presented by food safety problems are truly daunting. Mars will open a global food safety centre in China later in the year. The centre will be focused on Mars products and their supply chain, but it will also share pre-competitive research to better the industry.

Mars said she has seen collaboration work with their work on cocoa sustainability, and she has been proud to stand alongside Franck Riboud of Danone to announce the creation of the Livelihoods Fund for Family Farming, investing in projects that helped them and others learn how to sustainably source material from smallholder farmers.

As a family business which has been around for more than four generations, Mars want to be around for further generations to come. They need to thrive financially and earn their licence to operate. But they also have to look at mutuality in a way which means this is not the by-product, but the source, of their success.



VICTORIA MARS
Chairman of the Board
Mars, Incorporated

PARAG KHANNA

Closing of the CGF Global Summit

The world of the late 20th century was one with the United States clearly at the centre, but the world of today is one in which every region mattered, and one in which significant regionalisation is taking place. Deepening integration within each is a powerful force and reversing some decades of fragmentation. The most significant trend of all, however, is connectivity, that has been associated with growth. It is the asset class of the 21st century. Infrastructure investment – global fixed capital formation – is taking off.

Despite short term slowdowns, emerging markets will continue to be the drivers of growth. China retains powerful levers to sustain development. India is in a more promising position for lift-off than ever before. While Latin America is also experiencing robust growth and benefiting from more open trade conditions, Asia is the new centre of gravity for the world's population.

Most of the growth in transport of goods moved to the region bounded by China, India and Africa. This is becoming a geopolitical and economic world unto itself; if you are based in the West and not present, you are

missing out. But the growth of Africa in particular is still patchy. The majority of foreign direct investment remains concentrated on a relatively small number of countries. Unlike Asia, the continent is not yet 'stitching itself together' through new iron roads. With regard to broader demographic trends, the sharply downward revision of population projections has come as something of a surprise. The longer term prospects for growth are more dependent now on urbanisation, and rather than individual cities, it is helpful to concentrate on what Khanna calls 'urban archipelagos' – clusters of cities and towns which are fast becoming countries unto themselves. They will be the principal nodes in the global network of the future. And the political leaders of large cities are becoming more popular than those of many countries.

Finally, Khanna talked about the importance of transparency and trust. Governments and companies alike are implicated in a new and hybrid form of governance in which concrete delivery is mandatory. Between the two, trust in companies is higher. They have a vital role to play in these multi-stakeholder networks.



PARAG KHANNA
Managing Partner
Hybrid Reality Pte Ltd
& Contributing Columnist, CNN

DICK BOER PAUL BULCKE

Closing remarks by the CGF co-chairs

Dick Boer hoped delegates had enjoyed the 59th Global Summit. He had been in Europe for the opening of the Summit for the announcement of the intention to merge by Ahold and Delhaize, two companies with a long history of participation in The Consumer Goods Forum and a long history of collaboration to shape the industry.

He urged delegates to become more involved in the pillars and working groups of The Consumer Goods Forum. He highlighted Marc Bolland's call for action on deforestation and refrigeration and noted that the Health & Wellness Toolkit was now available from the CGF.

Reflecting on the Summit programme, he emphasised the benefits of learning lessons from other industries. From the Co-Chairs' perspective, the Summit had really reflected the further transformation required of the industry. Trust, earned by really walking the talk, was at the heart of improving the consumer goods industry and making it strong and attractive. Enabling positive outcomes by collective action was the reason for the formation of The Consumer Goods Forum.

Boer concluded by saying that during the course of his and Bulcke's chairmanship, they had announced a new strategic

framework. They had also undertaken some important organisational changes, the most important of which was recruiting Peter Freedman as Managing Director.

Paul Bulcke said that for the first time ever, the industry had published a code of conduct in the Consumer Engagement Principles. The Global Food Safety Initiative had been fully integrated into the pillars of The Consumer Goods Forum. Major steps had been taken with regard to Sustainability and Health & Wellness. In short, The Consumer Goods Forum was advancing as the partner of choice in a multi-stakeholder dialogue. That had been the vision in New York in 2009 and it remained the vision today, but success could only follow if all members were engaged in this collective effort. Meaningful, positive outcomes for members, communities and society at large were a prerequisite for trust. Trust was indeed a foundation for sustainable growth and a sustainable future.

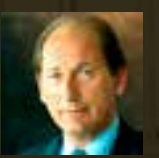
Bulcke said it had been an honour and privilege to serve as Co-Chairs. They looked forward to supporting their successors, Denise Morrison of Campbell's and Gareth Ackerman of Pick n Pay.



DICK BOER
Chief Executive Officer
Royal Ahold



PAUL BULCKE
Chief Executive Officer
Nestlé S.A.



Going for growth: Harnessing the digital path to purchase

Teo Correia of Accenture noted that since 2000, more than half of the Fortune 500 had disappeared and the majority of their replacements had been born in the digital age. As online sales continued to expand, three areas had emerged as priorities: mobile, omnichannel and digital marketing. What was distinctively new, however, was the convergence of two very powerful forces: serial technological disruptions and profound changes in consumer behaviour. And these forces operated in dynamic interaction with each other. Accenture had launched a major study based on five segments of behaviour: give me control and choice; help me help myself; know me everywhere; let me share and learn and help me on the go. Correia cited Uber as an example of force convergence: powerful payments technology meeting these new desires for control, ubiquitous recognition and help on the move.

Fred Morganthall said that Harris Teeter had been developing

their online shopping experience for more than ten years. They now operated 160 locations for store pick up – some 70% of the chain – and were experimenting with home delivery under the existing Express Lane brand. Their pricing model offered one-time payment and both monthly and annual unlimited use contracts (for \$1695 and \$9995 respectively). They were also offering customers the chance to order sandwiches and deli counter items in advance to save more time.

Morganthall also explained how Harris Teeter had developed their digital marketing activities, emailing over a million households in conjunction with the distribution of their conventional print flyer on Wednesdays and with basket-building promotions on Friday for weekend shopping. Critically, the e-VIC Wednesday mailing personalised offers to identify the top ten offers best matched to purchase history, as well as prompts for products not purchased for at least a year in shopped categories.

John Phillips said PepsiCo were clearly committed to digital and had really embraced it. They wanted to reach consumers regardless of main physical outlet or the screen they were on, and wanted truly to explore the boundary between the physical and digital. He described the Cheetahpult campaign which allowed consumers to use their smartphones as live controllers for a game staged on YouTube, and bringing wearables to a South by Southwest session which tracked participant movements and 'unlocked' different brand interventions. Phillips reviewed a wide range of disruptors in four areas: wearables, the Internet of Things, virtual reality and new thinking in last mile logistics, and argued that their and other digital potential could only be fully realised through collaboration. Wearables, for instance, only came alive with apps. And for the consumer goods industry, retailers and manufacturers could only achieve real synergies by bringing all of their digital assets together.

JOHN PHILLIPS

Senior Vice President
Customer Supply Chain & Global
Go-to-Market,
PepsiCo Global Operations

FRED MORGANTHALL

President
Harris Teeter, The Kroger Co.



TEO CORREIA
Senior Managing Director
Consumer Goods
& Services Industry
and Products Consumer Lead
Accenture



Meeting consumer demand in a time of water scarcity

Jill Wyant said macro trends were shaping the conversation about water. Populations have continued to rise, with the middle class proportion itself increasing. By 2030 the world would need 45% more energy, 50% more food and 30% more water. The very idea of embedded water in everyday products was beginning to enter consumer consciousness. Wyant noted that progressive companies had recognised the challenge of water scarcity – in 2014 the World Economic Forum at Davos ranked the issue as a top 3 business risk for impact and likelihood. Conversely, there were significant barriers to change. In the short term, water will remain inexpensive (and very poorly priced in relation to risk

of supply, so that it tends to cost the least where its supply is most precarious). The issue is not yet personal for many companies, and there is consequently a lack of demand for water-saving innovations. In the longer term, however, water scarcity will both increase costs and choke off production.

Ecolab had developed a water risk monetiser tool to help companies with the financial modelling of water scarcity impact. This calculated a risk-adjusted water price for water in the future, and thus allowed them to quantify water-related risks and the net benefits of investments in assessment and management of water risk. In their work across more than

200 manufacturing sites, Ecolab had identified six powerful strategies for the reduction of water use. Metering and monitoring allowed the tracking of water use and analysis of usage trends. Ensuring equipment shutoff was matched by water shutoff could save significant amounts of water, as could leak prevention (especially steam trap leaks). Water repurposing was often possible at multiple points throughout plants, and better clean-in-place protocols could be used (CIP accounts for 20-40% of the water usage in food and beverage factories). Finally, system optimisation could yield significant benefits.

JILL WYANT

Executive Vice President
& President, Global Food & Beverage
Ecolab



Walgreens: Creating the perfect prescription for collaborative sales growth with CPG partners

Alastair Steel introduced a presentation from the Walgreen Company about how they had combined data-driven insights and collaboration with vendors to improve revenue growth and profitability. He suggested there were four prerequisites for any company who wanted to do the same: the ability to use customer data internally, a willingness to collaborate and share data (including about private label), a standardised insight platform and a team dedicated to vendor collaboration.

Mindy Heintskill said Walgreens' Balance Rewards scheme was to retain and grow customers. The programme was young but already huge, with close to 140 million enrolments of whom 85 million had been active in the preceding six months. More than 70% of sales were on card and more than 600 billion points had been awarded. They had worked with Emnos to round out data capture even in sensitive products like incontinence, and had quickly adopted a standardised set

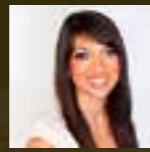
of decision-making tools on a common analytics platform. She observed that some of the organisation's speed in implementation might reflect a 'late mover advantage'. Andy Copilevitz emphasised the importance of making data accessible to day to day business users (and not requiring a degree in computer science to understand it). The data had been very effective in getting them to review past decisions; in one category they were able to see that the imposition of a solely private label solution had been counter-productive, and they had restored the leading national brand to very good effect.

Chandra Holt explained how a combination of in-store ethnography, data-driven insights and systematic vendor collaboration had allowed Walgreens to kickstart their candy category by moving their 8400 stores from a standardised assortment to one which reflected store

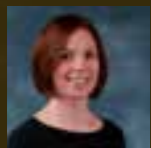
clusters constructed around four demographic and seven regional types. Within each main product category, they had worked with their principal vendors to drive the assortment rationalisation process: one, Hershey's, had led the building out of the new planograms, and then a range of peers – Lindt, Mars, Mondelēz and Wrigley – had validated different category plans. A net delisting and improved category signage had enhanced the shopper's experience of choice and as a consequence, Walgreens had outperformed industry growth in this category as well as strengthening the profitability of their sales. Holt was then asked whether working with the largest vendors effectively prejudiced smaller suppliers. She observed that ultimately every decision was taken by merchants not their partners, and that in turn, they still looked to innovative, smaller companies for the source of fresh excitement and growth in the category.



ANDREW COPILEVITZ
Senior Director of Customer Loyalty and Insights
Walgreens



CHANDRA HOLT
Divisional Merchandise Manager
Walgreens



MINDY HEINTSKILL
Vice President of Loyalty & Personalized Marketing
Walgreens



ALASTAIR STEEL
Head of Consulting
Emnos USA



The shopping convergence: strategies to gain a greater share of the total consumer wallet

Patrick Dodd gave a comprehensive report on the state of consumer behaviour and confidence around the world. He explained that there was a general increase in optimism – the consumers of 49 of 60 countries surveyed had become more positive in their outlook between 2013 and 2014 – but that the picture varied quite significantly around the world. Asian consumers were much more optimistic than most European ones.

At a global level, Dodd said that there were some clear patterns in consumer attitudes and behaviour that were replicated everywhere. The first of these was wellness, where 54% of people surveyed classified themselves as overweight and 54% said they wanted to lose weight. Second, in terms of meal occasions, Dodd said the rate of change was revolutionary. 45% of people globally were using snacking as a total replacement

for one or more meals (in Latin America, that figure was 60%). And third, proximity was winning everywhere. It might take different forms: minimarts in Indonesia, some benchmark convenience retailing in Taiwan or discounters in Europe, but universally smaller, more local formats were taking more share.

Some of Dodd's most striking findings related to the growth of online. He estimated some 42% of the world's population was now online with daily access. Two billion smartphones were now in circulation and about 33% of consumers globally used mobile for shopping. 25% of the population was already buying at least some grocery products online, but the number who thought they would was almost double this at 48%. Much of this was driven by higher adoption and usage in Asia. In a number of purchase categories, the proportion of the population buying online in

Asia was two to three times that compared to all other regions (for instance, 41% in grocery and 43% in personal care). In China, the absolute numbers were compelling. Nielsen estimated that FMCG sales online now accounted for 11% of the total and were growing at over 40%. Some categories really stood out – 33% of infant milk formula in China is sold online. Dodd closed with three observations. First, price remained a matter of vulnerability for the industry, with 68% of global consumers prepared to switch to less expensive items. Second, promotional effectiveness was poor. He estimated \$300bn of the \$500bn spent on trade promotions didn't reach breakeven. And third, TV advertising still accounted for some \$200bn of spending annually, but in the US, 75% of consumers could not remember an ad and the brand it represented 24 hours after viewing it.



PATRICK DODD
Global President
Retailer Vertical
Nielsen

Store Tours with MARS incorporated



I-Zone

I-nspiration
 I-nnovation
 I-nformation



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WORKING TOGETHER EFFICIENTLY FOR POSITIVE CHANGE

Here's an overview of our activities in five focus areas and where our members can get involved and engage with us. Our working groups and events develop toolkits, guidelines and reports, and offer opportunities to share best practices. All of which helps support our members while they implement our resolutions and commitments in a collective bid to drive positive change globally.

1500 EXPERTS ENGAGED WITH US

CAPTION

Working Groups



Events & Meetings



SUSTAINABILITY

- Climate Change & Waste Workstreams
- Sustainability Resolutions
-  Deforestation (Soy, Palm Oil, Paper & Pulp, Beef)
-  Refrigeration
-  Measurement
-  Food Waste
-  Solid Waste
-  General & Member Meetings/Workshops
- GSCP - Global Social Compliance Programme
- Capacity Building Programme
- Reference Tools
- Equivalence Process
-  General & Members Meetings

PRODUCT SAFETY

- GFSI - Global Food Safety Initiative
- Benchmarking - Schemes & Certification
- Global Markets Programme
-  Local Working Groups
-  Technical Working Groups
-  Global Food Safety Conference
-  GFSI Focus Days

HEALTH & WELLNESS

- H&W Commitments & Resolutions
-  Employee Health & Wellness
-  Nutrition & Product Formulation
-  Product Labelling & Consumer Information
-  Advertising to Children
-  Scaling Up Community Programmes
-  Enablers (Communications, Measurement & Reporting, Stakeholder Engagement)
-  General & Member Meetings/Workshops

E2E VALUE CHAIN & STANDARDS

-  Consumer Engagement Principles
-  Next Generation Product Identification
-  Traceability & Crisis Management
-  Omnichannel
- Future Value Chain Programme

KNOWLEDGE & BEST PRACTICE SHARING

 The Global Summit

 The Future Leaders Programme

 Supply Chain Events

 IT Study Tours

 Japan Day



FUTURE LEADERS PROGRAMME 2015

RIO DE JANEIRO, BRAZIL
22nd to 24th October



LEADING
GROWTH
ACROSS
EMERGING FRONTIERS

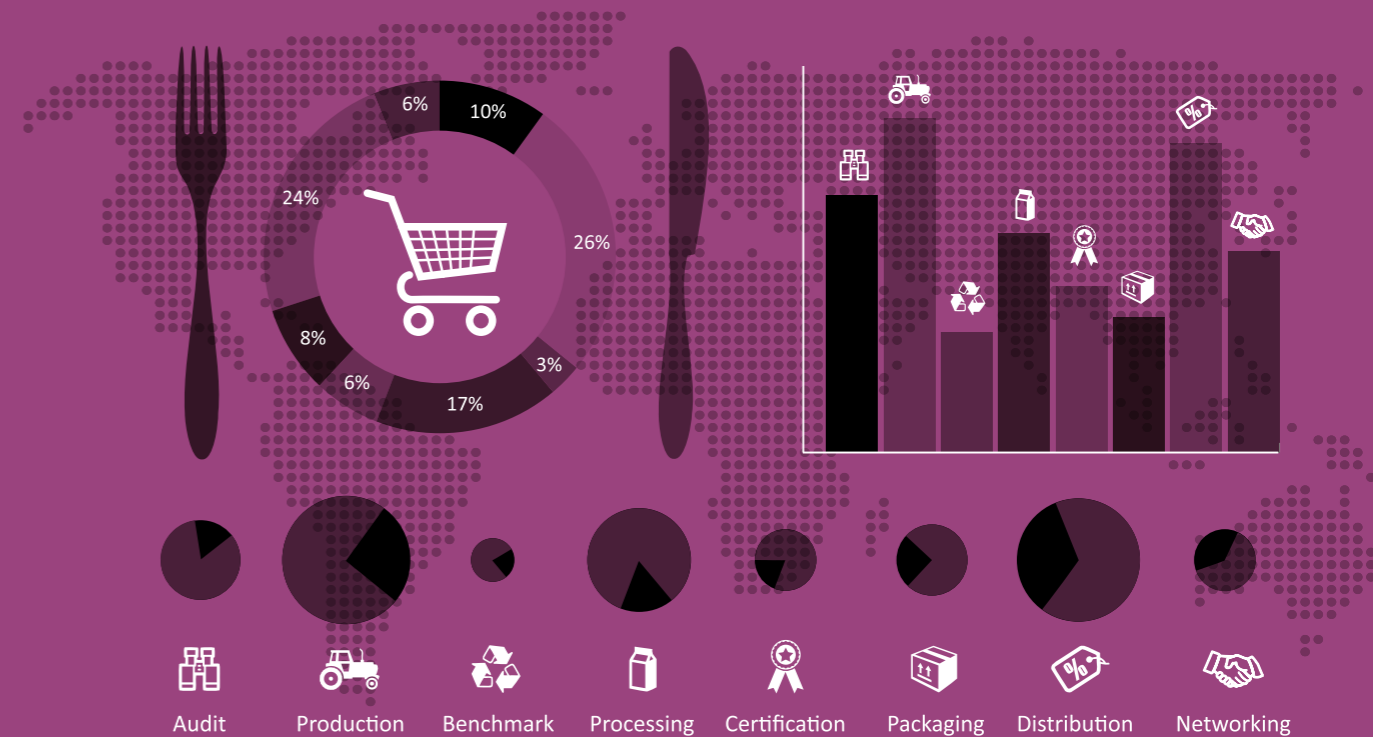
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