

# **Forces and Factors of Change** **2016 - 2025**

**Global Competitive Battleground Gets Redefined**  
**May, 20, 2016**

# Getting growth strategies “right” has never been more critical than today

## *Factors and Forces of Change*

### **A Retail world driven by:**

- *Consumers starting to behave in far more sophisticated ways*
- *Growing erosion of the traditional shopping experience*
- *Continuously increasing channel fragmentation*
- *Requirement for improved operating effectiveness*

**2016 – 2020**



**2015**

### **A Manufacturing world driven by:**

- *Growing need to identify “Real and Profitable Growth” Options*
- *Navigating an increasingly disruptive retail landscape*
- *Fundamental demand for accelerated product innovation*
- *Encroachment of digital technology on manufacturing/.supply chain*

Retail 2016 – the “core” of the new operating model going forward

# **LOCAL + EXPERIENTIAL + ENGAGEMENT**

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# **BIG DATA/INTEGRATED ANALYTICS**



# Identify the disruptors you believe *will impact your industry* the most – **BEFORE**

*Transforming consumers, digital change, complex and volatile marketplace*



1. *Over-Regulation*
2. *Fiscal Deficit and Debt Burden*
3. *Geopolitical Uncertainty*
4. *Economic Instability*
5. *Cyber Threats*
6. *Consumer Behaviors*
7. *Speed of Technology Change*
8. *Availability of Key Skills*
9. *New Market Entrants*
10. *Sustainability*

# Topics for today's conversation...

The Next Decade – **Opportunity rich, coupled with increasing complexity...** unlike the past in any way.

- 1** *Evolving Global Economics and Forces Driving Change*
- 2** *New Consumer Behaviors Transformed by Digital*
- 3** *Disruption in the Competitive Landscape*
- 4** *Technology as a Game Changing Enabler*
- 5** *Emerging Strategies to Compete*





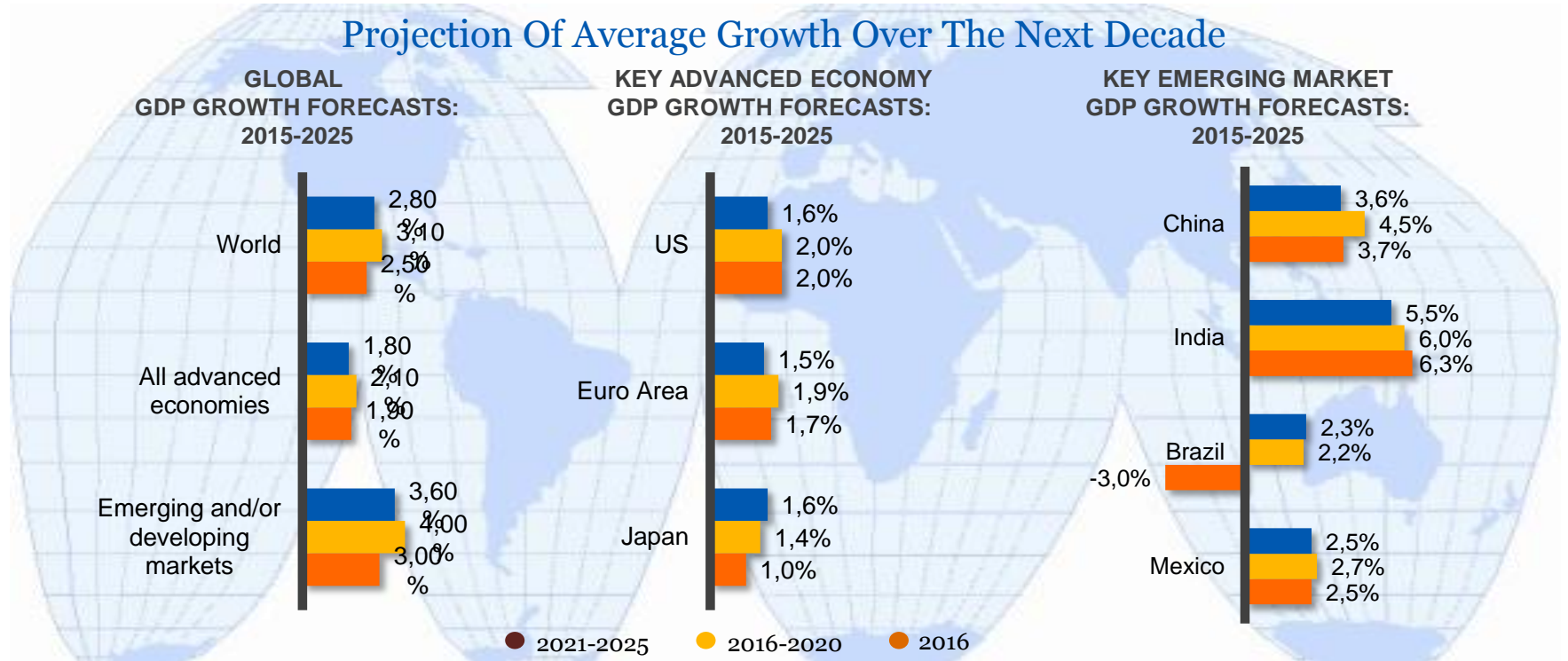


# Evolving Global Economics and Industry Structural Dynamics

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# Economic growth projections are not “favoring” real growth

The Next Decade – **Opportunity rich, increased complexity...** unlike the past in any way.





Growth, but not as we know it



**CONSUMERS GLOBALLY** – will *retain their prolonged recessionary mindset* – continuing cautiousness weighs in on growth

## Shopper “Behavioral” Attitudes – Entering 2016

*Cautious, frugal, and resourceful*

*Ongoing income stagnation*

*Convenience and quality dominate in purchase decisions*



Digital engagement as the precursor  
*everyday trip missions*

*Continued Shopper Bifurcation of “Survivalists and Selectionists”*

*Innovation drives growth* –  
all retail channels



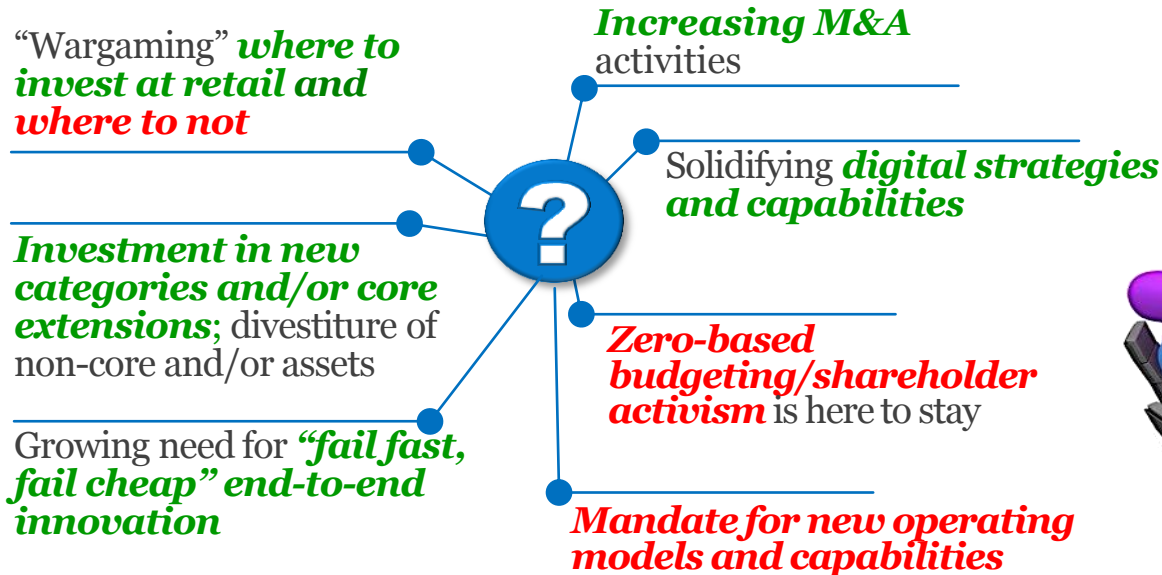
**RETAIL** – *total retail square footage must decline* – an economic certainty – online will grow – “connected commerce” is the future reality

## Retail Landscape Transformation Continues in 2016



# MANUFACTURERS – *will continue to be challenged with growth* in this increasingly disruptive environment

## 2016 Competitive Landscape Requires a New Operating Model





## New Consumer Behaviors Transformed by Digital

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***A marketplace without boundaries?***

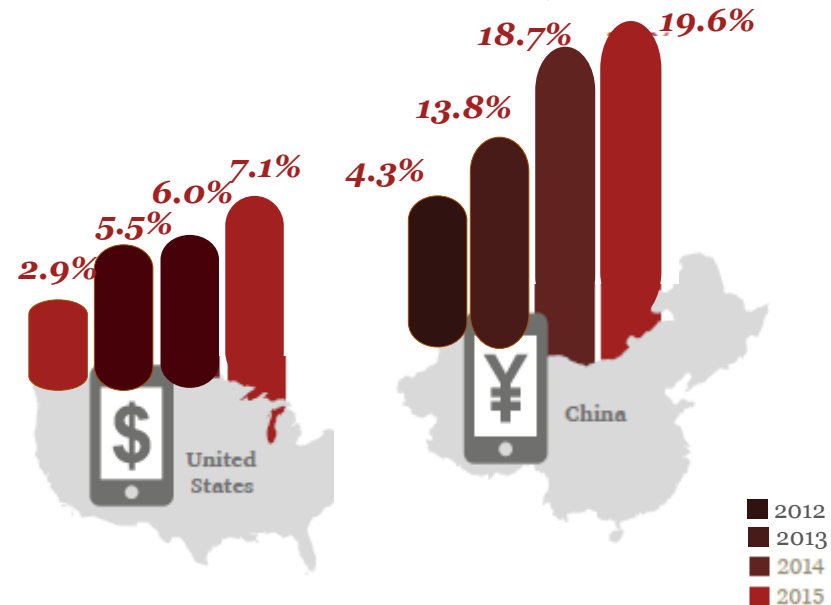
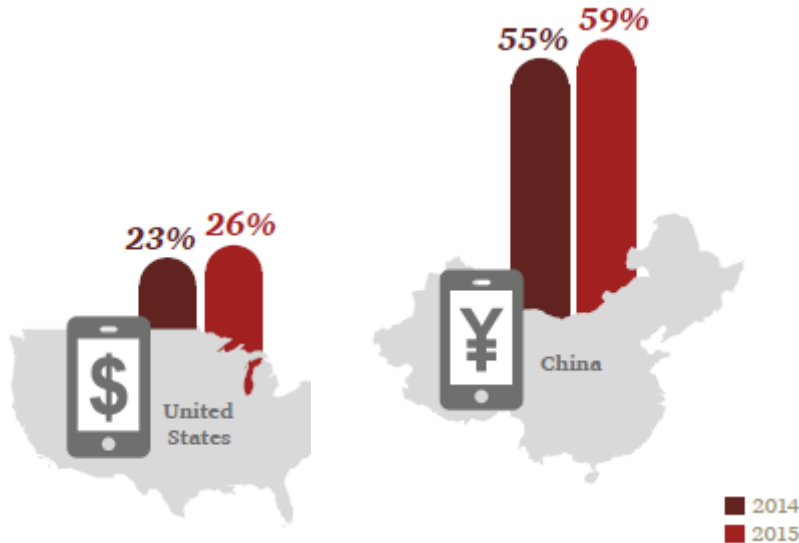


# To understand future Global shopping behavior look to China

*What China was doing several years ago, today's consumers are now doing the same across the globe*

**China** leads the way on **mobile commerce**

Those who **shop on-line daily**



Meet today's new Shopper...

*Behaviors become **Habits***

*Habits become **Experiences***

*Experiences become **New Expectations***

*“What are the  
**New Expectations  
of Shoppers?”***



The most important strategic issue needing consideration for growth

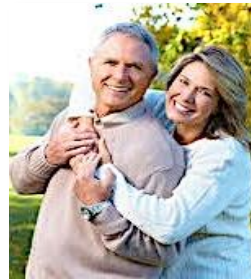
*If* the store brings my  
digital world to life,  
*then* I'm inspired to be  
part of it.

# Boomers versus Millennials – dissecting purchase trends

What potential global impacts does this consumer landscape have across the industry?

## Boomers

- **Shrinking globally**
- **Struggle with the rapid pace of technology innovation**
- **Traditionally brand loyal – increasingly price/value loyal**
- **Increasingly focused on living longer lives (anti-aging)**
- **Disposing of “acquired assets” – downsizing; ownership is still core to everyday thinking**



## Millennials

- **Growing globally**
- **Have come of age with technology as an essential part of daily living**
- **Turning to brands that offer maximum convenience at the lowest cost**
- **Wellness is a daily active pursuit including healthier living**
- **Not “acquiring assets” – driven by access, not ownership; urban, smaller, less is more; questioning their parents “race to success”**



## Disruption in the Competitive Landscape

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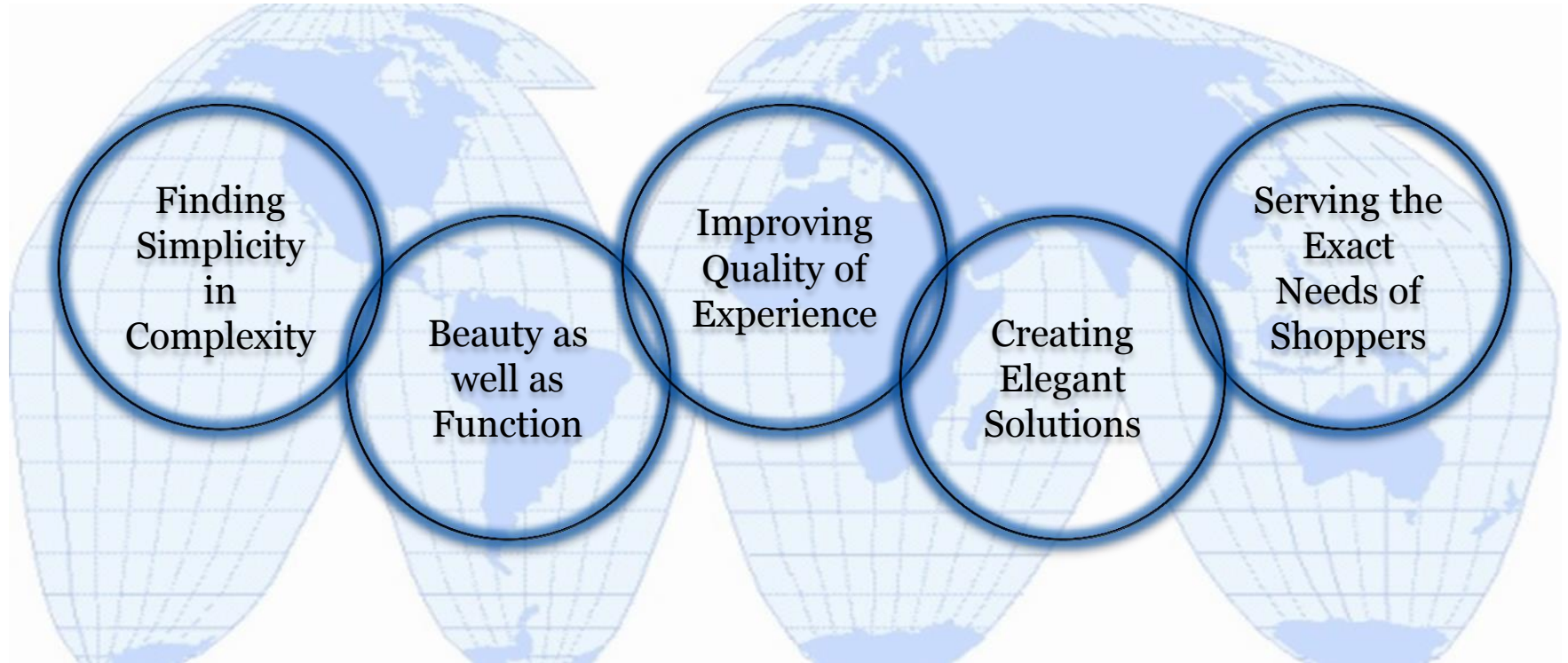
How Amazon is changing the competitive landscape

A laptop computer is shown from a high angle, displaying a website with a shopping cart filled with various groceries like carrots, bananas, and a water bottle. A large, semi-transparent white box is overlaid on the laptop screen, containing the text '49% of all Amazon Consumer Package Goods products are sold on replenishment today'. The background of the laptop screen shows a blurred Amazon website interface with the URL 'www.amazon.com/packaging.com' visible.

**49%** of all Amazon  
*Consumer Package Goods products*  
*are sold on replenishment today*

# A global tour of the “Best of the Best” in experience based retailing

*What are the distinguishing characteristics of Today’s Design Thinking?*



## Movement to Smaller Store Formats



- Large Box Retailing transitioning to local
- Highly localized store with custom assortments
- “Mirrors” the community it is in”
- Perhaps the first successful transition to small

United States



## Movement to Smaller Store Formats



# 365

BY  
WHOLE FOODS  
MARKET

- A store designed for Millennials
- Community assortments
- A “true” focus on affordable organics
- Strategy to offer “millennial associated” in-store services
- Separate chain reflecting a strategic shift

United States



- Redefining the in-store wine experience
- Using form to simulate a “cave like” environment
- Layout designed for two trip types (Simple and Complex)
- Zone based structural layout designed to innovate store experience

Hungary



## Fresh as a Strategic Differentiator



- Farm direct to shelf
- Specialty dairy food retailer
- Design is linked to nature
- Premium Fresh
- Highly interactive with shoppers with experience designed to demonstrate farm to shelf

Japan



## FOOD COURT

- Transformation of “food for now” experience
- Technology integrated design for both display and access
- All elements of retail format are fully integrated

Philippines



## Technology as a Game Changing Enabler

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# Ten top disruptors empowering today's/tomorrow's consumers



- **The Apple, Amazon, and Facebook Effect**  
– *Redefining Music, Shopping, Communication*
- **Fitbit**  
– *Empowering you to take control of your life*  
7/24
- **GoPro**  
– *Think it, see it, do it. Be a hero*
- **Netflix**  
– *Changing the home entertainment model*
- **Pandora**  
– *Personalized streamed music*

- **Skype**  
– *Voice communications over the Internet*
- **Nest**  
– *Changing our homes and the world around us*
- **Travelocity**  
– *Commoditizing travel though the Internet*
- **Wikipedia**  
– *Digital Encyclopedia (formal and informal)*
- **Uber**  
– *Redefining the tradition transportation model*

**Which of these “disruptors” have had the greatest impact on you to date?**

# Ten top disruptors (technologies) influencing tomorrow's consumers



- **Google Glasses**
  - Redefining information visualization and presentation
- **3D/4D Printing**
  - Next generation localized manufacturing including new home appliances
- **Virtual Reality (personalizing you)**
  - Placing “you” at the center of the experience
- **Eye Tracking**
  - Leveraging eyes as THE new input device
- **Smart Things**
  - In Me, On Me, and Around Me–Digitally
- **Boeing Waverider**
  - Access to the world in twelve hours
- **Virtual Humans**
  - Redefining daily chores and activities
- **Superseeds and GMOs**
  - Food, Health and Wellness, and Sustainability
- **Micro/Nano Machines**
  - The foundational “fabric” of the new sourcing and manufacturing model
- **Driverless Cars**
  - The new travel “appliance”

*Which of these “**disruptors**” will have the greatest impact on you going forward?*



# Bringing the “Internet of Things” to the Kitchen – Brita and Amazon

- ***A Dash Replenishment Service, triggered by “smart” appliances***
- ***Tracking how much water is flowing through the pitcher.***
- ***After 40 gallons of water, the pitcher signals Dash Replenishment Service to reorder filters***



INTRODUCING  
**AMAZON DASH  
REPLENISHMENT SERVICE**

Amazon Dash Replenishment Service (DRS) enables connected devices to order physical goods from Amazon when supplies are running low—like a Brita Water Pitcher that orders more filters. By using DRS, device makers are able to leverage Amazon's authentication and payment systems, customer service, and fulfillment network—giving their customers access to Amazon's low prices, great selection, and reliable delivery.

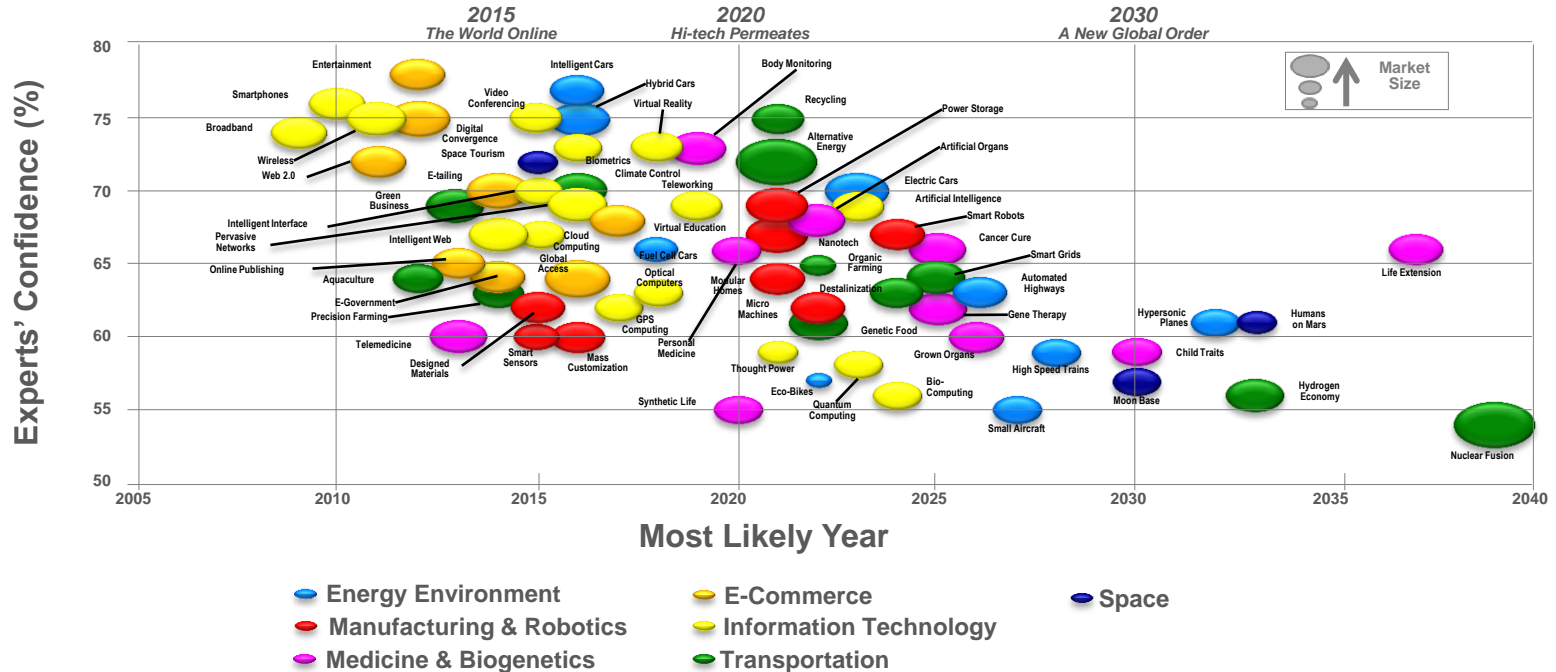
**Interested in working with Dash Replenishment Service?**

[Request information](#)



# The world is about to undergo exponential change enabled by technology innovation – *creating sustainable leverage?*

## The Technology Tumultuous '20's – that is 2020's





## CPG Emerging Strategies to Compete

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# CPG – manufacturers continue to struggle with where to invest at retail – *demands transformation thinking in operating models*

Competing to win -- 2016

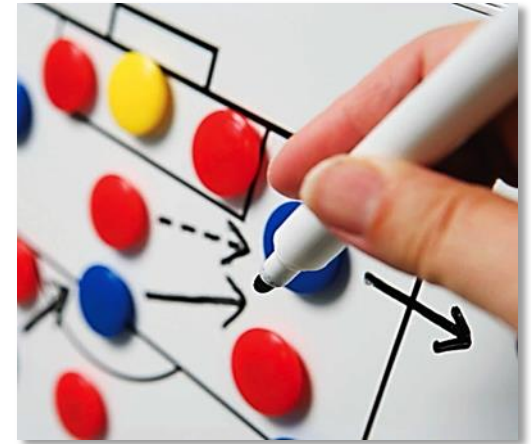
Two **competitive streams**:  
“**Supercompetitors**” and  
“**Niche Competitors**”

Smaller market players **continue to capture share through innovation**

**New core capabilities emerge in order to win**

Large Market Competitors **shed excess while investing in the future (zero based budgeting)**

All organizations are racing toward **operational and executional simplicity**



# Identify the disruptors you believe *will impact your industry* the most – **AFTER**

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Organizations have two strategic choices on growth planning for the future

*Which approach will most likely succeed at your company? The outcomes are most likely different.*

**Start with today's capabilities and  
create a go-forward growth plan  
"Incremental Driven Strategy"**

**Organize on a most likely vision of the future  
"Transformation Driven Strategy"**

**tomorrow** today