

Consumer goods retailers and manufacturers transforming to maintain competitive advantage

Joint research from KPMG International and The Consumer Goods Forum reports a need for a deeper, multidimensional understanding of customers

14 June 2016 – Cape Town, Paris, Toronto: A survey of 400 consumer goods retail and manufacturing executives from 27 countries reveals that companies who want to keep in front of change and secure competitive advantage are transforming themselves into fully integrated omni businesses - able to respond to the needs of customers across all channels and at any point during their shopping. Of the 400 respondents, 11 were South African with a Generation X male skew.

By 2018, 32 percent of the executives responding to the *Global Consumer Executive Top of Mind* survey conducted by KPMG International and The Consumer Goods Forum say they plan to evolve beyond their current single-, multi- or omni-channel retail operations into “omni businesses”. This means a completely digitally integrated business - including not just sales channels, but also manufacturing, inventory, marketing, sales, payments and distribution. 42 percent of executives say their customers already expect a seamless experience across sales channels - especially the influential millennial generation.

Willy Kruh, Global Chair of Consumer Markets, KPMG International comments: “The customer is the new point of sale. To compete in a global marketplace with shifting demographics, even today’s best-in-class consumer goods retailers and manufacturers require a deeper, multidimensional understanding of their customers. Hyper customer-centricity brings the customer into sharper focus through the use of advanced data analytics and smart technologies to track and anticipate consumer behaviour in near-real time and deliver personalized products and experiences when, where, and how the customer wants them.”

Investing in customer analytics...

The executives surveyed say they are investing significantly in smarter analytics and technologies. While 29 percent say they are currently using data analytics, that proportion will double to 58 percent in the next two years. Usage of techniques such as predictive analytics, customer path to purchase analytics, and artificial intelligence are also expected to double over the next two years, to 59 percent, 54 percent and 43 percent, respectively. Other analytical technologies that executives think will grow fast include real-time tracking systems, scenario modelling and stress testing, and micro targeting.

“Companies need to gather and analyse as much circumstantial, situational, and demonstrated behaviour data as possible so they can start to understand the motivation for why, when, and how a consumer makes a purchase decision at any given time. However, this shouldn’t be at the expense of the fundamentals of good customer service,” says Kruh.

... but underestimating more fundamental customer expectations

Despite the investments in sophisticated analytical technologies, research with 7,100 consumers across 19 countries suggests that a majority of retailers and manufacturers may not be paying enough attention to more basic customer expectations.

According to the survey, consumers rank return policies and payment options as two of their top three considerations when choosing which brand or retailer to buy from - competitive pricing was number one. Industry executives thought these would be the two *least* important considerations for their customers.

Dean Wallace, Lead Partner for Consumer Markets at KPMG in South Africa, comments: “The report highlights the pace of disruption that the industry is experiencing from the prevalent influence of millennial consumers, social media and omni-channel business models. Customers are demanding an enhanced overall experience from organisations, spurred by the role of technology. According to the report, one of the top immediate priorities for local companies is increasing their use of social media in order to effectively reach their millennial audiences.”

He continues, “The customer now has more discretionary control over their purchases and has the power to increase competition amongst organisations. In South Africa’s case, though digital maturity is at a beginner stage, the growth of consumer spending in emerging markets and the influence of millennials is a very important external trend for the country. The changing landscape can be the biggest opportunity or hindrance, based on how an organisation chooses to see it.”

Please visit kpmg.com/CMsurvey to download the full report.

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Notes to editor

Methodology

KPMG International and The Consumer Goods Forum have commissioned this survey for four years in a row to help consumer industry executives better understand the ever-changing impact of industry disruptors, competition and the economy on their companies’ strategic priorities.

The executive survey was conducted online and by telephone interviews by

Roubini Thoughtlab during January and February 2016. A total of 400 executives from companies headquartered in 27 countries participated in the survey. In addition, for the first time this year, 7,100 consumers from 19 countries were surveyed online by Intuit Research Consultants in March 2016.