



Workshop

The portuguese agriculture and agrifood reality - a brief presentation

THEME:

MARKET TRENDS

- ✓ The first step of this apresentation is to involved identifying and analyzing the trends that will have the greatest impact on the industry in the coming 10 years.
- ✓ Twelve global root trends were identified that address change in society, shopper behavior, environment and technology.

Contents:

- Market Trends: Drive Forces
- Objectives: Achieving
- Good example initiatives
- Are you prepare?

MARKET TRENDS

Drive forces



MARKET TRENDS

Increased Urbanization	?	Increasing Spread of Wealth
?	Increase in Consumer Service Demands"	?
Growing Consumer Concern about Sustainability	?	Scarcity of Natural Resources
?	Rapid Adoption of Supply Chain Technology Capabilities	?

MARKET TRENDS

Increased Urbanization and the rise of megacities will impact the size of stores, logistics and the supply chain, and distribution infrastructures, among other factors.



Increasing Spread of Wealth will lead to a growing middle class in developing regions, impacting consumption and availability of food items and providing a source of growth



Increase in Consumer Service Demands will define new service models, offered via the Internet, that move beyond selling individual products and will bring different types of “solutions”



Growing Consumer Concern about Sustainability will lead consumers to look to governments and companies to play a major role in combating climate change.



Scarcity of Natural Resources like energy, water and food will become a growing issue as demand is projected to outstrip easily available supplies over the next decade, resulting in increasing production costs.



Rapid Adoption of Supply Chain Technology Capabilities will enable a more synchronized value chain with greater visibility and traceability.



MARKET TRENDS

?

Aging Population

?

Increased Impact of
Consumer Technology
Adoption

?

Increased Importance
of Health and
Wellbeing

?

Shifting of Economic
Power

?

Increase in
Regulatory Pressure

?

Impact of Next-
Generation
Information
Technologies

MARKET TRENDS

?

Aging Population will have economic and political consequences related to the amount of money spent on necessities like food and drink, and the type of delivery services, store formats and locations offered to older consumers.

?

Increased Impact of Consumer Technology Adoption will be reflected not only in consumers' own behavior but also in their ability to influence the buying behavior of other consumers as the use of social and digital media continues to spread.

?

Increased Importance of Health and Wellbeing will have significant ramifications as sales of healthful products and services are expected to nearly quadruple in the coming five years.

?

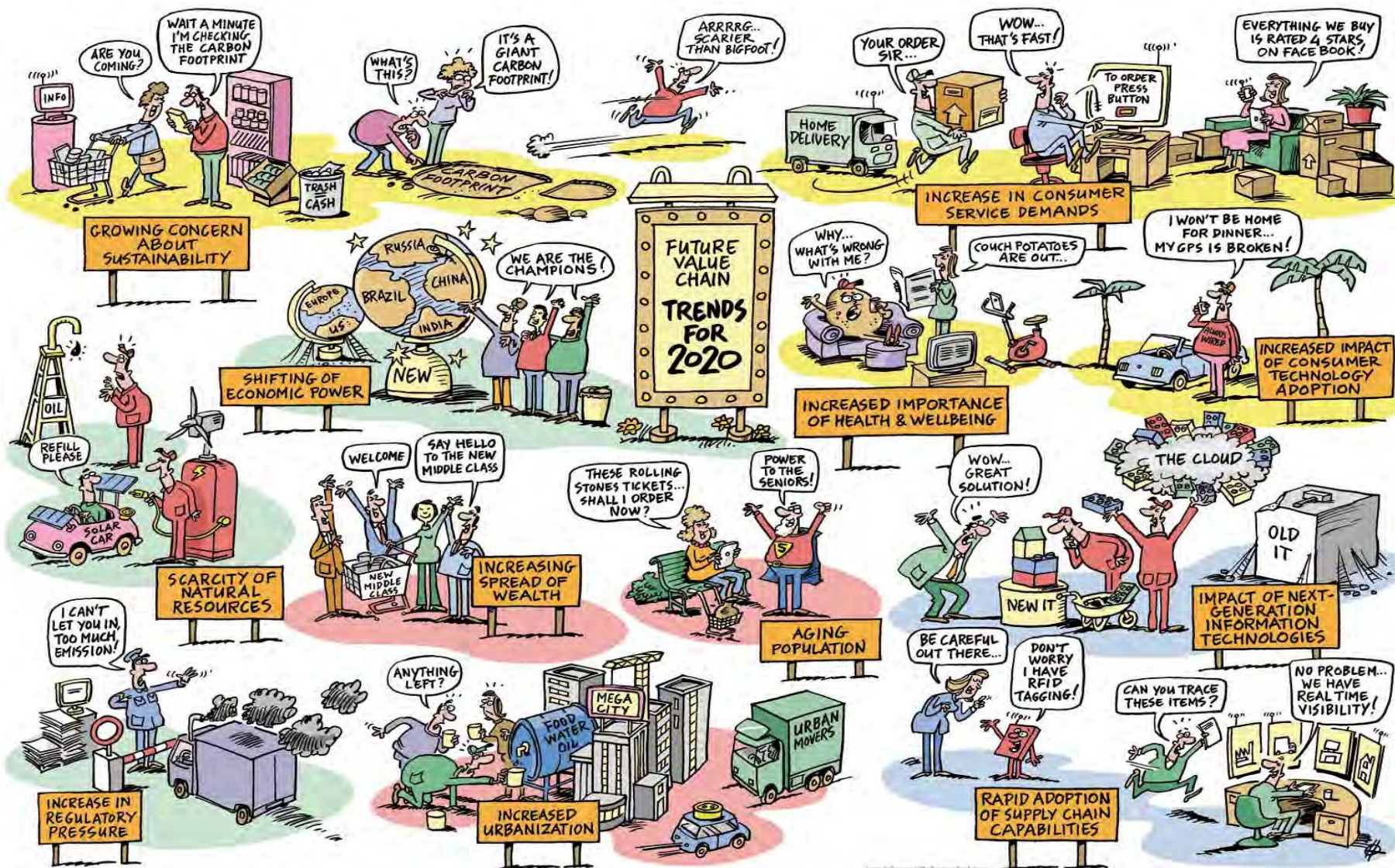
Shifting of Economic Power to countries like China and India will cause trade areas to evolve and a new generation of globally competitive companies from these developing markets to emerge.

?

Increase in Regulatory Pressure will be seen particularly for hot-button areas like the environment, sustainability and food safety.

?

Impact of Next-Generation Information Technologies like cloud computing will lead to a new way to deal, jointly, with business and technology in the consumer goods industry.



1. Increased Urbanization

- ❑ Over half of humanity now lives in cities, and there is no end in sight for urban growth.
- ❑ By 2050, roughly 70% of the world's population will live in urban centers.
- ❑ The number of cities with populations greater than 8 million is expected to double by 2015.
- ❑ Many of these megacities will be in Asia, but also in Africa, Europe and Latin America.
- ❑ By 2020, Mumbai, Delhi, Mexico City, São Paulo, new York, Dhaka, Jakarta and Lagos all will have achieved megacity status (more than 20 million people).

Example Consequences:

- ❖ the consumer goods and retail industry will be a shift to smaller-footprint stores, with no room for unproductive inventory.
- ❖ the industry has an opportunity to work with cities that will massively invest in modernizing and expanding their infrastructures.



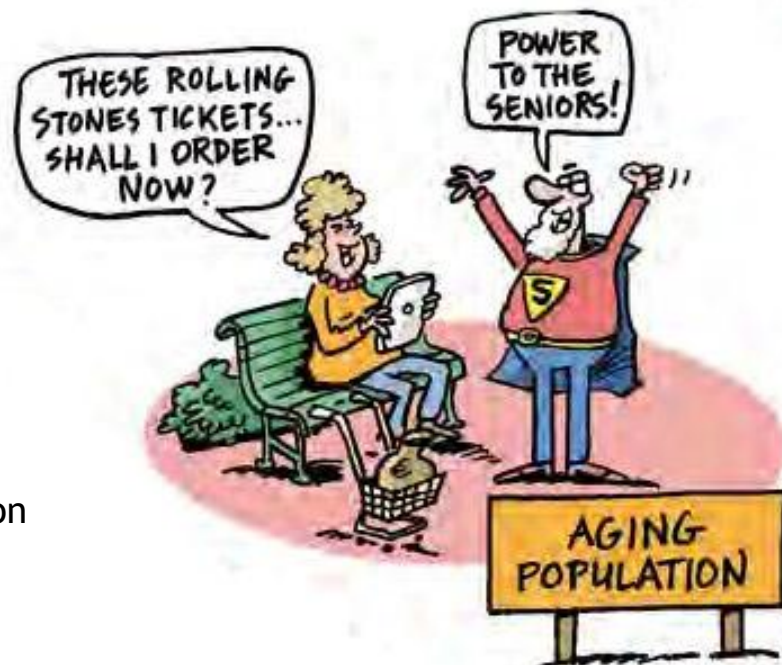
2. Aging Population the aging

Older consumers:

- ☐ Have substantial economic power
- ☐ Devote greater portion of total expenditure to necessities
- ☐ May soon represent majority of voting public in many countries

Example consequences:

- ❖ Changes to business models to meet needs of different population
- ❖ Review products and processes (e.g. wider, large print labels, more home delivery)
- ❖ Shrinking workforce challenges and adicional pressure on social programs



3. Increasing Spread of Wealth

Middle class is rapidly expanding (mostly in developing regions)

- ❑ 2000: 56 % of global middle class in developing countries
- ❑ 2030: 93 % of global middle class in developing countries

Example Consequences:

- ❖ Source of growth for manufacturers and retailers
- ❖ the rise in the developing world's middle class will lead to an increase in consumption, which may have implications for availability and price of commodities like oil and food- stuffs
- ❖ Potential protectionistic country policies threatened by growth abroad



4. Increased Impact of Consumer Technology Adoption

Shoppers continue to become more empowered using technology

- ❑ Explosive growth of mobile features and device convergence
 - 2013: over 2 billion mobile users globally will have purchased via handsets
- ❑ Significant changes in consumers behavior and buying behavior
 - Crucial role of social media

Example consequences:

- ❖ Growth of mobile interaction and commerce
- ❖ Consumer technology used in stores
- ❖ Addressing social communities
- ❖ Leveraging huge amounts of data
- ❖ Dealing with privacy
- ❖ Becoming more transparent and collaborative towards shoppers



5. Increase in Consumer Service Demands

- ❑ Exponential growth and adoption of consumer technologies drives new levels of service demands
- ❑ Rise of stronger web-based service economy:
 - Consumers demand 24/7 service
- ❑ Online sales will grow to 25 % to 30% of total retail sales | (now: 4 % to 15%)

Example consequences:

- ❖ More demanding consumers
- ❖ New service models needed



6. Increased Importance of Health and Wellbeing

Health, safety and wellbeing are increasingly important to consumers as well as to manufacturers and retailers, and will have significant ramifications in the future as shoppers place greater attention on more healthful products as well as healthier lifestyles

Shoppers want more **healthy products** and a **healthier lifestyle**:

- ❑ Emerging consumer segments like LOHAS (Lifestyles of Health and Sustainability)
- ❑ LOHAS In US are approximately 19% of adult population: 41 million consumers
- ❑ Sales from LOHAS expected to quadruple in five years



7. Growing Consumer Concern about Sustainability

- ❑ Consumers carbon footprint awareness increases significantly
- ❑ Regulation carbon footprint increase significantly
- ❑ Consumers expect governments and companies to play major role
- ❑ US Green marketplace grows from \$420 billion in 2010 to \$845 billion by 2015
- ❑ Food, beverage and personal and household goods sectors particularly exposed
- ❑ Waste becomes key focus sustainability discussion

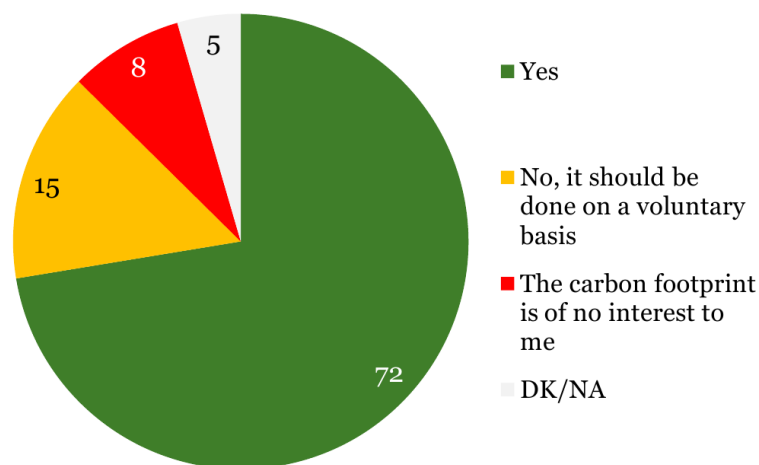


2.3 Support for mandatory carbon footprint labels

Although only one-tenth of EU citizens selected the total amount of greenhouse gas emissions created by a product – i.e. the carbon footprint – as the *most important* piece of information on environmental labels (see section 2.2), more than 7 in 10 (72%) EU citizens thought that a label indicating a product's carbon footprint should be mandatory in the future.

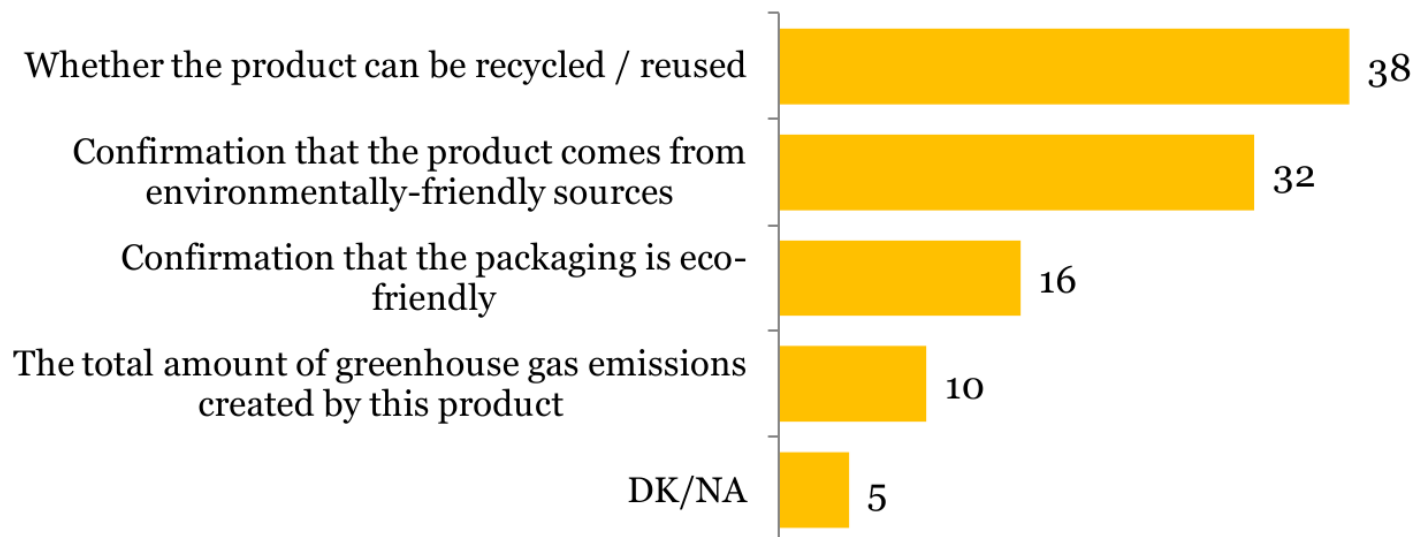
Only 15% of interviewees thought that such labelling should be voluntary and 8% said a product's carbon footprint does not interest them. Finally, 1 in 20 respondents either had no opinion on the topic or did not know what to answer.

Should a label indicating a product's carbon footprint be mandatory?



Q5. Should a label indicating the carbon footprint of a product be mandatory in the future?
Base: all respondents, % EU27

Most important information on environmental labels



Q4. Environmental labels should be concise. From the list I am going to read you what environmental information is the most important that a label should contain?

Base: all respondents, % EU27

8. Shifting of Economic Power

As this power shift occurs, a volatile global economy will remain the norm for the coming decade. Trade areas will evolve and a new generation of globally competitive companies from developing markets will emerge, helping to further solidify their position in the global marketplace:

- Brazil in agribusiness and off-shore energy exploration;
- Russia in energy and metals;
- India in IT services, pharmaceuticals and auto parts;
- China in steel, home appliances and telecommunications equipment.

Economic powers like China, Brazil and India continue to rise:

- ❑ China overtakes US as world's largest economy in 2017
- ❑ India overtakes Japan as world's 3rd largest economy in 2012
- ❑ Volatile global economy will remain the norm for coming decade



9. Scarcity of Natural Resources

Demand larger than supply:

2030: World population 8.3 billion

- ☐ Demand for food +50%
- ☐ Demand for energy +50%
- ☐ Fresh water demand +30%

Example consequences:

- ☐ Energy revolution
- ☐ New Water policies
- ☐ Impact on food prices
- ☐ Pressures on food quality & Safety

Food prices will also be impacted by the use of raw material for generating alternative energy like biofuels. As food demand increases, pressures on quality and safety will also mount.



10. Increase in Regulatory Pressure

Over the next decade regulatory pressure is expected to increase, particularly for hot-button areas :

- ☐ Environment
- ☐ Sustainability

And,

Food safety will also be a key focus for regulatory action. For example, China, Japan and Korea have signed a food safety pact that enables the three nations to notify each other immediately if a food safety problem surfaces and to clarify the process of investigation.



11. Rapid Adoption of Supply Chain Technology Capabilities

More **synchronized value chain** with greater visibility and traceability

- ❑ Improved collaboration
- ❑ New supply chain / logistics technologies
- ❑ Information transparency

Example consequences:

- ❖ Need to improve visibility and traceability
- ❖ Need to share information over company boundaries
- ❖ Need to adopt right technologies
- ❖ Communication and high-quality data sharing will be the most critical factor in successful collaboration



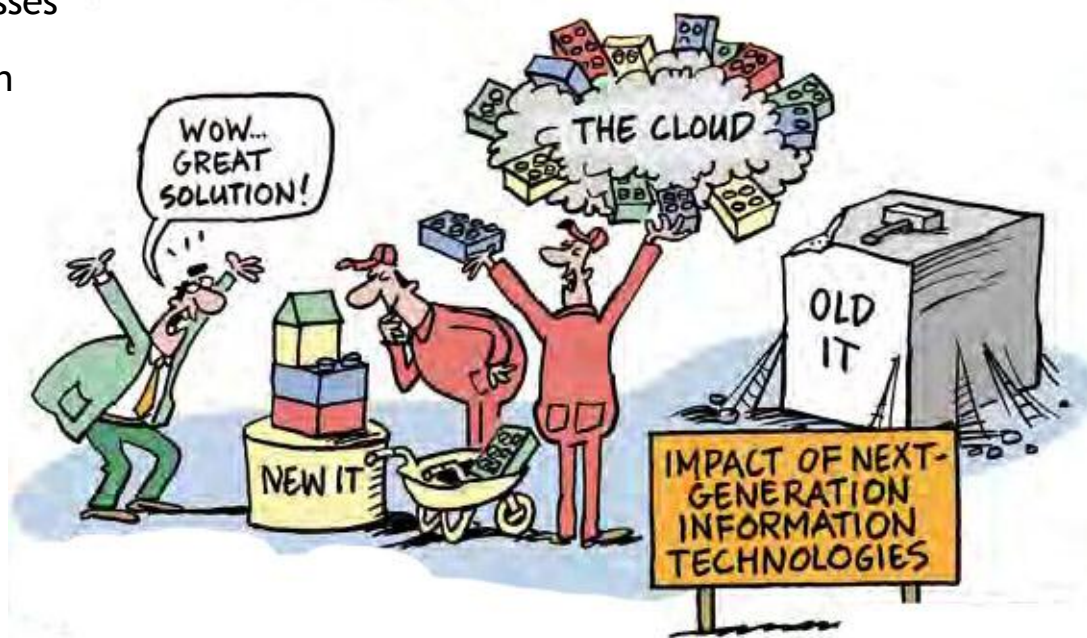
Already 73% of fast-moving consumer goods companies say they have implemented or improved logistics- related technology tools or enablers.

12. Impact of Next-Generation Information Technologies

Information technology will no longer be just an indispensable support function, but an expansion of the organization's intelligence, a universal connector, the way to become adaptive:

- ❑ New ways of business due to next generations of IT
- ❑ New ways of managing business processes
- ❑ Major new opportunities for innovation
- ❑ Freeing up from current IT constraints

In addition, new technology solutions (readily deployable on-demand via the Internet, the so-called "cloud") will help companies to free themselves from current constraints provided



OBJECTIVES

Achieving





1

Make Our Business More Sustainable
From Niche to Norm



2

Optimize a Shared Supply Chain
Collaborate Differently, Compete Differently



3

Engage with Technology-Enabled Consumers
The Consumer in the Driver's Seat



4

Serve the Health and Wellbeing of Consumers
Focus on Quality of Life

1. Make Our Business More Sustainable: From Niche to Norm

- ❑ Success means **consumers trust our industry**
- ❑ Retailers and brand manufacturers collaborate
 - Tackling big challenges (e.g., deforestation)
 - Helping consumers understand their role in living an environmentally friendly lifestyle
- ❑ Common measures, language and consistent messaging
 - Helping consumers understand their role
 - Helping to make the right decisions, enabling a significant change in consumer behavior
- ❑ Competitiveness delivered by
 - Brand and store performance
 - Breakthrough innovations improving sustainability
- ❑ Working with upstream suppliers to extend our influence over many other contiguous industries



- ❑ The 2020 future supply chain reconsiders assumptions
- New parameters include:
 - ✓ Reduced CO₂ emissions
 - ✓ Energy consumption
- Driven by consumers; they are the trigger for an optimized collaborative supply chain flow



“Success will come when supply chain optimization is treated from a total value chain perspective rather than from individual company perspectives”

❑ Consumer technology

- **Changes lives of consumers**
- Changes shopping journey
- Increases marketplace transparency



❑ Consumers

- Demand personalized dialogues and offerings anytime, anywhere
- Embrace technology quicker than the industry
- Digital natives are increasingly big consumer base
- Digital immigrants also heavily use consumer technologies

❑ The industry

- Needs to figure out how to effectively interact
- Needs to be viewed as a trusted source for information
- Will be more successful when companies engage consumers in new product and service development



4. Serve the Health and Wellbeing of Consumers: Focus on Quality of Life

- ☐ **Health and wellbeing of consumers:** physical, emotional, spiritual, intellectual and sustainable wellbeing
- ☐ Positive changes in consumer behavior
 - Healthy choices available for all budget levels
 - Information/education to make informed choices
- ☐ Improved availability and quality of water and hygiene
 - Reduce diseases and infant mortality rate
- ☐ To be established via a new way of working together
- ☐ Governments, consumer goods companies, pharmaceutical companies and NGOs
- ☐ Enabling new business models
- ☐ Enabling a dialogue to collaboratively work on concrete solutions



1

Make Our Business More Sustainable



Unilever Collaborates with Walmart (ASDA) to Create Awareness and Educate Customers on Sustainable Living

METRO Group

METRO Group Develops a Sustainable Aquaculture Program for Fish in the Mekong Delta in Vietnam



Many Consumer Product Companies are Committed Towards Sustainable Production of Palm Oil



Coca-Cola Hellenic Runs Energy-Efficient Plants that Reduce CO₂ Emissions



Albert Heijn Uses Dynamic Pricing and Digital Signage to Reduce Waste on Fresh Produce



Kraft Develops "Eco-Calculator" to Optimize Packaging and Track and Reduce Energy Usage for Its Products

2

Optimize a Shared Supply Chain



Colgate-Palmolive (as many other Companies) Uses Global Data Synchronization to Standardize Business Processes, Drive Efficiency and Enable Faster Innovation



United Biscuits and Nestlé Collaborate to Generate Significant Environmental and Cost Savings



Mars and Kuehne + Nagel Measure and Visualize Order Placement Impact to Gain Environmental Benefits and Improve Efficiency



Danone Works with Carrefour to Improve On-Shelf Availability and to Leverage Supply-Driven Shopper Insights

3

Engage with Technology-Enabled Consumers



4

Serve the Health and Wellbeing of Consumers



PepsiCo Successfully Engages a Large Customer Base to Interact in Product Development



Coca-Cola in Japan Uses Interactive Vending Machines to Increase Consumer Engagement



Starbucks and L'Oréal Interact with Customers through an Innovative Mobile Marketing Solution Offered by O2 Mobile in UK



Unilever and Albert Heijn Jointly Work on Strategic Activation Platforms, Using Shopper Insights to Drive Joint Growth



CFBAI Initiative Seeks to Address the Problem of Childhood Obesity by Self-Regulating Advertising to Children under 12 Years



Product Recall Service of GS1 in U.S. and Canada Has Helped to Build an Efficient Process for Handling Product Recalls



Nestlé Helps Raise Awareness about the Importance of Proper Nutrition and Health and Wellness to Children through Its Healthy Kids Global Program



Hindustan Unilever Limited Educates Rural Women to Enter the Growing Consumer Market in Rural India



Walmart Collaborates to Make Technology More Accessible and Affordable for Small Health Practices

ARE YOU PREPARE?

Make Your Business More Sustainable

- **Will you drop product lines that are fundamentally not sustainable?**
- Do you have a contingency plan for an unexpected eco-disaster or climatic disruption?
- Do you have programs in place to address, for example, restrictions on truck emissions, access to urban zones and noise pollution?
- Are you prepared to transparently report the *detail* of your company's environmental impact?

Engage with Technology-Enabled Consumers

- **Do you know how to survive a negative social network viral fan page?**
- Is your company really differentiating between a "shopper" and "consumer"?
- Do you know who else is providing information about your brands or stores to consumers or shoppers?
- How do you create transparency with consumers while maintaining control?

Optimize a Shared Supply Chain

- **Do you still see your supply chain as a source of competitive advantage?**
- Would you share a truck or a warehouse with a competitor?
- Is your supply chain able to cope with the impact of oil returning to its 2008 historical high of \$147 a barrel? Or even exceeding that, and hitting \$200?
- Are you willing to share non-competitive information with trading partners – including competitors – about product movements along the supply chain?

Serve the Health and Wellbeing of Consumers

- **Are your products creating the health crisis rather than solving it?**
- Are you prepared to meet the new demands of older consumers?
- Do you know where you will get your labor force once your current labor force retires?
- How will you efficiently serve the underserved customers in developing markets?

“The question of reaching sustainability is not about if we will have enough energy, enough food, or other tangible resources - those we have. The question is: will there be enough leaders in time?”

(Dr. Göran Broman and Dr. Karl-Henrik Robèrt founders of the MSLS programme).