

# Staying competitive in global recessions

The Deloitte 5th Annual Global Powers of the Consumer Products Industry survey, which identifies 250 of the world's largest consumer products companies and provides an outlook for the global economy, an analysis of market capitalisation in the industry and a discussion of major trends affecting these companies has been released. Using this as a reference, Michael van Wyk, Deloitte Partner, calls on global consumer products companies to revisit their business and operating models to resist the worldwide economic recession and push for growth in 2012 and beyond.

"The time has come for companies that manufacture consumer products to reassess their business models, as people adopt a cautious approach to spending in response to the deflation of many of the world's leading recession-hit economies," says van Wyk.

Even though the economic climate in 2012 will continue to be difficult, the long-term outlook for the global economy remains good, with positive growth predicted over the next decade. Emerging markets will continue the trend to be the engine of growth and will be driven by the demands of the rising middle class.

"Growth in the current challenging economic climate can only be achieved if consumer products companies can continue to evolve their business and commercial operating models in order to be successful, profitable and competitive. Product innovation, combined with effective pricing strategies, must be key considerations and areas of focus for companies looking to succeed in 2012 and beyond.

To be truly competitive, it is crucial that the following three steps take place:

- **Commercial transformation:** to create new capabilities and underpin effective through-the-line integration of marketing spend.

Commercial transformation is driven by the rapidly changing needs and behaviour of the consumer. It is vital to understand the consumer in each segment of the market and can be achieved through proper evaluation and data analytics. Companies must invest time and effort in analysing data to better understand trends, behaviours and patterns of activity that provide the insights needed to achieve and sustain a competitive advantage.

"To be relevant to the consumer, companies must ensure they personalise their products to achieve a degree of loyalty. Although there is no one-size-fits-all solution, companies must evolve their commercial operating models to embrace digital, support new channels and integrate every point of engagement on the path to purchase."

- **Finance transformation:** to bring new levels of financial literacy to commercial and operation decision making in a volatile global environment, a company's ability to respond quickly to changes in the market, based on accurate facts

and forecasts will improve its ability to avoid unwarranted costs and to get the best return on investment. This can be achieved by implementing finance operating models, underpinned by integrated ERP solutions to help CFOs make strategic decisions based on holistic business data.

"Businesses that adopt this strategy by developing the right finance competencies and skills, supported by the right information strategies and business analytics tools, will reap the benefits by acquiring capabilities that make a real difference to market success and delivering optimal shareholder returns."

- **Wide business model optimisation:** is required to better align global, regional and in-market decision-rights with the category and brand portfolio of the business and, to extend the adoption of structures that reduce effective tax rates and free up additional resources to invest in growth.

With a complex portfolio of local, regional and global brands and years of organic and inorganic growth, most companies utilise a matrix operating model to manage the business across both category and geographical perspectives. Success is therefore dependent on optimising the matrix to streamline and focus strategy and planning processes to ensure alignment across the broader business.

Additional operating model concerns for many companies relate to ensuring the business is structured efficiently from a tax perspective.

The only South African company to feature in the list of Top 250 Global Companies is Tiger Brands (238). "The trends seen in the international survey have exactly the same relevance for locally based companies who manufacture consumer products. They target the same consumers as global brands and face the same business and operational challenges albeit on a smaller scale.

"My view is that for consumer products companies to achieve growth in this tight economy they must continue to look for cross border and global growth opportunities, pursue business model innovations to win with consumers and customers and establish more effective ways to deal with uncertainty," he concluded.

Access the [Global Powers of the Consumer Products 2012 Report here](#). [PDF]

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