

CONSUMER FOCUS

INSIGHTS INTO THE CONSUMER SECTOR

ISSUE FOUR



THE RISING COST OF FOOD:

Impact on retailers

EMERGING MARKETS FEATURE:

Credit Suisse on consumer trends in eight key emerging markets; the challenges for Walmart and Carrefour in Mexico; Berghaus expands into Asia...

FEATURED INTERVIEWS:

Reckitt Benckiser, L'Oréal, Berghaus, Danone, Porsche Design, Skagen Designs

PLUS >> Trouble in paradise? European salary review What is a brand worth? Social media – a marketing channel for all? E-commerce – threat or opportunity? Is this the end of growth in Europe? Social media events Global consumer trends 2011



BY HIRING BETTER PEOPLE, BETTER PEOPLE WILL HIRE YOU.

NIGEL WRIGHT RECRUITMENT, BRINGING TOGETHER
HIGH-CALIBRE CANDIDATES AND WORLD-CLASS ORGANISATIONS.

www.nigelwright.com

NIGEL WRIGHT
RECRUITMENT

Welcome >>

CONSUMER FOCUS – ISSUE 4

NIGEL WRIGHT
RECRUITMENT

Welcome to the latest edition of Consumer Focus, **Nigel Wright Group's** in-house magazine. In this issue we offer a global perspective on the consumer sector. >>

We consider the challenges for businesses seeking to grow in some of the more developed European markets as well as the abundance of opportunities for consumer firms in emerging economies. We also feature all of the latest news and trends from our teams, including the most up-to-date European salary benchmarks.

Chris Porter reports on Porsche Design and hears CEO Jurgen Gessler's view on the importance of style in design. Martin Powell, Vice President Operations for Danone's Evian and Volvic water brands, discusses how environmental challenges in the global economy and developments in emerging markets are creating new demands for Danone. Emilie Stage catches up with Lars Kornbech, MD of Skagen Designs, who reveals the secrets behind its success in export markets and Christian Klein, L'Oréal's International Recruitment Development Director, tells us why he sees an enduring role for headhunters in recruitment.

In our feature on emerging markets, Credit Suisse introduce eight key themes regarding consumer trends in Brazil, China, Egypt, India, Indonesia, Russia and Saudi Arabia. We also caught up with Philippe Delagiere, an import/export consultant in the NAFTA region, who talks about the challenges for retailers such as Walmart and Carrefour in Mexico. And Richard Cotter, Brand President at Berghaus, discusses the business's expansion into Asia.

2011 has been a fantastic year for Nigel Wright. Since our affiliation with Baird Capital Partners at the end of last year, our business has continued to grow rapidly, consistently outperforming the market and experiencing three record back to back quarters. While retaining market share and expanding our European operations, we have also increasingly supported our global clients with their growth strategies in developing economies, sourcing talent in Africa, Asia, the Americas and the Middle East, in line with global demand.

This has been another turbulent year for many consumer companies. While the global economic situation has remained uncertain in some regions, companies have also faced the impact of natural disasters such as the Japanese Tsunami, floods in Australia and Pakistan and droughts in China and Russia that have impacted the food production, automotive, retail and electronics manufacturing sectors, world wide. Government austerity measures and the European debt crisis have impacted consumer confidence and spending in Europe. Large scale rioting in the UK and Greece has also made life difficult for some retailers. Across North Africa and the Middle East, many consumer companies have had to reassess investment strategies in light of the revolutionary wave of demonstrations and protests occurring in the Arab world. However, the consumer markets in these regions continue to grow and therefore remain attractive to many of our international clients.

Overall the consumer sector remains buoyant for those companies that combine a clear strategic vision with entrepreneurialism, drive and

ambition - exploiting the changing market opportunities that lie in front of them. This is evident in the continued strong performance of many leading consumer groups in the midst of a European debt crisis and the US debt default. M&A activity has been positive and the outlook suggests that dealmakers are seeking to make large transactions despite ongoing economic uncertainty.

Many of our clients have been through the cycle of 3rd party distribution and have now decided to invest in building their own local business units. We have been instrumental in supporting this transition with projects covering various product categories across all continents globally.

As usual it has been a busy year for our marketing and events team. Nigel Wright has continued to have its finger on the pulse of the latest trends in consumer marketing and recruitment. We led the debate on social media, publishing a report on its impact and hosting a series of related events in London, Copenhagen and Oslo (further events planned for all our remaining territories in 2012) which focused on the wider issues of social media marketing and brand perception.

Throughout the year we have hosted a series of Director Dinners, across all the major disciplines, for business leaders in our European territories. We have also been the proud sponsor of the Swedish Retail Awards, IGD Food Industry Awards and UK Marketing Week Engage Awards. In the coming months, we will be publishing our in-house research on Gender Diversity on Boards in the consumer sector as well as a joint research project with a leading international business school on Trust in the Workplace.

We hope you enjoy the latest edition of Consumer Focus Magazine and would welcome feedback on any of its content.

JON McNEISH
GROUP EXECUTIVE
DIRECTOR



Contact details >>

JON McNEISH
GROUP EXECUTIVE DIRECTOR
T +33 (0)1 76 73 29 26

OLIVER REED
SENIOR MANAGER UK
T +44 (0)207 404 7475

LARS HERREM
SENIOR MANAGER NORDICS & GERMANY
T +45 7027 8606

ANDREW MEARS
SENIOR MANAGER BENELUX & IBERIA
T +44 (0)191 269 0755

CHRIS BONE
SENIOR MANAGER SWITZERLAND
T +44 (0)191 269 0760

YANN FESSARD DE FOUCAULT
SENIOR MANAGER FRANCE & MEA
T +33 (0)1 53 93 54 74

global brands, global opportunities

For more information or to apply visit www.nigelwright.com/workforus



www.nigelwright.com

NIGEL WRIGHT
RECRUITMENT

Contents >>

CONSUMER FOCUS – ISSUE 4

NIGEL WRIGHT
RECRUITMENT



06.

IGD
Is this the end of growth in Europe?

09.

DANONE
Environmental challenges in the global economy place new demands on Danone

17.

L'ORÉAL
The enduring value of using headhunters for recruitment

20.

SKAGEN DESIGNS
From pastime to global success

32 - 43.

EMERGING MARKETS
Our extended feature regarding consumer trends in emerging markets

44.

McQUEEN
What is a brand worth?

46.

RECKITT BENCKISER SPAIN
Interview with Daniel Marin – Sales Director Healthcare & Retail

50.

THE RISING COST OF FOOD:
Impact on retailers

Plus...

12. Porsche Design – A dash of genius

15. Europe's largest food and drink market remains buoyant

18. Trouble in paradise?

24. Social media – a marketing channel for all?

28. Deloitte: Global trends and issues affecting the consumer products industry in 2011

48. European salary review

52. E-commerce – threat or opportunity?

54. Challenges facing the employment market in the french food-processing industry

55. Social media events

IS THIS THE END OF GROWTH IN EUROPE?

Three and a half years have passed since the subprime mortgage crisis surfaced in the US, prompting the European Central Bank (ECB) to inject €95bn into the banking system in August 2007. >>



Since then, EU retail sales have remained stubbornly static, in spite of population growth of 0.7% - the equivalent of 3.4m new consumers.

Volumes of food, drink and tobacco have declined by more than 2%. Non food volumes have edged up by 3% but in value terms by just 0.5%. It shows that prices and presumably margins have been cut to maintain volumes.

For retailers and their suppliers, used to conditions of steady growth and expandable volumes, this represents a crisis of demand. Will Europe regain momentum or will businesses now have to accept that zero growth is the 'new normal'?

THE MONEY RUSH

To answer this question, we need to remember the origins of the crisis, dating back to the 1980s.

Regulatory reform, innovative banking and globalised trade caused a flood of cheap, readily-available capital, continuing up to the credit crunch. Bankers, governments, consumers and businesses all connected themselves to this supply.

Bankers found that lending was no longer limited by the size of deposits. They could borrow cheaply on the wholesale market and pass this on to clients at attractive rates. If that didn't appeal, they could trade on their own account, investing the cash in equities, bonds and derivatives.

Governments could fund popular activities without raising current taxes by issuing new credit, effectively using taxpayers, and future taxpayers, as collateral.

Consumers became increasingly relaxed about buying first and paying later, accumulating unprecedented levels of debt.

Many non-financial businesses also racked up huge debts. Indeed, borrowing – 'leveraging' – was seen by many as a wise and efficient practice. Some analysts criticised companies for being 'insufficiently leveraged', viewing this as a sign of a lack of ambition.



Between 1995 and 2010, earnings across Europe grew by an average 2.3% per year whereas consumption grew by 3.9%.

With a fixation on short term benefits, all of these groups mistook the 'money rush' as permanent without recognising the risks. There was an international shift in the cultural and commercial role of credit but the experiment failed. In retrospect, the only possible ending was a disastrous crash.

THE CRASH

Some people expected the credit crunch to be a regular cyclical downturn to be followed by a swift recovery and return to normality. That view overlooked the systemic faults and scale of the cumulative damage.

A burst credit bubble, which had been inflated for more than 20 years, was never going to be repaired in the space of a few months.

The banking system may not have collapsed but it does remain semi-paralysed, uncertain of the real value of its assets and still poised precariously near the precipice.

According to the Institute of International Finance, the banks will need to refinance \$1 trillion of debt in 2011 whereas governments in Europe will need to raise almost \$3 trillion in bonds and loans.

The consumer mood has also undergone a dramatic change, moving from ecstatic to neurotic, or in some European countries, despair. Consumers have woken up to the scale of their debt.

Between 1995 and 2010, earnings across Europe grew by an average 2.3% per year whereas consumption grew by 3.9%. In other words, only 60% of the growth in consumption was based on firm foundations, the rest on borrowing.

A PAINFUL RECOVERY

Mervyn King, Governor of the Bank of England, has predicted that the next few years will be SOBER, characterised by Savings, Orderly Budgets and Equitable Rebalancing for both governments and households.

Most European governments are now confronting the task of rebalancing their accounts, cutting expenditure hard while simultaneously raising taxes in a pan-continent austerity drive.

Shoppers living through the crash have also received a shock and will be unwilling (or unable) to repeat their mistakes. So a large number of household budgets are also undergoing an austerity drive.

Credit will be harder to come by, birth rates are falling, an ageing population will be less inclined to spend and a proportion

About IGD >>

IGD delivers insight and best practice to the food and grocery industry worldwide and is committed to the needs of its consumers.



Visit IGD's online subscription services Retail Analysis and Supply Chain Analysis for latest UK and international retailer and supply chain news, accompanied by expert analysis from IGD's team of dedicated analysts.

Visit www.igd.com/analysis and www.supplychainanalysis.igd.com

of consumers are now aspiring to a less materialistic lifestyle. The prospects aren't good for a revival in demand.

WHAT WOULD A RETURN TO NORMAL LOOK LIKE?

We now need to set new expectations for the 'normal' or sustainable growth rate of consumer spending in Europe. The 2.3% historical growth rate of earnings is a reasonable starting point for this.

We should also expect an extended period of growth below this 'normal rate' as consumers retrench. Consumption growth needs to undershoot earnings growth, if some debt is to be repaid, allowing the European economy to move back on to a sustainable path.

This does still allow for some growth. If conditions for the next five years are reasonably benign then a growth rate (in real

terms) in the range of 1% to 1.5% ought to be possible.

However, there are many ways that Europe could be tipped back into recession. The most obvious is a break-up of the Euro currency but other possibilities include a further banking crisis, currency conflicts, runaway energy prices or a rupture in world trade.

At the other end of the scale of scenarios, an excessively loose monetary policy could result in another money rush and a return to high consumption. This would be only a temporary relief and the next correction would be even more severe. The ECB seems very reluctant to take this course.

The 'new normal' for Europe may not be a zero growth economy but it does mean much slower growth than the current generation of business leaders have become used to.

“Consumption growth needs to undershoot earnings growth, if some debt is to be repaid, allowing the European economy to move back on to a sustainable path.”

Nigel Wright Report

Trust can drive productivity >>

“Employees’ trust in their employer and managers is increasingly seen as a vital organisational resource that influences both organisational performance and staff wellbeing.” >>

This is the conclusion of a new joint report published by a leading international Business School and Nigel Wright Recruitment. The report, which is based on an in-depth survey of over three hundred senior executives and managers, from a diverse range of businesses, suggests that building trust at all levels – organisational, managerial and within functional teams – can result in a multitude of positive outcomes for business.

Some of the specific benefits include: improved self esteem of employees, a reduction in levels of stress and in the inclination of employees to quit or to look for a new position.

The research surmised that in difficult economic climates, issues of trust are brought to the fore within organisations, as employees become increasingly concerned over job security and job prospects. During the last few years there has been a rise in pay freezes, redundancies and a reduction in personal development opportunities and employment benefits. This has caused a great deal of insecurity at work. Some companies have managed this well, however others have not. The report argues that engendering trust in organisations is an important step to take in rebuilding the bridges that have perhaps been burned within organisations in recent times.

The report also considers the impact of 'authentic leadership' (a leader's ability to be 'true to themselves' by acting in line with their own values and convictions) on individuals and organisations as a whole. Authentic leaders, the report highlights, have more success in engendering trust in those around them.

Researchers at the Business School were surprised to discover particularly high levels of trust within most of the organisations (surveyed in April 2011), which they speculated may be a result of organisations and managers reacting positively to circumvent the difficult economic climate, and retain talented staff.

The full report can be downloaded from our website at www.nigelwright.com/downloads

ENVIRONMENTAL CHALLENGES IN THE GLOBAL ECONOMY PLACE NEW DEMANDS ON DANONE

David Feldman interviews **Martin Powell**, Vice President Operations Waters Worldwide, about how environmental challenges in the global economy and developments in emerging markets make new demands of a multinational group like Danone. >>

How does the increasing demand for environmentally responsible production and transportation solutions, by consumer and retail businesses, affect Danone?

There is no doubt that caring for the environment is of increasing importance for all of us, but sustainable development is not a new concern for Danone. Antoine Riboud, the founder of Danone, expressed “*there is only one Earth!*” in his important speech on the 'Double Economic and Social Project' in

1972 and put care for the environment into the Company's priorities. In 1992, Danone began a programme on Water Resource Protection and wrote its Environmental Policy in 1996. In 2000, Danone fixed ambitious targets for 2010 to reduce the impact of the company's operations on the environment; these objectives have since been met or exceeded. For example, since 2000 we've reduced the energy consumption in our factories by 55% (kwhr/kg product) and the water consumption by 45% (l/kg product). We're now working

on our targets for 2020 in five areas: Climate Change, Packaging, Water, Agriculture and Biodiversity. Nature, as we say, is very much part of every one of Danone's genes. We seek to make a positive contribution for a healthy planet and healthy people.

What obligations do you think businesses have when it comes to using environmentally responsible production and transportation solutions?

Danone's business is based on high quality, natural ingredients: milk, water, fruits, and we want our consumers to know about these ingredients and how Danone goes about ensuring their quality and supply. Working with the communities and farmers who help to maintain our impluviums (where water is collected) is a real priority for us, as it to ensure a long-term supply of water. We have set up and partially funded associations whose role it is to work with the communities associated with our major water sources to ensure their long term protection. For example, reducing the use of pesticides or developing composting facilities to reduce inorganic fertiliser use, and promoting understanding on the environment in local schools.

Whilst most of our transportation is, in essence local - milk collection close to our factories, water distribution within each country - it does represent an important impact on the environment and is therefore critical for progress.

Our aim is to work proactively with our partners from suppliers to customers to engage strategies and actions to reduce the impact of our operations and at the same time





Our aim is to work proactively with our partners from suppliers to customers to engage strategies and actions to reduce the impact of our operations

be open and giving access to our results and progress. For the second consecutive year, Danone has been recognised by the Dow Jones Sustainability Index as the reference in its category for environmental reporting. Sixty six of our major suppliers have signed a 'supplier pact' – an engagement to work together to reduce carbon impact.

Danone's ambitious strategy for sustainable development >>

Antoine Riboud, the founder of Danone, already expressed in 1972 in his speech on "the dual economic and social project" that "there is only one Earth!" This statement has since been a cornerstone of the way the company thinks.

- In 1992, Danone kick started a programme for water resource protection. A few years later a formal environmental policy was implemented.
- In 2000, Danone set ambitious goals for 2010 with the primary focus to reduce the impact of company activities on

We are also actively working with trade associations, both locally and globally, to promote the collection and recycling of packaging. For example, our Evian bottles in Europe contain up to 50% of recycled PET, and the Bonafont brand in Mexico has recently launched a 4L bottle made from 100% recycled PET. In Mexico, Argentina and Indonesia we have set up, and help fund, associations to structure the collection and sorting of waste in cities. These projects have multiple benefits: Increasing the availability of materials for recycling, providing a much improved working environment and improved salaries for employees, allowing them to send their children to school rather than scavenge for materials in refuse tips.

Danone is convinced that the reduction of emissions alone will not be sufficient to remove the risk of climate change and that we must increase the possibilities to improve absorption by the planet. The Group is investing in compensation projects in the framework of the Danone Fund for Nature, created in 2008, engaging with partners such as UICN and RAMSAR to co-create compensation programmes linked to the upstream elements of its Divisions. In 2010, Evian continued its investments in Senegal, planting 60 million

the environment. The objectives have since been achieved or surpassed. For example, energy consumption since 2000 has been reduced by 55% (kwhr / kg product) and water consumption by 45% (l / kg product).

- Goals for 2020 cover five vital areas: climate change, packaging, water, agriculture and biodiversity.

There is no doubt that the environment has a great value for each Danone employee.

mangrove seedlings (100 million over the last two years) and setting up eight new mangrove and forestry projects in India and Africa. By the end of 2011, the CO² plan for Evian will have reduced carbon intensity of the brand by 40%, and the remainder will be completely compensated, making Evian carbon neutral.

What concrete initiatives within transport and production has Danone introduced to promote environmental issues?

Each and every stage of the sourcing, production and delivery of our products is scrutinised by teams in Danone. We are constantly reviewing how we can reduce the amount of packaging we use and how we can ensure that our materials can be re-used or recycled and have a 'second life'. Every Danone factory has a waste reduction and an energy and water reduction programme – these plans and best practices are shared through 'campuses' and have resulted in the carbon intensity of our factories being reduced by 10% in 2010 vs 2009. We are always reviewing the basics of transportation: maximising the density and minimising the distance travelled. We look to use rail where possible – 34% and 59% of Volvic and Evian products respectively leave the factory by train. In total, these programmes will permit Danone to have reduced the carbon intensity of its products by 30% from 2008 to 2012. Many of these programmes have also resulted in considerable cost efficiencies.

We are also focusing on the use of renewable energy resources such as biomass investments in Brazil and Ireland. Another example is recyclable packaging with bio-origin: Volvic bottle PET comes in part from biomass (sugar cane waste), and several other product launches are planned in 2011.

What are the main priorities within Corporate Social Responsibility for the company Danone?

"No living organism can develop in a desert", and therefore Danone is working to strengthen the economic ecosystem around its businesses. We look at CSR in a holistic way, recognising the strong link between being socially responsible with our suppliers, our communities and nature. To support



We are constantly reviewing how we can reduce the amount of packaging we use

this objective, Danone has set up a €100m Ecosystem Fund aiming at developing socially responsible projects.

What do you find are vital elements for integrating CSR strategies aligned with commercial strategies and what advantages come out of it?

The raw materials for Danone products come from nature. Danone with its mission 'to bring health through nutrition to as many people as possible' has clearly made the choice to engage itself with the preservation and restoration of nature. The Group has the conviction that nature and business do not oppose each other, but on the contrary must be extremely connected – a winning strategy for all: the planet, business and mankind.

The geographic location of the BRIC countries and other emerging markets means that companies must establish new production facilities and supply chain flows. In what way does it influence Danone's business?

In addition to the BRIC countries, we'd add Mexico and Indonesia to the list of very

interesting developing countries. Our new businesses require a source of high quality raw materials, manufacturing facilities and a route to market. Each country has its own customers and suppliers, and established competitors – so each poses specific challenges. Danone often works in partnership with established players setting up joint ventures, bringing together local knowledge and Danone's product and brand expertise. Wherever Danone operates the Company seeks to integrate the economic, social and environmental aspects of its business.

The focus on emerging markets also means an expansion of local organisations. What is Danone's experience with attracting highly qualified employees in emerging markets?

Many of our emerging market businesses are growing double digit and more, making the recruitment and development of human resources at all levels a key factor in ensuring continued business growth and success. No more so than in Asia and Latin America where specific graduate training programmes are in place to ensure a stream of well educated

managers. We have expatriate employees to help accelerate the transfer of knowledge and standards, though we want to build strength though local talent as fast as possible. I've no doubt that the strong values of Danone play a real part in the recruitment and retention of staff, and our annual employee surveys continually confirm that sustainable development is a source of motivation and pride for our employees.

What sort of management challenges do you experience in your work in a leading multinational?

Rather than talk of challenges, let me say that working for a Company like Danone offers some great advantages - to be able to build a career path in '3D' in different functions (Supply Chain, Manufacturing etc), in different product fields (Water, Dairy, Baby, Medical Products) and in different countries, is a real joy, providing an endless supply of challenges and opportunities. And as anyone who has worked for a multinational knows, working with people from diverse backgrounds can be a challenge at first, but is also a great source of richness and satisfaction.

A key challenge is of course recruiting and developing great people, no matter which country we are operating in. And on a personal note, I'd have to say building communities and managing teams across the time zones is something I'm still learning, even though I've been in a regional or global role for over ten years!



A DASH OF GENIUS

It's a name that spells everything that's stylish about style. Chris Porter reports on **Porsche Design**, a company interested in more than just cars. >>

With its elegant lines, white, composite plastic case and serrated bulb, one would be forgiven for thinking that it was some kind of concept communications tool. Look closer, however, and the name on its side, Porsche Design, suggests that maybe this is some form of ignition key, or a car door handle. It is, in fact, a pipe.

That a name like Porsche – all speed and sex – should produce anything as prosaic, sedentary and old-mannish as a pipe might at first prompt thoughts of returning your Carrera to the nearest dealer. This would be a mistake. While design studios typically remain anonymous, letting the brand selling the product take the credit, Porsche Design is an exception – part back-room creators, part status name. It is true that its founder, Ferdinand Alexander Porsche designed the car company's masterpiece, the 911. But then, coming up to 40 years ago, he went on to establish an independent studio

that would turn its attention to the perfecting not only of cranes, trams and even dental chairs for other companies – more recently a super-yacht for Royal Falcon and furniture for Poltrona Frau – but would launch the cream of its design thinking under its own name.

"Of course, the first part of our name creates a certain awareness," says Juergen Gessler, the CEO of Porsche Design, based in Zell Am See in Austria. "But there has to be design integrity and quality to convince anyone to buy one of our products and we're selling mostly to people who do not own a Porsche. They're people who appreciate a very modern, very puristic design language – it is a classic 'form follows function' approach."

It is also, Gessler concedes, an especially masculine style – austere, minimalistic, with lots of black and white, like the contents of a dream bachelor pad.

"Or at least it's masculine if you define the curved form as being feminine," he jokes. "We don't do many curves. But really it's a look that appeals to a certain type of person who tends to have a knowledge of design and places a lot of importance in it. They are into the technique and materials of a design rather than the brand on it."

That rigor is one of the characteristics that makes the brand unusual – an unwillingness to add pop colours or pretty graphics to make a product stand out, preferring understatement that is almost monastic.

"Bold is OK," says Gessler, whose industrial design career started out with Mercedes and BMW. "It's just not for us."

The second unusual characteristic is its readiness to launch only those products where the design team feels it has made a genuine improvement on what is already available. And, not exactly a compliment to the wider design community, the third is the diversity of products in which it has found improvements to make. Luggage comes with stain-resistant coating and silent-running wheels; pens come in anti-corrode materials and with flexible

“

Rather than working on one kind of product all the time our designers jump from one product world to the next. Today it's a new watch, tomorrow the interior of a business jet.



barrels; its spectacles fold almost completely flat; its mobile phone is milled from a single aluminium block; its desk lamp was among the first to use LED lighting. Fashion, footwear and watches offer some smart ideas too.

“...there has to be design integrity and quality to convince anyone to buy one of our products

Recent products have included sunglasses with a unique lens replacement system (swap the lenses according to the ideal light conditions for the activity at hand), a fountain pen with a system that prevents the nib from drying out and a briefcase designed following research to understand exactly what typical users might want to carry with them and how, rather than providing a design with endless compartments, none of them the right size for good use. And as for that pipe... The ribbed effect is actually an integrated cooling system – akin to that used in motorcycle engines – to ensure the body is always comfortable to hold but the optimum temperature for the tobacco is maintained... Such thinking has won the company more than 120 prestigious Red Dot and ADI Milan design awards. New luggage lines, as well as small leather goods and additional watches are on the sketchpad.

Indeed, Gessler argues that it is precisely because Porsche Design's designers are not specialists in any one field, but are ready to cross-fertilise ideas from other design disciplines, that its products are innovative. *“That way of working has a very inspiring*

effect,” he says. “Rather than working on one kind of product all the time our designers jump from one product world to the next. Today it's a new watch, tomorrow the interior of a business jet. ‘Porsche Design style’ is more a way of thinking. And a timely one – design is set to play a much more important part in buying decisions for consumers.”

It is certainly a way of thinking that has appeal – Porsche AG, the car company that shares the name, finally recognised a good thing in 2003 when it joined with Porsche Design to create the Porsche Design Group, launched to maximise the car brand's potential beyond the auto industry. Gessler's Porsche Design, meanwhile, has some 500 points-of-sale around the world, as well as 106 of its own stores, and expects to open a further 150 or so shops over the next five years – essential, Gessler suggests, to allow consumers to experience what he calls the Porsche Design world.



“There is certainly scope for more design studios to become brands in their own right, although that was never Ferdinand Porsche's intention,” he adds. “Most of our design work is still anonymous for third party companies and that remains important in terms of generating ideas. But the fact is that there is power in creating your own products too...”

Are there, in fact, any product categories to which Porsche Design would not turn its sharpened pencil and CAD software? There is one it has considered repeatedly, Gessler admits, although never quite committed to – laptops. Why? Because laptops have never been regarded as means of expressing their user's personality.

“They have simply been devices,” says Gessler. “But, people use to say that about mobile phones and they are now important status items. And the laptop market seems to be going that way too. So maybe...”

Watch out Apple.

A view from Germany >>

LARS HERREM – SENIOR MANAGER, NORDICS & GERMANY



EUROPE'S LARGEST FOOD AND DRINK MARKET REMAINS BUOYANT

In September, a survey that monitors German consumers' expectations revealed the lowest levels in ten months. >>

The study, conducted by a leading research agency found that despite low levels of unemployment and rising wages, Germans still fear their economy will suffer both from weak global export markets and also Germany's involvement in Euro zone bailouts. It is anticipated that German companies may struggle to maintain growth - exports declined in July and manufacturing growth faltered in the last quarter.

The food and beverage sector, however, remains relatively buoyant. As Europe's largest food and drink market, the expectation that it would remain robust in tough trading conditions was confirmed in the first quarter of 2011, as sales increased by 3% - the best first quarter performance for the sector in ten years. Internal demand for convenience foods as well and health related food products, contributed to this growth.

An increasing demand overseas for German brands saw exports of Germany's food and drink industry reach an all-time high in 2010. This trend has continued this year with German companies increasing export sales by almost 12% during the first three quarters of 2011. This growth is largely due to the new focus firms have on emerging markets outside of Europe. Around 80% of Germany's food exports are sold in the EU, however new growth markets including Switzerland, Russia and China have experienced double digit growth so far this year. Meat and dairy remain the strongest performing categories, followed by confectionery and beverages.

The same categories, however, have experienced a difficult time in the domestic

market. Meat, beer, soft drinks and mineral waters, for example, saw their sales drop over the summer months. Furthermore, German food manufacturing companies have found it difficult to make significant profits due to the rising cost of raw materials. In September 2011, the cost of key raw materials was over 30% higher than at the same point in 2010. Despite this, German companies have, in the main, managed to keep prices relatively low. This has obviously been good news for consumers and in August 2011 the cost of various foods and non alcoholic drinks was recorded as being lower than in previous months.

For the remainder of 2011, food and drink companies are expecting conditions to plateau as the sector moves into a period of comparative stability, which it is anticipated will last for around six months. There will, however, likely be modest job cuts in the

sector during this time. Hopefully, this fairly positive outlook from businesses will improve consumer confidence in light of the Euro debt crisis.

German consumers notoriously demand high quality when it comes to food and drink products and therefore the key for food and drink companies will be to maintain high quality standards and continue to build trust with customers. Transparency regarding how foods are manufactured and where they come from will be an ongoing trend in the sector, as we move into 2012.

Nigel Wright Group is committed to serving the wider consumer sector in Germany. Our knowledge of the market as well as our strong networks in German industry means we can effectively source management and executive level talent for clients in the domestic market as well as overseas.

Sources include various news reports concerning the GfK consumer sentiment survey and the forthcoming Anuga Food Fair taking place in Cologne.



Featured event >>

SPONSORED BY NIGEL WRIGHT RECRUITMENT

NIGEL WRIGHT
RECRUITMENT

SWEDISH GROCERY GALA 2011

In September, Nigel Wright Group sponsored the **Key Account Manager of the year award** at Sweden's third annual Grocery Retail awards. >>

The event, which took place at Stockholm's Waterfront Congress Center, was attended by 350 senior executives from Sweden's grocery retail sector.

Nigel Wright Managing Consultant Rebecca Törnqvist presented the KAM award (one of 12 award categories) to Karin Frost of BIC who was recognised for her infectious style in

promoting BIC's product categories in line with customer needs.

Comedian Michael Tornving and singer Nanne Grönvall entertained guests who also enjoyed a three course meal. After the meal and ceremony, the evening continued in the bar, into the small hours.



Karin Frost of BIC receiving her award

Point of view >>

LINDA DEGHA, SENIOR CONSULTANT – FRANCE



THE ENDURING VALUE OF USING HEADHUNTERS FOR RECRUITMENT

Nigel Wright's Linda Deghia caught up with **Christian Klein**, International Recruitment Development Director at L'Oréal France who explains why he still sees an enduring value in using headhunters for recruitment. >>

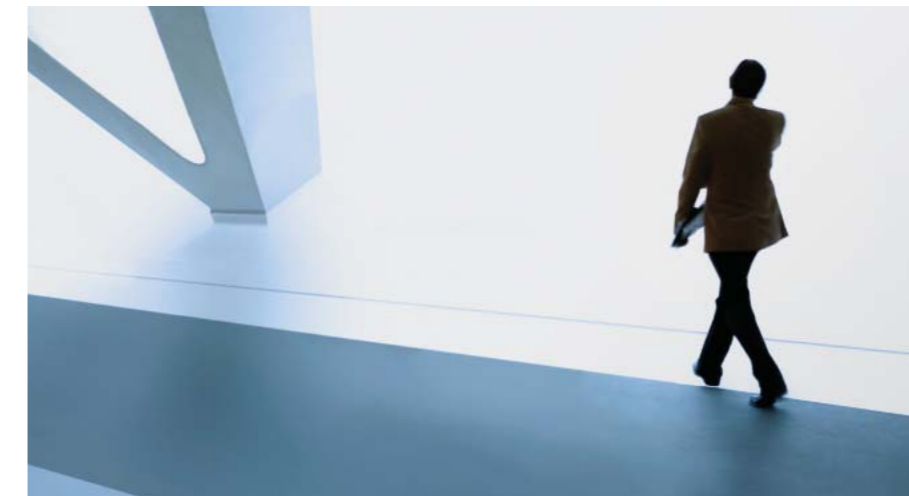
During the last two years the financial crisis has led businesses to re-consider what the most effective strategies and tools are for staffing and resourcing. With the advent of professional social networking sites and a growing need to reduce costs, many have argued that the role of the headhunter has become obsolete.

In 2011 the 'war for talent' is underway, with many companies beginning to take on new staff. What is apparent, however, is that businesses still rely on the support of recruitment experts to solve resourcing problems.

Here are four reasons why companies should still consider using headhunters:

1. *You can gain a better understanding of what is happening in the market:*

- The best headhunters and recruitment providers offer talent mapping services, whereby you are kept informed of where the 'talent' lies within competitor companies.
- They are also aware of trends in the job market and essentially act as an 'ear to the ground' on what is happening outside of your office.



“In 2011 the 'war for talent' is underway, with many companies beginning to take on new staff.

- You are also kept informed of employees in your business who have been targeted by other companies; as well as those who are actively seeking new opportunities.

2. *Headhunters can find candidates in the market that you couldn't reach using social media alone.*

3. *Using a recruitment partner simplifies your recruitment process.*

- Trust is essential – the best headhunters act as a partner to your business.
- It is always important to find a headhunter who can understand the culture of your company as well as your future needs.

4. *Headhunters can respond to the needs of your market - no professional social media tool can replace that.*



TROUBLE IN PARADISE?

Long since regarded as a safe haven for investors and a magnet for international businesses, some of the noises coming out of Switzerland recently suggest that even this most independent of countries is not immune to experiencing the difficulties caused by the current global financial climate. However, as **Chris Bone, Nigel Wright's Senior Manager for Switzerland**, explains, although no man (or country) can truly be an island, Switzerland has more cause for optimism than most. >>

TAX UNCERTAINTY

Over the last 15 years, Switzerland has been attracting an increasing number of international companies lured by low rates of corporate tax and a high standard of living. Swiss cantons can set their own rates and compete with one another to attract European headquarters or holding companies to within their borders. Between 1998 and 2008, Switzerland attracted more than 180 regional headquarters of large foreign companies. Businesses such as Google, Ebay, Philip Morris, Chiquita, Yahoo! and SC Johnson have all set up a headquarters or other operations in Switzerland in recent years. The mean 18.8% tax rate of all cantons compares to 40% in the US, 33% in France, 29.4% in Germany and 28% in the UK.

However, this influx of foreign businesses and their employees has created issues both at home and abroad. An ongoing row between the EU and Switzerland over corporate tax remains unresolved (Swiss cantons award tax breaks on earnings derived from outside of Switzerland - a practice the EU considers anti-competitive). Switzerland has conceded that it might have to give some ground on the issue to meet some EU demands, but there is uncertainty as to how this will be

done. Companies interested in relocating to Switzerland naturally want to know what future tax rules will look like and there is a fear that they may be hesitant to come to Switzerland while the uncertainty continues.

One potential way around the problem would be for cantons to scrap the distinction between foreign and domestic derived earnings, but



The economic downturn and fears of corporate tax rises in such markets as the UK initially made Switzerland even more attractive for foreign investors.

make up for this by lowering the tax rate across the board. Neuchâtel approved such a move in June and other cantons will be watching carefully and deciding whether to follow suit. Whatever is decided it is almost certain that the tax burden on companies in Switzerland will continue to be lower than in its European neighbours.

Additionally, although low taxes are often cited as the main reason why foreign companies are attracted by Switzerland as a business location, experts say it is not as simple as that. Indeed, a survey commissioned by Osec Business Network Switzerland showed that tax benefits, while certainly a consideration, were not in the top ten of criteria that investors mention when asked why they set up in Switzerland. Of the top ten, the incentives for companies to come to Switzerland remain the same as before: excellent transport links, a central European location, access to a highly skilled work force, clusters of business competence and flexible labour laws. Beyond this, simply put, Switzerland is a delightful place in which to live. Keeping all of this in mind, it is likely that the relocation of foreign firms to Switzerland will continue long into the future.

STRENGTH OF SWISS FRANC

On September 6th, 2011, the Swiss National Bank (SNB) announced the decision to put a floor under EUR-SFr at 1.20. The strong Swiss franc had made the country's exports much more expensive and harmed its tourism sector. The SNB was unwilling to let the currency strengthen further. There was also a fear that the strength of the 'Swissie' would erode Switzerland's role as a favourite destination for foreign multinationals.

The economic downturn and fears of corporate tax rises in such markets as the

Trouble in paradise?

UK initially made Switzerland even more attractive for foreign investors. However, the soaring Swiss franc has made the cost of doing business in Switzerland increasingly prohibitive. According to a new study by UBS, wage levels in Zurich and Geneva are the highest in the world, respectively 39% and 44% higher than New York in dollar terms. For foreign companies, the strong franc only exacerbates an already tight job market: Swiss unemployment is under 3%.

The fact salaries in Switzerland are considerably higher than elsewhere could have an impact on how quickly businesses expand and which functions they relocate to Switzerland. Given a secretary can cost more than double in Switzerland than, say, London, many back office functions and less valuable operations are less likely to be a part of any relocation or expansion. Relocation experts also say that many companies are trimming allowances for housing and schooling for expatriates in Switzerland.

While it is undoubtedly true that these economic times will cause businesses to reconsider all of their investments, the strength of the Swiss franc is unlikely to hinder investment or expansion of foreign businesses in Switzerland for too long. The same drivers behind the rise in the franc - Switzerland's low taxes, political stability and sound fiscal policies - still make it a magnet for firms in a time of economic turmoil. Rock-bottom taxes also go far to offset the pain of the franc. Even in respect of expatriate packages, the best

and most valuable employees will still have sufficient leverage to negotiate good terms.

PRESSURE ON INFRASTRUCTURE

New businesses coming to Switzerland have brought hundreds of well paid employees to certain towns whose families need somewhere to live. Rolle, for example, home to Chiquita, Nissan, Yahoo! and other big-name firms, has grown from a population of 1,500 to over 6,000 in the last ten years, half of whom are foreign.

The upside is an increase in multiculturalism and dynamism, as well as an influx of corporate money, but there are downsides as well. Many feel that international businesses have not offered local people the job opportunities promised, housing prices have shot up and infrastructure - transport, roads and schools - has not improved proportionately with economic growth.

There is a fear that Switzerland may have to slow its economic promotion while infrastructure catches up or that certain towns risk losing their souls to big business. Both scenarios are unlikely or, at least, some way off. Firstly, Switzerland is not Monaco, in the sense that there is still land on which to build. There is space to construct affordable housing (a relative term in Switzerland) and plans are already underway in Zug and Oberageri to erect housing that can satisfy demand. In addition, some towns such as Rolle have declared themselves 'full' meaning they are

unlikely to become slaves to the corporations they accommodate. This does not mean however that Switzerland is full. A look along Lake Geneva towards less developed Gland or Morges, both near railway stations and both close to Geneva airport, is enough to conclude that even within Vaud there is scope for expansion and to welcome more businesses.

TROUBLE IN PARADISE?

There is no doubt that Switzerland faces significant challenges if it is to retain its reputation as both a safe haven for investors and as an Eldorado for international businesses. It is impossible in today's global economy to remain immune from the lingering effects of the most recent financial crisis and the vast influx of foreign businesses in recent years has placed a natural strain on the country's infrastructure. However, the key factors that attracted businesses to Switzerland in the first instance remain. The rate of corporate tax in Switzerland is certain to remain highly attractive. The Swiss franc will not remain overvalued indefinitely, especially with the recent intervention of the SNB. The country's policy makers are acutely aware of the need to increase the pace of infrastructure development, while maintaining the Swiss quality of life that companies find so attractive in the first instance and the natural resources of the country mean there is no immediate geographic limit to expansion. All in all, Switzerland will remain 'open for business' for some considerable time to come.

Three record quarters coincide with Nigel Wright European office expansion >>

Nigel Wright News

Nigel Wright Group celebrated three back to back record quarters earlier this year. In Q4, Q1 and Q2 the business achieved both its highest NFI (net fee income) as well as number of retained assignments won. Retained assignments increased 13% in Q1 and included more work for the business outside of Europe in China, North America, Asia and the Middle East.

Nigel Wright has continued to experience consistent growth, which has facilitated the expansion of the business's European operations. To accommodate new employees and strengthen its pan-European networks, Nigel Wright Group has moved into larger office space in London, Paris, Stockholm, Oslo, Amsterdam, Brussels, Dusseldorf, Madrid and Nyon, Switzerland this year.

Consumer Group Executive Director Jon McNeish commented "The new offices provide an excellent base for the teams to drive growth in our core markets as well as offering our clients and candidates professional locations to meet. Our offices are all in central and prestigious locations helping to promote our premium image whilst also attracting the highest quality consultants."

FROM PASTIME TO GLOBAL SUCCESS

Nigel Wright's Emilie Stage met Lars Kornbech, Managing Director of **Skagen Designs A/S** for a chat about its success in export markets and how a rapidly expanding company attracts the right employees. >>

SKAGEN MEETS NEVADA

What is the history of Skagen Designs?

Skagen Designs was founded in 1990, when Charlotte and Henrik Jorst moved to the USA while working for Carlsberg. In addition to selling beer, they also sold leisure watches in their spare time. At a trade show, a buyer asked for some very specific watches: *'...instead of writing Hard Rock Cafe on the watches come up with a brand name and I will sell your watches in my shops...'* Because the pair had shared many good experiences in Skagen, a town in the Northern region of Denmark, that name was chosen. After initially maintaining a target of selling 200 watches per month, their hard work paid off and the company eventually grew into one of America's top five watch brands. Later, they expanded beyond the USA, and today a Skagen watch is sold every 15 seconds somewhere in the world.

How is the company structured both nationally and internationally?

From its headquarters in Reno, the company is divided into three business units - Americas, EMEA and APAC. In the Danish EMEA office, we are responsible for 35 markets which are handled by distributors, the local sales companies in England and Germany as well as salesmen in Denmark and Sweden. Additionally we run our stores and travel trade markets with airlines, airports, ferries, etc. Generally, the fast expansion of the company is reflected in the structure of our company. Therefore, we are focused on getting the structure and development of the company to grow together. We believe that we have not exploited our full potential yet. Therefore, it is continually important to adapt the structure of the company for the future. It is definitely one of our key strategies at present.

The key to your success has been the philosophy to keep things simple – is this what makes the business unique?

Basically, I must say that I have never worked with such a basic concept that works so

Skagen Designs: >>

- Skagen Designs is an international design company with headquarters in Nevada, USA
- The company is privately owned by Danish couple Charlotte and Henrik Jorst who live in the USA
- Skagen Designs products are sold in more than 60 countries. The business idea is based on the fundamental principle that beautifully designed and high quality goods must be available for a decent price.
- The company is best known for watches, but also sells modern, Danish-designed jewellery, sunglasses and wall clocks



fantastically well. We do not make things harder than they are. We focus on our "Power Offer" and make sure that those things are in place. If they are, then we also know that the products will be sold in the store. Compared to the big Swiss watch brands or traditional clothing brands which have expanded into watches, we do not have a super strong brand and a huge marketing budget to work with. We will simply not be able to match many of our competitors on that front. Therefore, we usually like to say that if the big brands are using money to lure customers into the store, we will deliver when customers are inside. This very simple philosophy brings us into the top five in the watch category in many countries and also makes us probably the fastest growing watch brand in Europe right now.

Another thing that has made us unique is that many are fooled, a little, by our Danish

I've never worked with a basic concept that works so fantastically well. We do not make things harder than they are

branding. The fact that we first became big in the world's most competitive market means that we have a more commercial approach to things than many of our competitors. In a very tradition-bound industry many of our customers find this refreshing.

A CONCEPT THAT WORKS IN ALL MARKETS

You have had great success in your export markets - how have you made it successful?

At the risk of sounding boring, it is once again our "Power Offer" which is the key to our success. Faced with our distributors, we have more focus on them getting the basic package in place. If they do, there is hardly any market where the concept is not working. If a distributor does not accept that, then we are consistent in switching distributors or starting up ourselves.



Inspiration from Skagen >>

For centuries Skagen, with its long white beaches, has been visited by artists who were attracted by the unique light. Since the 19 century, artists have depicted Skagen's beauty on canvasses which today are sold in leading auction houses. It is in this natural purity and beauty that Danish design has found its unique qualities. The city by the sea continues to give inspiration to all of Skagen's products.

A very good example of this is England, where a couple of yours ago, we had a distributor that we were not very happy with. After some back and forth negotiations we ended the contract and started our own sales organisation. In the two years since becoming independent in England, our size has quadrupled. Today we are the fastest growing brand in Great Britain - out of the top 20 brands. In 2010 we spent nothing on marketing in England and we were still the fastest growing brand!

Another factor is that we are a privately owned company. Charlotte and Henrik are still very involved in the business, which is a huge help in many of our markets. They are also very talented at designing products, which ensures that we are both on top of the global best-sellers and developing products that complement each local market. It is obviously a balancing act, but it is something which ensures that the product page is relatively flexible, as long as we always focus primarily on our global bestsellers. It serves us well compared to some of our competitors, who are perceived as perhaps being more rigid in that context.

NEW MARKETS, NEW CHALLENGES

Which markets will experience the greatest growth and how do you exploit the business opportunities in export markets?

At the EMEA office, we are currently focused on England, Germany and Russia - three large markets where we are experiencing significant growth. In both England and Germany we started up our own companies because, for Danes, these markets are relatively accessible. As well as increasing staff numbers in both companies in 2011, we opened our own concept stores to further develop the brand. In Russia, which is a totally different ball game, we keep a close dialogue with our distributors through whom we help with various market-oriented approaches.

What challenges do you experience in export markets?

In emerging markets the biggest challenge is that we are not very familiar with many of our competitors. To have opened the first doors and thus created the first success stories is always impressive. When local people have learned to work with the concept, and successes are created, we will get the momentum which we ride on in many markets. Once this has been achieved, the challenge is to maintain the focus and drive of our partners - and this tends to go quite well.

WIND IN THE SAILS GIVES NEW OPPORTUNITIES TO ATTRACT EMPLOYEES

The focus on export markets puts demands on the organisational structure and the staff you employ. What has been your experience in attracting qualified employees to your offices overseas?

You could say that we are quite well favoured by the situation. Last year we grew by 60% in Europe and this is something that helps us to be attractive in many candidates' eyes. I know that no one will be successful without some hard work, so naturally you want to work for a company that experiences success. If we hire someone from a company where things have been very uphill, we often get the feedback that working for a successful company provides positive energy, both privately and professionally.

It is important to us that the structure of the company continuously evolves. So when we hire new employees today, our focus is on getting people in from larger companies. With their background we get presented with an invaluable frame of reference whereby we can begin to gauge what we must do to develop. It also gives us a good understanding of what new systems, functions and processes are needed to facilitate our growth.

A GLOBAL COMPANY WITH A FAMILIAR FLAIR

What type of person do you employ?

Selling Skagen products is a matter of "staying focused" and being able to tell a good story. In the last few years we have hired more specialised people from larger companies, which provides us with a healthy platform on which to grow. Additionally, we talk a lot with the candidates about the company culture: that we are a family owned business where "everybody knows everybody". Many of our foreign colleagues, in particular, think it is fantastic that you can just write an email to the owners if you have something to say. The organisations from which they come from are typically very rigid in this respect. These are some of the things that make people say that Skagen is a unique and very happy place for people to work.

Last year we grew by 60% in Europe and this is something that helps us to be attractive in many candidates' eyes.

SOCIAL MEDIA - A MARKETING CHANNEL FOR ALL?

In recent years, thanks to tools such as Google Adwords, search engine optimisation (SEO) has played an increasingly important role in marketing. Now, social media has joined SEO as one of the most talked about marketing trends; particularly in the consumer sector. >>

Anna Lindqvist, Senior Consultant – Nigel Wright Sweden

Social media has changed society forever. The possibilities to interact with people all over the world are endless - and this is particularly appealing to consumer businesses. By engaging with consumers on social media sites, brands get a unique insight into the everyday lives of the people buying the products. This enables brands to have 'a finger on the pulse' of what the world is saying about them.

For consumers, this level of interaction is empowering, as it allows them to scrutinise and influence products throughout their lifecycle – from concept, to design, to launch. Thanks to social media, branding is perhaps more intimately linked with consumer needs and desires than ever before. Many commentators now claim that brands that do not have a social media presence, will struggle to survive.

"The term social media refers to the use of web-based and mobile technologies to turn communication into an interactive dialogue."

Social media essentially facilitates the dissemination of all thoughts and opinions: via (for example) blogs, forums, wikis, podcasts, images, video, e-mail, chat and VOIP. Some of the high profile social media sites and tools

such as Google Groups, Wikipedia, Facebook, LinkedIn, YouTube, MSN and Twitter were completely unknown a few years ago. Now they are helping to change the way companies develop products, as well as how products are marketed to consumers.

People use social media for a variety of reasons: whether it's staying in touch with friends, keeping up to date with the latest news and business intelligence or following



their favourite brands and companies. For marketers, this means there are specific groups of users who will respond to different kinds of tailored messages. Brands can therefore take advantage of this 'free' market intelligence to customise offers and promotions for products, accordingly.

For many people today, social media is an integral part of everyday life – either at home, at school, at work - or even just walking down the street! Its use has increased significantly due to the proliferation of mobile 'smart' phones such as the iPhone and Android devices. As more consumers graduate to using social networking sites via their cell phones, the sites that do not have good mobile applications will likely experience a decrease in users.

For major consumer brands, social media has quickly become a key element in the marketing



mix. Many companies realise that relying on traditional advertising channels alone is not enough. To ensure that the intended audience is reached, it is now essential for brands to take advantage of the many online and social media channels available. This can help save money on communications while increasing brand awareness, driving sales and providing greater customer value. It is also increasingly the preferred method of communication for many consumers.

The creative opportunities for marketers are endless. Companies that 'do social media well' ensure that the information they glean from customers via social networking sites is used to make products and product ranges more adaptable to the market - based on 'real needs'. It has also been shown that the 'credibility' of a brand increases if it has a social media presence. This will only happen though, if the tools are used correctly and a true dialogue between the brand and its customers is created. The competition between brands is fierce and in a world where consumers demand continuous improvement and innovation, this is essential. It is important to note, however, that as with any form of advertising, the key is to build loyalty and trust around the brand via social media. The messages therefore should be clear, consistent and always seek to differentiate a brand from its competitors.

Since the advent of social media it has become possible for brands to deliver their true values by enabling them to build authentic relationships with consumers.

The benefits associated with using social media for marketing are obvious. It is important however, to highlight some of the risks involved in releasing the brand into the realm of public scrutiny. Rumours can circulate quickly online, privacy can be easily breached - basically social media presents more opportunities for a company or a brand to be discredited. Freedom of expression is the key ethos behind social media and obviously, visitors to a company or brand's social media site are welcome to share their views. Companies, however, must be vigilant that any criticism is dealt with appropriately so that it doesn't get out of hand.

The question remains therefore: is social media a marketing channel for all? The branding role is changing and the rise of social media has taken many companies by surprise. While some businesses have already taken advantage of this new communication medium, others are still assessing the best ways in which to gain value from it. To determine the level of investment that will be made in social media, companies must first determine how it fits into the overall brand strategy and also assess the likely impact it will have.

It is anticipated that social media will eventually become a part of every company's brand strategy. The fact that it is used every day by millions of people worldwide means that from a marketing perspective, it is difficult to ignore. Certainly the prevailing attitude from the consumer sector, at present, is that social media should definitely be used to complement the traditional channels of communication; and to gain as much value as possible from interacting with consumers.



For many people today, social media is an integral part of everyday life – either at home, at school, at work – or even just walking down the street!

At 23, Lara Morgan, an unemployed telesales executive, started Pacific Direct in the middle of a recession, without a business plan. 17 years later she sold the business for £20 million. >>

Earlier this year she published her first book 'More Balls than Most: Juggle Your Way to Success with Proven Company Shortcuts' which details the highs and lows, the mistakes as well as the moments of genius that took Pacific Direct from Lara's home in the UK to becoming a major global player in the luxury branded toiletries industry. Here she talks to Nigel Wright Recruitment about the lessons she has learned as a business leader and the advice she hopes to pass onto other entrepreneurs and leaders in her book...

Why did you choose to write the book?

Initially the book was written to celebrate the successful journey of building my business with my family, as well as acknowledging all of the participants who contributed massively to our success. I also wanted to share some of the fun we had during our mad journey of fast growth. I have often been asked why I had not written a book before and as our growth story evolved, I felt I could add value to other leaders in businesses looking for solutions, reassurance and ideas. If you read books to provide tools for learning and ensure that you and your team apply the lessons, then you gain a valuable return on reading-time investment. I hope my book is given out to the members of entire teams.

What exactly do you hope to pass on to others?

I hope to give readers the inspiration and tools to help accelerate their businesses' growth, whilst remembering to enjoy the process too. My book is a massive compendium of easy to apply, practical, time saving efficiency gains, as well as lessons that I have learnt along the way.

In the book you always refer back to 'Lara's Laws' and 'Company Shortcuts', tell me more about them?

Not everyone can afford the time to read the whole story. Taking the key messages that are 'Lara Law's' and highlighting them at the start of each Chapter, and referencing what the Chapter shares at the end, is a great way of gaining information and continual improvement techniques, quickly. Earlier this year I created www.companys shortcuts.com, which is essentially an online resource for business owners where they can access advice and download free frameworks and templates that will help them speed-up business growth, progress and profits.

And is it right to say you also want to want give readers and people who access the site a 'Kick up the Arse'?

Yes that's right! Too often, entrepreneurs work in their business and get sucked into the daily demands of their teams, their customers and the desire to grow. They don't spend enough valuable time standing above the business and working on strategic development and continual improvement of the whole company. In my experience, most entrepreneurs are time challenged and develop bad habits in terms of prioritisation and focus. The Kick up The Arse, (KUTA) download is simply a daily nudge - either via email or text - to make a leader think about all the small steps and improvement activities which can consistently sharpen their business deliverance. Not every tip will be of use for every business, but the objective is to remind the entrepreneur to always think about what else they could be doing to improve. Building a culture where constant improvement is a daily expectation of all team members, pays huge dividends.



Lara Morgan

How do you preserve the culture of an organisation during periods of rapid expansion?

People used to tell me that it wasn't possible for bigger 'international' companies to do that. I think that's rubbish. In Pacific Direct's experience, the return on investment for time spent building the culture, created value far beyond other easily measurable, commercial benefits. We did endless things to build on the established culture of each part of the global business. For example: the Chinese factory was given the sales proceeds from the UK chocolate sales tuck-box, to buy a video and karaoke machine. The UK office and the Czech factory used to bet against each other, on various football matches. We painted the different offices mad colours for brightening up the workspace. We invested in the best technology for high performing teams and we organised international exchange programmes for staff. After I bought a Manchester United shirt for the China factory manager he thought I walked on water! Small things count. We always put family issues first for staff and offered sensible, practical support in exchange for far more than their ounce of flesh!

What brands or business models inspired you to set up Pacific Direct?

Twenty years ago there was no such inspiration for me. I needed a job and a friend of mine made pre-threaded sewing kits and shower caps for the hotel trade. From these simple accessories we became the leading global player supplying guest amenities focusing on luxury five star properties. (It wasn't easy and every mistake in the book was made along the way.) The only business model I knew was my determination to always strive to be the best. We expanded our range and capabilities as we reacted to customer demand, combined with commercial sense checks. Having lived with a father that went bankrupt, the experience protected me from the danger of over trading without managing cash flow.

Direct sales or cold calling was important to your early success – is this still an effective strategy or is it outdated?

Highly targeted, well-trained, persistent

and selective cold calling will always pay dividends. Especially, if you have researched the market and the clients you wish to win. I think opportunities are regularly missed in the UK as a whole, today, because of the poor quality of sales techniques. I'm referring specifically to relying on email communication. Sales should always be 'people to people', ideally 'face to face'. Persistence is the only way to become really successful. Some of the follow-up standards I have experienced recently have been pathetic. No it's not easy, yes, it can be demoralizing, but the results that can be gained are considerable.

How difficult was it to make the transition from saleswoman to 'the boss' – responsible for 100s of employees around the world?

I wish I could say it was easy but it wasn't. It was very difficult, I made some horrid mistakes and it was by no means a perfect process. I learnt over time to take a deep breath and 'wing it' more times than I care to remember! I even had to incentivise myself to get the worst conversations done. I read relentlessly about leadership, management, how to become a CEO and anything else that I thought might smooth the process. Dealing with difficult people, giving someone a promotion, moving people sideways or managing poor performance require you to overcome emotional hurdles. You have to take the time to plan and think about the right things to say to make sure you get a clear message across.

What was the most important aspect of the Pacific Direct brand you wanted to preserve when giving up your majority share in the business?

The reputation the company had achieved as a global leader in offering luxury brand licensed toiletries of the highest quality, supplied by a world-class team of individuals who enthusiastically represented our products with pride.

What is next for you?

I wish to do more putting back into life what I take out. So far, the scales have been tipped in my favour.



Initially the book was written to celebrate the successful journey of building my business with my family, as well as acknowledging all of the participants who contributed massively to our success.

GLOBAL TRENDS AND ISSUES AFFECTING THE CONSUMER PRODUCTS INDUSTRY IN 2011



For consumer products companies, 2011 and beyond will be characterised by substantial opportunities for growth, challenges in maintaining margins and heightened needs to collaborate with other participants in their business eco-system. >>



The developed markets of the world will remain, for the most part, the primary generators of profitability but will offer limited growth opportunities and the legacy of the recession will see more value-conscious consumers still expecting more value for less money. The emerging middle class in developing markets represents the biggest single opportunity for growth but meeting the lifestyle needs of these consumers will require radical innovation in delivering the right products at price points that are typically well below equivalent products in the developed world. The other key themes that will characterise the next few years will be the transformation of marketing models, learning how to cope with transparency, changing demographics, a focus on health and wellness, rising and volatile commodity costs, putting sustainability at the heart of strategy and innovation, and the need to be proactive in shaping regulation.

Changing demographics, especially the ageing population in developed and many developing economies, creates substantial opportunities. Healthy retirees in developed economies will become increasingly important consumers of leisure and related products and services. They will also become increasingly important consumers of healthcare related products and services and we will see fiscally challenged governments increasingly looking to shift the

burden of healthcare provision to the private sector, including the consumer products industry. The focus on health and wellness will not be limited to older consumers and we can expect governments to be ever more proactive in encouraging healthy lifestyles from birth and the private sector to respond to the opportunities and demands this creates.

We are already seeing the impact of volatile and rising commodity costs, and with supply and demand in fine balance we can expect this to continue. As higher gas and food prices drive up prices in a host of other goods and services, this is bound to take a toll in consumer willingness to make discretionary purchases in areas such as apparel and fashion. Manufacturers are trying to pass rising input costs through to their retail customers, with some success.

At the same time, retailers are using food price inflation to protect and, where possible, improve margins. These higher prices mean a larger share of total consumer expenditure for food, with less remaining for other consumer products. Consumers will therefore be more selective about their purchases. In emerging economies with a substantial part of the population living at or below subsistence levels, the impact of these increases in the cost of basic foods can be severe and contribute to political instability. And we have yet to fully

understand how the recent devastation in Japan will affect prices.

Consumer products companies are challenged by fragmenting media, increasingly connected consumers, and growing retailer power and sophistication in knowing their shoppers. These factors will require brand owners to become much more focused on what ultimately drives success at the point of purchase, whether in-store or on-line. Messaging at every touch point with the consumer outside the store and inside the store needs to be aligned behind a clearly articulated value proposition based on deep insight that prepares the consumer to make the right choice.

These themes are explored in more depth in the paragraphs that follow.

The developed markets of the world still present major opportunities – but they are challenging

In the aftermath of the 2008-09 global economic crisis, consumers in the developed markets hardest hit by the recession are showing signs of frugality fatigue. Sales, though modest, are up. It is unlikely that they will be spending at pre-recession levels given

Changing demographics, especially the ageing population in developed and many developing economies, creates substantial opportunities.

Businesses that proactively engage with regulators and tax authorities will be better equipped to thrive in increasingly regulated categories and markets.

tighter credit, less available discretionary income and the loss of wealth that is causing them to continue to deleverage and save. Instead, their return to buying will reflect a recalibration of value. They don't want cheap, they want better – better products, better service, better brand, better experience, and "better-for-you" – but at a low price. As they continue to hunt for better value, they will also expect their values to be embedded in what they buy, whether that involves healthier food and products, sustainability, or any number of personal interests. The challenge for consumer products companies will therefore be to offer more for less.

After cutting costs and reining in spending during the global economic slowdown, consumer products companies will be taking risks and launching innovative new products, services, and marketing campaigns to differentiate themselves from competitors and avoid destructive price competition. Expect to see an increase in products that offer more benefits, that enable consumers to do more, save time, and simplify their lives, but at a better value.

The emerging middle class in developing markets represents the biggest growth opportunity

An estimated 70 million new consumers are expected to enter the global middle class each year, a majority from emerging markets. With consumer spending curbed in most developed markets and a disproportionate share of global economic growth taking place in emerging markets, consumer products companies will continue to focus on emerging markets to drive growth. Many fast-growing economies such as South Africa are getting a lot of attention due to their young populations, rising disposable income, and vast natural resources.

Competition is heating up to capture share-of-wallet of the newly wealthy (whose expensive taste in European luxury goods is driving the rebound of the luxury market) and the fast-growing middle class in emerging markets. These markets will be a laboratory for innovation, as companies adapt and develop new products, services, manufacturing and marketing techniques, and business processes to fit the lifestyles and values of their consumers.

In addition, expect to see more mergers and acquisitions in the Asia Pacific region, especially China, as well as in Latin America, specifically Brazil. As those markets continue their fast growth trajectory, both foreign and domestic/local consumer products companies want a part of the opportunity. As of the writing of this publication, Wal-Mart has plans to enter South Africa with its intended acquisition of Massmart, which should increase interest in consumer products companies in Africa.

The sense of values and value differ from market to market, and they are changing

Seventy six million US baby boomers – those born between 1946 and 1964 as defined by the US Census Bureau – account for an estimated half of total US consumer spending. With the oldest American baby boomer

turning 65 this year, American companies are creatively overhauling product lines, changing marketing messages, redesigning store layouts, enlarging typeface, and lowering store shelves to cater to and capture market share of a relatively affluent generation¹. For example, the boomers' "forever young" attitude – they don't want to be reminded that they are ageing – is helping to drive a global market for anti-ageing products already worth US\$160 billion a year². Innovations include undergarments with anti-wrinkle properties that help hydrate the skin, as well as mobile devices and web brain games to help boomers boost productivity and stay mentally fit. Ageing populations in developed markets such as the US, UK, Germany, Japan, and even China and Russia, offer abundant opportunities for innovation to address the specific needs of this consumer segment. Given that many are dealing with multiple ailments, it is no surprise to see consumer products companies racing to take the lead in the functional foods category to help manage (not treat) disease, illness and health and wellness. Such is the case of Nestlé, which created a Health Science subsidiary and recently acquired a pharmaceutical company, a 'medical food' start-up³. However, scientific credibility, proper health claims, and labelling will be critical. Food products do not face the same regulations and testing as pharmaceutical drugs and will likely face criticism and scrutiny from governments and medical communities.

Use sustainability as a primary lens to drive product and business model innovation

The food sector provides just one example, albeit an important one, of the need to put sustainability at the heart of strategy and innovation. As agricultural resources come under increasing pressure from the consumption habits of a growing middle class, the real cost of food will rise. The food chain will need to become more efficient and eating habits will need to change. As with other areas of consumption, the industry will have a key role to play in re-engineering value chains, taking consumers on the journey to more

sustainable lifestyles, making brands relevant as part of this, and advising governments and regulators about how best to create a business and social environment in which this is possible.

While we expect to see volatility in resource costs in 2011, the trajectory is likely to be upward with almost every major resource becoming more expensive in the years to come. Therefore, radical shifts to more sustainable business models are required.

Businesses will increasingly need to look at the end-to-end value chain in which they participate and form close collaborations with other participants to eliminate waste and adopt more sustainable farming and production practices. Many companies are recognizing that sustainability and value creation are not necessarily mutually exclusive and can lead to better innovation, products, business processes, business models, and opportunities for positive business outcomes.

However, it will not be enough for people to simply consume less, nor will it be feasible; instead, they will need to consume differently. Engaging them in innovative new ways of using and consuming resources will be fundamental to the success of new business models. Consumer products companies are in the best position to engage consumers to change their behaviours given their proximity.

Transform how you engage consumers and shoppers at every point in the path to purchase

In an increasingly connected world, consumer products companies need to continuously rethink how they nurture and protect their brands. At any point during the consumer's shopping and nonshopping journey, the experience can go well or quickly sour, making a consumer an advocate or a critic of a brand with the power to share the experience with his or her global network of "friends." It is therefore critical for organisations to be engaging with their customers through these series of interactions and ensure that they have a positive experience at every point.

Consumer products companies need to actively listen to the conversations consumers

are having on social media sites about their brands, address any issues bubbling to the surface, and take the lead in collaborating with consumers on solutions that will make consumers brand advocates. And they can't overlook the power of advocates closer to home – their employees present perhaps the easiest way for companies to engage consumers or to lose them. Employees not only communicate and interact directly with customers as part of their jobs, they also connect and socialise with other employees and consumers outside of work, talking about the company and its products, services, policies, people, and more, via email, on Facebook, and around water coolers – virtual or otherwise. Empowered, they can be powerful brand ambassadors who positively engage consumers.

Engage proactively with governments to shape smart regulation

In addition to engaging deeply with consumers, consumer products companies will need to collaborate with governments to identify new ways of measuring and incentivising patterns of resource consumption and, most likely, new models for resource ownership. Through their ability to set national and international regulatory frameworks, governments can provide direction and incentives to accelerate the emergence of a more sustainable economy and make

sustainable behaviour and consumption the "social norm."

Proactive engagement with government, however, extends beyond the issue of sustainability. Businesses have an important role to play in engaging regulators to shape smart policies that protect consumers and at the same time avoid overregulation and unintended consequences. In certain sectors, especially tobacco and alcoholic beverage, regulation and product taxation are becoming increasingly important drivers of strategy.

This is being driven by government concerns around consumer health, as well as by the need to raise taxes to redress fiscal deficits. Although tobacco and alcohol are most immediately affected, certain food subsectors are already eyeing how evolving regulation – for example, around advertising, labelling, and ingredient restrictions – might affect them.

The value at stake for businesses is substantial, both in terms of the cost of managing the burden of regulation and in the potential loss of brand equity where the ability to market brands is restricted. Businesses that proactively engage with regulators and tax authorities will be better equipped to thrive in increasingly regulated categories and markets.

Decide what you want to stand for in the mind of the consumer and align everything behind it

Increasing transparency of information requires absolute clarity about what companies and brands stand for and heightens the need to align everything they do behind those values. The brands that stand for something relevant and engaging for consumers and shoppers will survive and thrive in the bitterly competitive environment of the next few years. It will be those companies that win the war for talent essential to their success in the market and prove truly sustainable.

The full report can be downloaded at: www.deloitte.co.uk. For further information please contact Lawrence Hutter at Deloitte at lhutter@deloitte.co.uk or on +44 (0)207 303 8648.

Empowered, employees can be powerful brand ambassadors who positively engage consumers

1. Byron, E. (2011, February 5). How to market to an Aging Boomer: Flattery, Subterfuge and Euphemism. *The Wall Street Journal*.

2. Walters, J. (2010, January 16). Buying time: Consumers are spending billions trying to reverse the ravages of aging. *The Hamilton Spectator*.

3. Sonne, P. (2011, February 2). Nestle Buys 'Medical Food' Start-Up. *The Wall Street Journal*.

Credit Suisse Research's Emerging Consumer Survey 2011, published in January 2011, analyses consumer attitudes and behaviour in the four official BRIC countries, along with Egypt, Indonesia and Saudi Arabia. >>

The Credit Suisse Report relies on consumer survey data from "close to 13,000 adults" across the seven markets that were collected through collaboration with ACNielsen, a global market research company. Fieldwork for the project took place in September 2010. The report pertaining to this year's survey is scheduled to be completed by mid December 2011.

We set out eight issues that underpin the spending and savings behaviour in the emerging world. It becomes clear that consumer priorities across countries differ immensely in keeping with the income, demographics and cultural profile in place.

(1) Confidence is high:

The survey reveals consumers in the emerging world are relatively confident in their outlook for the year ahead: 38% of survey respondents expected some improvement in their personal finances over the next six months compared to 9% who expected some deterioration. Consumers in Brazil and China are the most confident.



(2) The shift towards discretionary spending continues:

Demand for essential items (such as protein consumption or mobile phones) increases rapidly off very low income levels but beyond average monthly household income of around USD 1,000 (adjusted for purchasing power parity, PPP), consumption of essential goods and services tends to tail off in favour of more discretionary items.

Consistent with this, the survey results indicate the greatest proportion of spending planned on discretionary items occurs in relatively rich markets (Saudi Arabia), while spending on essential items is a major feature of poorer markets (India, Indonesia and Egypt).

(3) Inequality of income a key issue:

With the path of income a key driver of consumer preferences, a detailed appreciation of the distribution of income is a critical aspect of our analysis. We find a large proportion of households in all countries still have incomes of less than USD 1,000 a month (adjusted

for PPP). At the same time, given their sheer size, China and India dominate a significant proportion of the universe at most income levels. For example, the number of high income households in India earning over USD 2,000 per month is more than twice that of Russia despite GDP per capita being 80% lower than Russia.

Our survey suggests the disparity of income within emerging markets is only set to get wider. We conclude that in general, absolute growth rates will be strongest at the

Credit Suisse AG >>

Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management.

Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 50,500 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York.

Further information about Credit Suisse can be found at www.credit-suisse.com.



discretionary end of spending across emerging markets. However, where lower income earners are seeing the strongest relative growth rates in incomes, specifically Indonesia, China and Brazil, demand for essential goods and services will prove relatively stronger than in their counterparts elsewhere.

(4) Real income growth:

Income disparities – that are already wide – are set to increase as the high income brackets are expected to continue to see much greater growth than the low income brackets in all markets. Two broad conclusions are: (i) over the next year, absolute growth rates look likely to be best supported at the discretionary end of spending; and (ii) essential goods and services look set to achieve better relative growth in Indonesia, China and Brazil where positive real income growth in the lower income bracket prevails.

(5) International versus local brands:

The survey shows there is a clear and consistent pattern in consumption of branded goods as income levels improve. The survey found that international brands have the upper hand in the premium ratings at the discretionary end of the spectrum (cars, perfume and fashion, for example). But, for

essential items (such as bottled water and dairy products), the preference for international brands over local brands is not particularly strong whatever the income. Therefore, the growth outlook for local brands is at least on a par with the growth outlook for international brands for essential goods and services. International brands offer greater growth potential than their local peers in the discretionary space.

(6.) Public versus private: Healthcare and education

Household expenditure on health care and education exhibits a fairly linear relationship with income levels within all seven of the markets included in our survey. However, aggregate average expenditure is very different when compared across markets. Education expenditure as a proportion of income is 7.5% in India, more than twice that of Russia, at 3.1%. Household expenditure on healthcare in Brazil (9.8% of income) is nearly twice that of China, at 5.7%

(7) Credit, savings and investments:

Consumption rates clearly have implications for savings patterns. The survey notes substantial structural differences in the savings culture across these markets. China and India

both exhibit strong savings cultures; Brazilian households prefer to spend rather than save. The outlook for credit growth appears to be strong: Plans for mortgage-backed property purchases are positive across the board (particularly strong in Indonesia, China and Brazil) as are plans for credit-financed vehicle purchases (a notable feature in Saudi Arabia and Brazil).

(8) The Credit Suisse Consumption map.

In order to draw together some of these different ideas and themes, we present the "Emerging Market Consumption Map". This summarises spending intentions across 14 different types of goods and services for different income groups across the seven markets. The map highlights the greater relative demand for essential items in the low income markets (India, Indonesia and Egypt). Spending intentions for discretionary items are highest for the wealthy households in the high income markets (Russia and Saudi Arabia). The ongoing strength of demand and real income growth in China sees healthy demand across the broadest basket of spending. Brazil also sees a degree of breadth but the focus is towards the genuinely discretionary end.



The survey reveals consumers in the emerging world are relatively confident in their outlook for the year ahead.

This article was produced by and the opinions expressed are those of Credit Suisse as of the date of writing and are subject to change. It has been prepared solely for information purposes and for the use of the recipient. It does not constitute an offer or an invitation by or on behalf of Credit Suisse to any person to buy or sell any security. Any reference to past performance is not necessarily a guide to the future. The information and analysis contained in this publication have been compiled or arrived at from sources believed to be reliable but Credit Suisse does not make any representation as to their accuracy or completeness and does not accept liability for any loss arising from the use hereof.

DEVELOPING BRANDS IN MEXICO

Mexico is now considered one of the 'big' emerging economies and analysts now often refer to the familiar BRIC group as BRIC + M. Despite its internal drug-crime problems, which are reported daily around the world, Mexico's economy grew by 5% last year and it is expected to maintain this growth this year. >>

Nigel Wright's Andrew Openshaw caught up with Philippe Delagiere of Fortuna.biz (a company that provides import/export consultancy services for FMCG brands in Europe and North America) who gave his insight into the Mexican consumer sector.

Which global companies have you worked alongside in Mexico?

As CEO of Fortuna.biz I have worked with both Carrefour and Wal-Mart to introduce French products into big 'Hyper-market' stores in Mexico. Wal-Mart is the number one retailer in Mexico. I was asked by both retailers to analyse which French products could succeed in the Mexican market.

Making products relevant for each territory is increasingly important for global brands seeking to have an impact in emerging markets. What examples of 'cultural awareness' have you seen in brand market entry strategies?

One very tasty and funny example is when I had to present the oldest French mustard 'Maille' to the Wal-Mart purchasing department. After a few weeks of in-store taste testing Wal-Mart approached the Maille Group to begin supplying its products in Mexico. The hook, if you like, which resulted in the success of Maille Mustard in Mexico, was the emphasis that was placed on its spiciness – Mexicans, as you know, are renowned for their spicy

salsa and therefore were suitably intrigued in a product that the French consider to be hot!

Rising inflation will inevitably impact the way consumers in emerging markets spend their money. How will this affect consumer brands?

Inflation in Mexico has been high since the tequila crisis in December 1994.

To reduce the impact of this, the country decided to devalue the Mexican Peso in 1995 and now you get 1 USD for 12 Pesos, more or less. For consumer brands, the high rates of inflation and the devaluation of the Peso means that innovative direct marketing campaigns are usually needed to really persuade consumers to spend in-store. A key factor in all of this is 'consumer credit', which is a well developed concept in Mexican retail. You can buy a dish washer, a television or a computer on 12, 18, 24 months credit, without interest. So Wal-Mart can introduce international brands very cheaply on monthly based credit deals.

What's competition like between local and international brands?





Inflation in Mexico has been high since the tequila crisis in December 1994.

Competition between local brands and international brands is strong due to the currency conversion. Since the 1994 crisis we now find more local brands than international brands. For example Grupo Bimbo, the leading Mexican bread manufacturer, has been able to expand its operations significantly since 1994 and is now regarded as the world's largest bakery, after buying George Weston Ltd. in 2008. Alternatively, international brands in the Mexican market have begun actively pursuing minority take-over deals with Mexican companies. For example in 2008, Anheuser-Busch InBev took a minority stake in Grupo Modelo (maker of Corona) which now imports Anheuser's products in the Mexican market, such as Budweiser. So, in all small

shops and big supermarkets, you can now find Budweiser beers. The competition is tough but like in most developed countries selling power is often dictated by the big companies like Carrefour and Wal-Mart.

An outsider's view of Mexico is of a country plagued with drug crime and gang related problems. How is the country battling against this to ensure that it remains high on the investment agenda for international businesses?

Since Felipe Calderon (PAN party) was elected President of Mexico in 2006, the government has taken a more firm and proactive stance against the drug cartels.

The cartels generate 15% GDP - around 40 billion USD per year. The battle is to cut down distribution to the US market from Mexico, reclaim assets and restore security to the country as a whole. He has experienced incremental success in these areas so far. To facilitate economic growth the government decided to protect foreign investment from drug and gang related crime by incentivising companies to invest in Mexican States with good education systems and peaceful environments.

It is perhaps the case that those in the tourism sector tend to be more worried about the

potential negative impact of the 'drug war' on business, while other industries have not really been affected by it so far.

What are the 'top five' priorities for consumer brands seeking to get established in Mexico?

1. To enter the Mexican market as an international brand it is important to estimate the turnover volumes the business will make in the first two years. This information is easy to access from the custom statistics of similar products in the Mexican market.

2. Businesses should export products through a licensed importer for the first 24 months. They have all of the relevant connections with distribution networks.

3. After two years companies should consider setting up production facilities in Mexico. Businesses wishing to do this receive a lot of helpful advice at federal and state government level.

4. When setting up a 100% subsidiary factory, a distribution company or joint venture, businesses should always look to work with the local workforce which is very cheap and hard working.

5. Successful companies should take advantage of the NAFTA agreements and look to export into the US and Canada at a lower risk.

Customers say YES to Nigel Wright... >>

Nigel Wright News

This year, Nigel Wright Consumer Group has enjoyed continued growth, expanding its operations in many major European economies. It has also been increasingly called upon by its global clients to assist their growth in developing markets.

Even during this period of rapid expansion our customers – both clients and candidates – have consistently given us excellent feedback for our services.

In 2011 our International Consumer Business NetPromoter Score is currently 92%. That means that 92% of our customers this year would recommend our services to others. This is a particularly high score for a growing business and places us above and beyond our competitors.

As Group Head of Marketing Ian Scott Bell notes: *"Human Capital Companies often find it difficult to maintain high standards*

of customer service during periods of rapid growth. That doesn't appear to have happened to us and it proves that we are living up to our values."

Nigel Wright is committed to offering outstanding customer service across all of its markets and part of that is seeking feedback from customers so that we can continually improve the service we provide.

NORTH AFRICA & MIDDLE EAST

Following the **revolutionary wave** of demonstrations and protests that have taken place in the Arab world over the last nine months, we thought we would investigate what the future holds for the world's leading consumer companies in the Arab regions. >>

Based on conversations with consumer leaders in these regions, we offer four trends that we anticipate will factor in the strategies of companies seeking to gain advantage in this turbulent and changing environment.

1. INVESTMENT ON TRACK

It will be important for companies to stay on message following the upheaval in the region. Ultimately, investment strategies will not change. The region, like other emerging economies, still offers high potential growth channels for consumer brands.

Although instability in the market has undermined sales for many companies in the short term, the events that took place in Egypt, Tunisia, and Algeria etc. should be viewed as wholly positive for the future.

Security issues associated with political and social instability have obviously made it difficult for people to live normal lives in recent times. In the long term, however, the move towards democracy will hopefully be a catalyst for a new era of dialogue with these regions, which will in turn help to accelerate economic and social progress. This can only be a positive thing for consumer businesses operating there.

2. LOCAL THINKING

Over the last few months there has been a gradual return to more normal levels of

consumer spending in these regions and competition remains tight for international brands as well as local businesses, seeking to bolster sales. Consumer brands looking to further develop these markets will continue to benefit from deep knowledge of local tastes, cultures, customs and histories.

A category or brand which is relevant in one country may not be successful in another. In each market consumer companies will continue to manufacture local products designed to be relevant to the local consumer. At the same time, the emerging middle class in the region will increase demand for global premium brands. Companies, therefore, must be ready to offer a diverse range of products to a growing number of sophisticated consumers in the region.

3. SUPPORTING THE EMPOWERED CONSUMER

Many consumer companies have production facilities in the region. Although they have always enjoyed relatively low costs, since the Arab Spring, this has already begun to change.

Local workers are feeling more empowered and more confident to bargain for greater protection and benefits at work. Consumer companies looking for long terms gains will be wise to enter into this dialogue, as it supports the wider changes taking place in the region.

Although in the short term this won't help to facilitate growth, all companies - local and international - are in the same position so the same pressures will be experienced across the different consumer industries.

4. DEVELOPING LOCAL TALENT

Finding and retaining highly skilled staff is a big challenge in the region. Businesses with long term commitments in these markets will continue to follow a policy of developing leadership capability. This includes developing talent on the ground and also training local talent to be effective in other regions as well. Leadership development programs for the A&ME region will help to accelerate the growth of local leaders.

It will also show a belief in the potential of the region and its promising future.



Local workers are feeling more empowered and more confident to bargain for greater protection and benefits at work.



China is entering a new and perhaps more challenging stage in its evolution. In this article we take a look at what the opportunities and the threats are for global consumer brands in the Chinese market. >>

It is estimated that around 70 million new consumers will join the global middle class each year, mainly from emerging markets and consumer spending in these regions will continue to outpace the developed world. Many consumer brands including car manufacturers, branded goods companies and travel operators are already locked in to these markets and have become established players, in recent years.

However, the phenomenal growth experienced by China cannot continue at the rate it has done over the last ten years and analysts and investors are already speculating a slow-down. Rising inflation and an increasing demand on the government

to improve standards of living is impacting economic growth. For businesses operating in China, there is also growing pressure to offer better worker protection and minimum wage increases that will ultimately lower the margins for businesses operating there.

China's future growth will depend on its ability to raise domestic consumption up to the levels of other emerging markets such as Brazil. Currently consumption is 32% GDP (Brazil 59%) however as investment growth slows down, many do not anticipate that consumption growth will be able to replace it in the short term. Despite this, the outlook is still largely positive for consumer brands in the Chinese market.



“China's future growth will depend on its ability to raise domestic consumption up to the levels of other emerging markets such as Brazil.”

A key part of this is the inevitable rise in personal income which will lead to a greater demand for quality international brands. Recent research indicates that Chinese consumers are now familiar with twice as many international brands as they were three years ago and increasingly demand the genuine article over fakes. Already, the emerging middle class in China has led to a growing demand for premium and luxury goods. At the same time spending on 'essential' items remains strong. The Chinese have also maintained a healthy balance between spending and saving, unlike consumers in other emerging markets.

Interestingly, a rising trend in China is that consumers expect products to have a personal affiliation to them and their culture. Consumer brands must therefore be prepared to differentiate product lines to appeal to the growing number of diverse and sophisticated consumers. In particular, the ability to create 'market specific' commodities is the key to achieving long term brand affinity in China.

Almost 20% of households in China have an income of above \$2000 per month, however more than half of the population is from a low income household. Although consumers are



increasingly moving away from poverty and able to buy expensive international products, some local brands still appeal to the low income mass market. Hangzhou Wahaha in China for example is a local competitor of Coca Cola and Pepsi-Co that targets rural areas and engenders a patriotic brand loyalty from its customer base.

Local companies also make successful premium goods and will continue to compete strongly against international brands. Exceed, for example, is a sportswear goods manufacturer with over 4000 retail stores across 30 provinces.

Recognising the potential of the low and middle income market and developing localised product strategies is essential for international consumer brands seeking to succeed in China. This situation has also led emerging market commentators to anticipate heightened M&A activity next year as both local and international firms compete to get further established in the market.

“Recognising the potential of the low and middle income market and developing localised product strategies is essential for international consumer brands seeking to succeed in China.”

All of the major consumer categories have a stake in the future of the Chinese market: Many global luxury-goods companies are already in China and planning to increase investment in the market. Major FMCG brands such as Unilever anticipate that three quarters of global sales will come from emerging markets such as China over the next ten years. HTC is planning to increase its retail distribution network in China by 300% by the end of 2011. Budweiser and Nike are already considered to be 'inspirational' brands by the Chinese. BMW is struggling to keep pace with demand in China and Kraft is anticipating the Chinese market to make a significant part of global snacks business revenue next year.

So, despite the threat from inflation caused by rapid growth, there is still a great deal of interest in the potential of China as a growing consumer market. Consumer firms must continue to ensure that they intimately understand both the competitive and cultural environment, if they are to achieve long term success.



Richard Cotter

BRAVING THE ELEMENTS OF THE GLOBAL MARKET

It takes time and money to build an international brand, as Peter Jackson discovers talking to **Richard Cotter**, Brand President of Berghaus. >>

Outdoor firm Berghaus is expecting this year to be its fourth consecutive year in which it enjoys a '20% plus' compound annual growth rate.

And a large part of that, explains brand president Richard Cotter, is down to new markets, particularly overseas markets.

Referring to the years since 2005, he says: "In that six year period we have more than doubled our turnover globally. Some of that growth has come in the UK for sure, but a large part of that growth has come in our focused global market."

It is that focus which, he believes, accounts for Berghaus' success. Even though the business has been exporting for some 20 years, it is only in the past five or six that it has really developed and refined its brand globally. "Rather," as he puts it, "than being a UK company that exports some product."

That is the first position Cotter identifies that can be adopted by an exporter. The second is to have a global offer which is made sufficiently appealing to a number of global markets.

He cites colour as an example, which, in the UK's outdoor market, has traditionally been dominated by blacks, dark blues and dark greens, whereas on the Continent brighter and lighter colours are favoured and, in Asia, a kaleidoscopic mix of such colours in the same garment is popular.

Similarly UK's outdoor garments have a roomier cut to allow the wearing of a number

of layers to cope with changeable weather. In Central Europe's climbing dominated market, on the other hand, the cut is shorter and tighter and in Asia the weight of fabric has to be much lighter.

"A UK-centric line doesn't naturally export, you go to a global line and try to include all those facets of consumer requirement and that's pretty difficult to do without it becoming hugely complex," says Cotter.

So, Berghaus has developed a third solution of a strategy summed up in the phrase 'global brand, local solutions'.

"The solution now is a global line which ticks say 50% of the consumer requirement and then a local or regional line which sits underneath the global line which meets the specific requirements of that region."

To implement this strategy, Berghaus has moved from a situation where, five or six years ago every function operated out of Sunderland to one where product management and design capability has been shifted to be based in the various markets.

"That's the level of investment you have to make if you want to become a global player," says Cotter. "It's hugely expensive but I genuinely don't believe there is an option. If you want to play with the big boys, you have got to invest with the big boys."

This strategy has been implemented during a global recession, but any downward pressures

on consumer demand have been more than outweighed by increased popularity, throughout the world, of outdoor pursuits in the performance, recreational and lifestyle sectors.

China is seen as a massive growth area, Berghaus has a subsidiary in Japan, a joint venture in Scandinavia, another subsidiary to serve Germany, Austria and Switzerland, has signed up a new partner for Russia, has a licensee in Korea and has just set up Berghaus in India.

"If it's a developing country and it has inclement weather, it is hugely attractive to us," says Cotter.

Berghaus has drawn up a business plan for the US but, as it is the most mature outdoor market in the world, there is no shortage of domestic competition.

"If you go into North America you have to be really clear as to where your sharp point is as a brand and why the consumer is going to engage with you. I've seen so many brands in all areas go to America and you watch them burn cash for three or four years and then return to this side of the pond with their tail between their legs."

He adds: "When we go into America we'll do it through a subsidiary company. Will we do it this year? I don't know. Will we do it next year? More than likely."

Does he have any advice for anyone wanting to build a global brand?

"It'll take you twice as long as you thought it would, it'll be twice as hard as you expected it to be and it'll cost you twice as much as you budgeted."

EURASIA'S RISING STAR

The rising of the 'Young Turks': The idioms 'bailout' and 'financial meltdown' have become synonymous with Western markets, which have struggled to gain control of a volatile economy since the global financial crisis began, in earnest, in early 2008. >>

Eylem Emiroglu, Senior Consultant – Nigel Wright France



Indeed, while the USA and Europe continue to battle with unstable markets and retracting economies, Turkey's economic growth accelerated to an unprecedented 11% in Q1 of 2011; far exceeding China's growth. Ranked the 16th largest economy in the world, it is currently the 6th largest economy when compared with countries in Europe (IMF-WEO) and is undoubtedly Eurasia's rising star.

A population of 74 million, half of which is under the age of 28, a labour force of 25.9 million educated and motivated individuals combined with a solid infrastructure and highly competitive tax breaks has attracted some of the world's leading brands to Turkey including GE, Vodafone and Coca-Cola.

Companies that have ventured to this 'jewel' in Eurasia have been rewarded with significant returns. Nestlé, one of the world's leading brands, has enjoyed a long and distinguished history in Turkey since it first entered the market over a century ago. Today, the company employs over 5000 employees, offers 400 high-quality products and boasts revenues of 1 billion TL (2010).

During a news conference to announce the opening of its new USD \$55 million factory in the province of Bursa, Dr Hans Ulrich Mayer, the Executive Chairman of Nestlé Turkey announced, "We believe in Turkey 100 percent". He added that Turkey was a preferred choice for Nestlé due to its prime location from which to efficiently export Nestlé goods to the Middle East and North Africa.

The political situation in Turkey has perhaps been a contentious issue for some. Widely believed to be a moderately Islamist political party, AKP secured a third term in office in June 2011 with 49% of the public vote. The secular elite of the Turkish army and the bourgeois society of Turkey remain in

opposition to the AKP party and it's supposed 'Islamist agenda'. This has subsequently led to unrest, particularly since Turkey's Courts tried twenty senior Army Generals for an alleged coup, last year.

However, there is no denying the fact that the current Turkish Government has achieved what previous successors have failed to dream of. Significant structural reforms coupled with a sound monetary and fiscal policy have seen Turkey become not just an economic investment hub but a political leader too. Turkey has become increasingly more ambitious in its foreign policy, acting as a mediator in the Middle East while retaining its strategic alliance with the US and Europe - its most significant trade partner.

Turkey is recognised as being more 'culturally' relaxed compared to some of its Arab neighbours, offering ex-pats from foreign multinationals a modern and westernised environment to live and work in. Indeed Istanbul, with its enviable position on the sublime Bosphorus, offering easy access to international markets and boasting high standards of living, is an obvious choice in many respects, for multinationals looking to invest in the region.

Speaking to the Sabah newspaper, PricewaterhouseCooper's Global CEO Dennis Nally verified Turkey's appeal to MNC's by confirming that "There has been an enormous increase in inquiries from our customers regarding Turkey. Information requests about Turkey's potential, market dynamics and

investment environment from all over the world show that Turkey blinks strongly on global investor radars".

The Nigel Wright Group has also experienced an increase in demand for qualified professionals in the Turkish market. Our knowledge of the region coupled with our belief in Turkey and its potential, has led to the formation of a Turkish desk, which handles management and executive level roles across commerce and industry. We are proud and excited to play a part in Turkey's success story and its promising future.

Sources: The Republic of Turkey Prime Ministry Investment Support and Promotion Agency (ISPAT); International Monetary Fund and World Economic Outlook; Sabah Newspaper.

Gender diverse boards essential... says consumer sector >>

Nigel Wright Report

A new report by Nigel Wright Group has found that the overwhelming opinion held by senior executives, working for major global consumer brands, is that gender diverse boards are a good thing for business. >>

The report, which is based on data collected from over 100 senior executives and board level employees at some of the world's biggest consumer companies, also found that the sector is largely opposed to the prospect of imposed quotas from the EU.

Looming in the background for firms with European operations is the 'threat' (as many perceive it) of quotas for the recommended number of women that should make up a board. Currently Norway, Spain and France are the only EU countries that have a legal quota system. In the next few years, if more member states or companies do not voluntarily move to a more diverse board structure, the European Union will begin enforcing quotas. Only 8% of respondents to Nigel Wright's survey believed quotas were necessary to incite change.

Time might be running out, however, for consumer businesses to pre-empt this shift in policy. An alarming 79% of respondents indicated that gender diversity was not a top ten strategic agenda item at their business. Despite this, the majority agreed that having more women on the board would lead to better decision making, greater awareness of and attention to managing risk, better understating of employees' needs and better understanding of business culture.

Although, across the sectors, the move towards an acceptance of the benefits of gender diverse boards has been incremental, it was the view of many respondents that consumer businesses are perhaps well placed to take a lead in promoting the benefits of gender diversity to other sectors:

"Many consumer businesses have female target audiences – even if the products themselves are used by men, women tend to be the purchasers. Consumer businesses have clearly recognised the benefit of having the internal insight of their purchasers on the boards." MD, Leading fashion brand.

The report also documents the alternative view, which is perhaps more prevalent outside of the consumer sector - that gender diversity is irrelevant. Proponents of this view argue that creating a team of 'well-rounded' individuals with the best skills, knowledge and experience should be the only important consideration when appointing a board. A discussion is also offered on why there are not currently more women on the boards of consumer companies.

The full report which includes a summary of other research conducted into this area and a suggested further reading list, can be downloaded from Nigel Wright Recruitment's website at www.nigelwright.com/downloads

WHAT IS A BRAND WORTH?

It is a question we are regularly asked, but the answer is complex as it involves predictions of future growth, profitability and cash flows derived from the brand. >>



The issue of brand value in the food & drink manufacturing industry has come sharply back into focus recently...

The first half of 2011 has seen a number of M&A transactions in the food & drink sector, with branded companies such as Maximuscle, MyProtein, Complian, Bottlegreen, Quorn mostly selling for EBITDA multiples of 10x or greater. By contrast, own label food manufacturing businesses tend to trade for much lower multiples.

The issue of brand value in the food & drink manufacturing industry has come sharply back into focus recently following Tesco's decision to launch a variety of branded food items exclusive to Tesco.

In recent years, the major UK supermarkets have adopted a "good, better, best" strategy of own label branding, appealing to consumers at different price points. As Tesco, Morrisons, Sainsbury, Asda, Co-Op, Waitrose, M&S et al are considerably larger brands in the UK than even the world's largest food and drink brands, this appeared a sensible strategy. Indeed, the success of this strategy is evident in the fact that the UK has one of the highest levels of own label penetration in the European food industry.

Overseas, the German discounters have for many years owned dedicated food and drink brands. However, the UK supermarkets appeared unwilling to go down this route,

sticking instead with their tiered own label approach in food & drink, although they did decide to develop dedicated owned brands in clothing such as George, Tu and F&F.

Ironically, it may have been Waitrose, one of the smaller UK supermarkets, that was responsible for this change of strategy following their purchase of the Duchy Originals brand in September 2009 for their exclusive future use. Tesco's move may be more of a game changer, especially if it encourages their mainstream rivals to follow suit.

So what have Tesco created to date? Yoo yoghurt, Chokablok ice cream, Nutricat catfood and Lathams dogfood are shortly to be followed by Parioli Italian food. These are not merely brands that consumers will see only when they visit Tesco stores - adverts in mainstream print media have already started to appear. This is serious.

Further, if successful, these new Tesco brands may start to impact the future growth, profitability and cash flows of rival brands, thus adversely affecting the value of their brands and reducing the likelihood of M&A activity.



Much will depend on whether the dedicated brands developed by retailers steal sales from the branded or own label manufacturers

Much will depend on whether the dedicated brands developed by retailers steal sales from the branded or own label manufacturers. How will the competition react? Indeed, how will the main brand owners react? We will watch these developments very closely.

About McQueen >>

McQueen is a leading independent

McQueen

corporate finance advisory firm focused solely on the consumer sector. Since its formation in 2002, McQueen has completed over 50 assignments, acting for both public and private companies and also private equity firms.

To date in 2011, McQueen has advised on four completed transactions in the Food & Drink sector including the sale of Complian Foods to Danone, the acquisition of Flower World by Wm Morrison Supermarkets, the acquisition of the ComplEat Food group by LDC and the acquisition of Tangerine Confectionery by The Blackstone Group L.P.

McQueen publishes a quarterly magazine, Insights, on M&A trends in the consumer industries, which can be accessed via its website www.mcqueenltd.com.

For more information, contact Shaun Browne at shaunbrowne@mcqueenltd.com



Nigel Wright's Miriam Cruz spoke to Daniel Marin, Sales Director for Reckitt Benckiser's Spanish Consumer Healthcare Division to find out what strategies the business has adopted to overcome Spain's challenging healthcare market. >>

The Spanish consumer healthcare market has grown strongly in recent years, yet tough price controls as well as new legislation which requires doctors to prescribe only generic rather than branded drugs, have impacted that growth. With the onset of recession and the ongoing economic crisis in Spain, health

is not viewed by consumers as 'essential' consumption and Spaniards have tended to ignore OTC products in favour of government 'reimbursed' options. This has obviously impacted sales.

What impact has the new legislation had on the consumer healthcare sector?

The changes have hurt the drug companies but also the pharmacies that were not prepared - those that were relying solely on incomes from reimbursed products. Many pharmacies were already facing cash issues and I would expect that some of them will not survive. The majority, however, will adapt to the new market rules and become stronger.

How does Reckitt Benckiser approach the Spanish Healthcare market?

The healthcare sector in Spain is highly regulated, the same as any other country. Patients are protected by clear regulation rules that OTC products cannot overwrite. Therefore, Reckitt Benckiser doesn't have a different sales approach for the Spanish consumer healthcare market. It is considered the same as any other European market.

What are the opportunities in the market for companies like Reckitt Benckiser?

Despite the new changes in the legislation in Spain, the market still reveals a lot of growth opportunities. Pharmacies would face high losses if generic drugs were the only drugs



“There is so much talent in Spain and every day we hear about new business ideas, or about growing companies that have experienced success in export markets.”

available for consumers. It is anticipated that reimbursed products will ultimately decrease and there will be more self medication, which means that the pharmacist will have a key role to play in the sector. Innovation is still valued by Spanish consumers and Reckitt Benckiser has an important role to play in both educating consumers and also helping pharmacists to drive changes in the market. Spanish consumers are becoming more concerned about their health and this trend is unlikely to change.

What will ultimately drive your success?

The Spanish market is very competitive and the new legislation will essentially force companies to reassess sales strategies. If doctor prescriptions can no longer be relied on to drive sales, there will be more competition in store, at the point of sale, where OTC products will increasingly play a key role. As I noted earlier, consumers need to be educated about the changes and pharmacists should be encouraged to play a more active role. The opportunity is there for businesses like Reckitt Benckiser to grow alongside the pharmacists. As Reckitt Benckiser is already driving the sales of its OTC brands around the world, this is not really a drastic change to our global sales processes and strategy. We will certainly

have to innovate further in the coming years to avoid getting into any spiral of decline.

What are your predictions for the Spanish Economy in general, in the coming months?

It is just a question of time, but the market will recover and grow again. There is a great deal of belief and perseverance in Spain, which is perhaps not portrayed in the global media. There is so much talent in Spain and every day we hear about new business ideas, or about growing companies that have experienced success in export markets. The worst thing is

for people to think that nothing can change and that we'll have to wait for better days. Certainly the attitude I have experienced from people recently is one which is positive, motivated and eager to win.

Nigel Wright Group is committed to supporting the consumer healthcare sector in Spain. We have strong relationships in the wider consumer market and have supported our clients, in sourcing talent locally as well as bringing in the best talent from the around the world.



Networking... Barcelona style! >>

Nigel Wright News

In June 2011, business leaders from Spain's leading consumer companies descended on the W Hotel in Barcelona for the Nigel Wright 'MD Dinner'. >>

After experiencing continued growth in the Iberian region, despite challenging economic conditions, Nigel Wright invited executive business leaders, including Directors from some of Spain's leading consumer companies, to take part in an evening of informal networking at the world famous venue.

The idea behind the event is to provide executives from the FMCG and wider consumer sector, an opportunity to establish connections and discuss topical issues. As Consultant Miriam Cruz explained "Our goal is to foster interaction between industry leaders and facilitate the sharing of views and experiences. It

is also a chance for us to explore future opportunities of mutual benefit."

The intimate format of the evening meant attendees were able to enjoy a relaxed and informal setting and this is the intended arrangement for the next event in November.

Anyone interested in attending future Nigel Wright MD Dinners in Spain should contact Estela Hernandez: estela.hernandez@nigelwright.com

THE RISING COST OF FOOD: IMPACT ON RETAILERS

In February this year, the United Nations global food prices index reached an all time high as the costs of various basic foods increased beyond the prices recorded at the end of 2010. Various reports now suggest that prices will continue to rise from anywhere between 50 and 100 percent over the next 40 years. >>

WHY IS THE COST OF FOOD RISING?

- Rising populations, particularly in Asia and Latin America and also the stronger purchasing power of people in emerging countries, such as India and Brazil. More people are consuming more food.
- 'Over consumption' in the developed world. Rising levels of obesity and its associated diseases in the USA and parts of Europe, suggest that the problem is endemic.
- Overall, this has led to an imbalance in the supply and demand of food, which ultimately has made food more expensive. The situation however, is more complex.
- Food analysts have pointed to other contributing factors such as the weakness of the US dollar, in which most foods are traded, and the \$200+ billion invested in food markets by bankers, pension and hedge funds in recent months.
- More significant, perhaps, is the rising cost of fuel and the effect this has on the manufacturing and supply of food.
- Adverse weather conditions have also hit farmers in the USA, China, Australia, and Eastern Europe. Australia, which is one of

the largest exporters of wheat and sugar cane around the world, is dealing with the aftermath of large scale floods, which have devastated its crops.

- The same 'La Nina' weather pattern has created severe drought and fires in North America, China and Russia; resulting in the poor harvest of grain, corn and wheat.

When the cost of basic foods increases it leads to higher manufacturing costs, which in turn forces retailers to raise prices. Supermarkets, restaurants and coffee chains all feel the effects of this paradigm shift in the cost of food. It is certain that dealing with the rising cost of food will be high on the agenda of retailers worldwide in 2011.

OPPORTUNITIES FOR RETAILERS

Rising food costs impact the behaviour of producers, suppliers and consumers. Retail strategies therefore must be flexible and getting your strategy right means exploiting the growth opportunities associated with it.

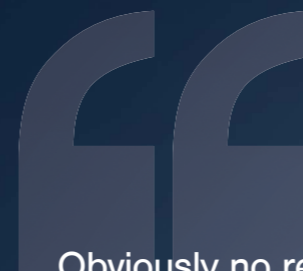
A key issue is the cost of basic ingredients such as wheat (a 70% increase between July and December 2010) corn, soya, oils and sugar (at a 30 year high). Food producers and suppliers seek to counteract the higher cost of buying in materials by demanding that retailers

increase the price of goods on the shelf. It is in the nature of consumers to then try to avoid price hikes, by shopping around for the best deals.

Obviously no retailer wants to push prices too low or conversely, scare customers off with extortionately high prices. The opportunity therefore, lies in differentiating 'staple' foods by promoting value brands. Some of the larger supermarkets have already done this successfully and the knock on effect, as studies have shown, is that it creates consumer acceptance that other non staple or non value branded foods will cost more.

The market share of value brands has increased considerably since the onset of recession, notably in Central and Eastern Europe and Asia. Commentators suggest that the economic downturn has made value brands a credible and cheaper alternative to branded goods. The success of discount supermarket chains such as Lidl and Aldi also points to an overall trend in consumer behaviour as people try to shop more economically, rather than being driven by brand loyalty.

Experts agree however, that value brands are not a threat to branded goods. Although in some instances they have displaced national brands in the category ratings, consumers still like to indulge in their old favourites and what has emerged is a system where one simply complements the other. As food prices are likely to remain high, despite the end of recession, consumers will not flock back to the branded options and this is why retailers must be ready to offer a greater choice of value brand alternatives.



Obviously no retailer wants to push prices too low or conversely, scare customers off with extortionately high prices.





E-COMMERCE – THREAT OR OPPORTUNITY?

The Internet has truly globalised the retail world, providing new ways for consumer to buy as well giving new channels for retailers to sell to a vast international audience where there are no geographic boundaries. >>

It comes as no surprise therefore, that e-shops sell more products in more countries each year, and are benefiting from higher growth rates and profitability as a result.

In fact, despite challenging economic conditions and reduced consumer spending, online retail continues to grow in Europe as traditional retail sales stall. But when you think that internet use in Europe accounts for a quarter of worldwide use and has grown by 352% since 2000, perhaps it shouldn't come as much of a surprise.

These kind of numbers are replicated in the Benelux region, with over 22 million internet users and average user growth increases of 300%. It is without doubt that the increase in household internet access has contributed to the rising popularity of online shopping; but in addition dedicated strategies focused on the development of e-shopping from online as well as traditional retailers has driven this increase.

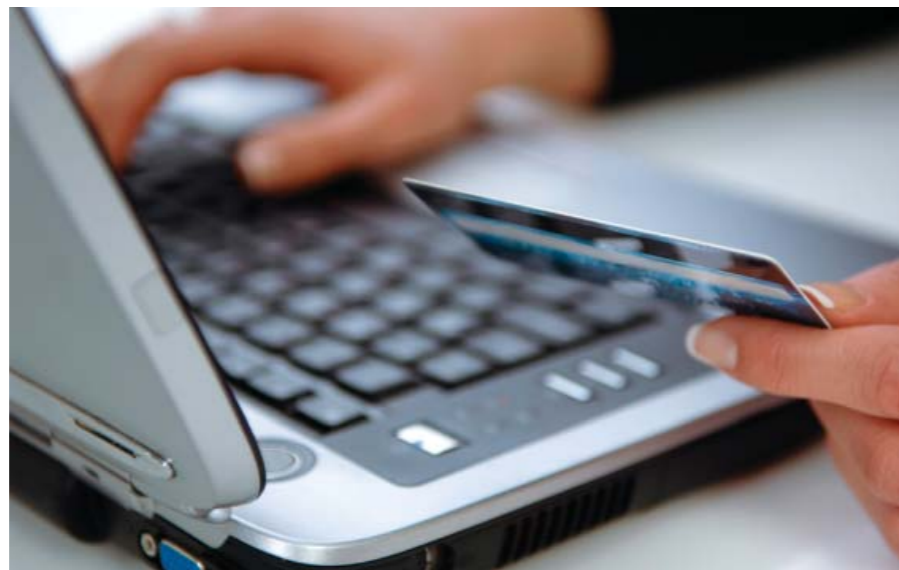
A survey published by Eurostat at the end of 2010 found that 57% of internet users in the EU 27 ordered products or services from the internet. That figure increased to just below 80% in the UK; it was 74% in the Netherlands, 66% in Luxembourg and 48% in Belgium.

The Benelux region has become home to some of the world's biggest online retailers including brands such as Amazon, Skype and the Apple Inc's iTunes business. It is these international online retailers who are growing faster and more profitably than retailers with less of an international footprint.

As the European 'e-tail' market continues to mature and grow at a phenomenal rate, more

businesses are expanding their reach into the region. However, there is a lot more to an internationalisation strategy than translation and currency conversion. The Benelux region alone is a classic example where local drivers and shopping behaviours are diverse and complex. E-tailers don't need to redesign their commercial planning, but must adapt their e-commerce platforms from the bottom-up to fully understand regional needs effectively. The most simple of changes to regional sites can go a long way to improve customer attraction and retention.

While opening an online store is a fast, low-risk way to enter new countries, retailers must not ignore the in-store experience when it



comes to e-commerce. Many people will visit a retailer's online service following a positive in-store experience, therefore, e-tailers must replicate that experience if they are to enjoy commercial success. Simple steps such as providing customers the option to speak with a local customer service agent in their local language, go a long way to replicating the personal service they would enjoy in a retail outlet.

Customer service can often be the unique distinguishing factor between one e-tailer and another, especially when online is the only channel available. Offering features that appeal to local shoppers is particularly relevant in Germany. For example, providing search results based on a user's profile and shopping behavior meets the consumer demand for

greater speed and efficiency online. Texting or e-mailing order details to Benelux customers is shown to achieve improved levels of loyalty. It is often the small extras that go a long way to improve service and customer retention.

In deciding to drive an international e-commerce strategy, businesses have to assess if they adopt a centralised or a local approach. It's important to balance consistency and efficiency of online service with the specific idiosyncrasies of a given market. What is clear, is that there are significant variations across the region in aspects such as technology infrastructure, legal issues, privacy and security, content, brand, promotions, logistics, and fraud and payments management. Business need to have resource in place to manage these complexities.

“As the European 'e-tail' market continues to mature and grow at a phenomenal rate, more businesses are expanding their reach into the region.”

New 'global' website for Nigel Wright >>

Nigel Wright News

In August 2011 Nigel Wright Recruitment launched its new website. The design and improved interactive qualities of the site are intended to support the business's international expansion by showcasing its 'global' expertise in the consumer sector. >>

Nigel Wright Recruitment's decision to create a new website was taken following investment in the business by Baird Capital Partners and the supporting business plan that has a greater focus on international expansion and developing expertise in the consumer sector.

Following extensive user testing on its previous site, Nigel Wright Recruitment developed a brief for the new website that could support and facilitate its long term strategic ambitions. In March, following a five agency pitch, leading London web-design agency New Brand Vision was appointed to fulfil the new design.

The look and feel of the new site has deliberately carried over the key design themes from the previous site to support brand recognition and awareness in existing and new markets.

User testing on Nigel Wright's old website confirmed that around 90% of site-traffic consisted of candidates searching for jobs, submitting CVs and registering for job alerts. All of these functions on the new site are therefore easier to use and in line with current best practice as seen on mainstream commercial job boards.

Testing also revealed that when not searching for jobs, both clients and candidates look for reassurance of Nigel Wright Recruitment's discipline and sector

expertise. As a consequence, testimonials have increased on the new site and there is a now a dedicated Media & Resources section where visitors can view and download case studies and read up on the latest company news.

The Media and Resources section also brings together, for the first time, all of Nigel Wright Recruitment's publications including European consumer sector salary surveys, specialist industry reports, international market updates, executive interviews and magazines. There are also plenty of opportunities for visitors to interact with Nigel Wright Recruitment's social media presence on Twitter and LinkedIn.

According to Group Head of Marketing Ian Scott Bell "We needed a site that gave the best user experience for our customers and a true account of our capabilities as a successful, growing specialist international recruitment business."

www.nigelwright.com



CHALLENGES FACING THE EMPLOYMENT MARKET IN THE FRENCH FOOD-PROCESSING INDUSTRY

The food-processing industry is the leading industrial sector in France. In 2010 it recorded a combined turnover of €147 billion. >>

Approximately 400,000 people are currently employed in the sector making it the second highest commerce and industry employer. Over 90% of the 10,000+ food processing companies in France are SMEs. These statistics place France among the top three countries in the world for food-processing; alongside Germany and the United Kingdom.

As in other industries, globalisation has created a more competitive environment for food processing companies. French companies now face new challenges to remain at the forefront of the sector - they must constantly look to adapt to changing consumer demands to remain profitable. Innovation as well as mutualisation have been the most effective

tools in achieving these goals and shaping future success. Encouragingly, the improved image of the food-processing industry and its subsequent appeal to the younger generation is also helping to facilitate growth.

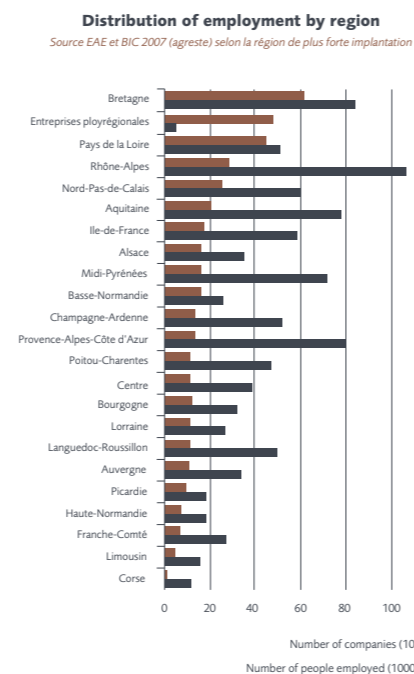
In recent years there have been a number of factors that have impacted employment in the food processing sector: innovation in automated production, the acceleration of working rhythms, increased competition between manufacturers, improvements in health and safety standards and in supply chain processes – this constantly shifting environment increasingly requires professionally qualified personnel who are adaptable to the changing face of the food industry. Vocational training, therefore, has become a major talking point for companies and employees.

While restructuring has impacted employment quantitatively, the changes in production methods utilised across the industry have modified qualitative employment requirements such as training. Thus, the French food-processing industry is confronted with a double challenge:

- To recruit and establish loyalty from blue collar workers, who can adapt to continuously evolving manufacturing processes and changing health and safety regulations.
- To replenish the loss of 'intellectual capital' by training and developing existing employees to move into senior roles left vacant by those retiring.

In 2010 INSEE (National Institute for Statistics and Economic Studies) reported a 21% anticipated increase in the demand for employees in the food processing industry. To put this into context, it is expected that there will be over 40,000 new recruitment mandates across France, in the food industry. Currently, the sector is largely concentrated in rural areas (see table below). A further challenge, according to a 2011 IAA report produced by the French Government, is to balance future investment and recruitment in the sector across the territories.

Nigel Wright Consultancy Ltd. has established itself as a talent partner for leading global food brands, seeking to increase intellectual capital and reflect the changing face of the food industry.



French companies now face new challenges to remain at the forefront of the sector - they must constantly look to adapt to changing consumer demands to remain profitable.

Following the release of its 'Impact of Social Media on Recruitment' report back in February, Nigel Wright has been promoting the wider debate around social media to consumer sector executives across Europe. >>

Three events, which have focused on social media in marketing and recruitment, have taken place in London, Copenhagen and Oslo over the last six months.

In London, Nigel Wright's Senior Manager Oliver Reed was joined by two highly experienced social media practitioners, who shared their knowledge of the best ways in which to maximise the return from social media marketing.

Maurice Flynn - who has worked with P&G, Unilever, Sky and Audi on digital strategy - presented on the rise and potential of Facebook to the marketer. He encouraged companies not to simply copy and paste website platforms into Facebook, but to embrace the social experiences and activities that websites are intended support. Maurice cited the branding of simple games and the enabling of individuals to relay their experiences, as vital elements in the success of online customer engagement.

Nigel Wright was also delighted to introduce Julie Davison, a former Marketing Director at Levi's, lastminute.com and Alliance Boots. Julie has a history of building brands that connect with customers. She sees social media as a key thread running through how organisations build successful brands today and emphasised that it is the company's responsibility to develop fresh content that supports the brand and actively encourages social participation.

Julie shared details of Levi's 'Ones to Watch' social media initiative which helped to create a positive 'buzz' around the Levi's brand among its 'young' target consumer base.

Oliver, who heads up Nigel Wright's UK Consumer Division, also highlighted the importance of effectively utilising social media to manage your personal brand. Professional networking sites such as LinkedIn, although fantastic tools for networking, can work against candidates if they are not used properly.

Professional networking sites such as LinkedIn, although fantastic tools for networking, can work against candidates if they are not used properly.

The events in London, Copenhagen and Oslo were all well attended and everyone went away with plenty of ideas on how to implement social media into their businesses. As Simon Day noted "I thought the speakers were excellent and there was a great mix of people there too. The benefit was 50% learning and 50% inspiration... I'll see what I can make of it in the coming months!"

It was interesting to note that during the discussion at the end of each event, questions were raised concerning the real 'commercial' value of social media for business. Determining how social media fits into overall brand strategy and also assessing the likely impact it will make will clearly be an ongoing area of debate for many companies in the consumer sector.

Nigel Wright Group is planning further social media events in Paris and Amsterdam later this year. The business also advises its clients on social media 'best practice' and those interested in arranging a workshop led by a Nigel Wright Consultant should email: info@nigelwright.com



LET US KNOW WHAT YOU THINK >>

We would be delighted to receive your comments on this edition of **Consumer Focus**.

Alternatively if you would like to contribute to the next edition please contact the Marketing Department at creative@nigelwright.com or on +44 (0)191 222 0770

www.nigelwright.com

EDITOR

ANDREW OPENSHAW

T: +44 (0)191 269 0771

DESIGNER

RICHARD TURNBULL

T: +44 (0)191 269 0699