

# *Dealing with disruption* *16th Annual Global CEO Survey*

## Key findings in the retail and consumer goods industry

*February 2013*



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# Welcome

Far-reaching changes are taking place, and they're taking place faster than ever. In this new era of 'stable instability', risks that once seemed improbable and even remote have become the norm and, for CEOs across the world, 'expect the unexpected' has become the mantra. The only solution is to build organisations that can thrive amidst disorder: organisations that are agile and adaptable, able to cope with disruption, and can emerge stronger than before.

We polled 1,330 CEOs in 68 countries, and talked face-to-face with another 33 CEOs, in our 16th Annual Global CEO Survey, to find out how they're creating resilient organisations that can flourish under stress. *Dealing with disruption* shows that CEOs are:

- focusing on a few carefully-selected initiatives to stimulate organic growth
- exploring new ways to attract and keep customers and
- balancing efficiency with agility.

To succeed in these three goals, CEOs are recognising the role that trust plays. They see the importance of creating connections between business and society.

This report is a summary of key findings in the retail and consumer goods sectors, as well as well as in-depth interviews with:

- Alison Cooper, Chief Executive, Imperial Tobacco Group, United Kingdom
- José Galló, CEO and Director, Lojas Renner, Brazil
- Alex C. Lo, President, Uni-President Enterprises Corp., Taiwan

To see the full results of the 16th Annual Global Survey, please visit [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey).

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# *Introduction*

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# ***Introduction***

In many ways, retail and consumer goods CEOs are much like their peers across industries. They're less confident this year, and they're worried about a range of threats, particularly economic ones. Cost-cutting and operational efficiency are high on the agenda.

But there are some notable differences too.

- Retail CEOs are far more concerned about changes in consumer spending or behaviour than their peers across the sample. This is second on their list of concerns, right after the volatile economy. As a result, they're working hard to reach out to connected consumers. And more than 80% of both retail & consumer goods CEOs are changing their customer growth/ retention/loyalty strategies too.
- The #2 threat for consumer goods CEOs is the cost of energy and raw materials. 72% are concerned, compared to just 52% of the total sample. Many are investing more in securing the natural resources that will be critical to business. Retail CEOs, on the other hand, seem happy to leave this area to their consumer goods supply chain partners.

This year's results also reinforce the continuing importance of China to future prospects for both retail and consumer goods CEOs. China is named most often as a key territory for growth over the next 12 months by both sectors; that's true across the overall sample as well.

Retail & consumer goods CEOs are also working hard to reach out to a whole range of stakeholders, build trust, and invest in developing their future leaders.

# *The disruptive decade*

**~40%**

42% of consumer goods CEOs and 38% of retail CEOs are very confident they can raise the revenues their companies generate over the next 12 months

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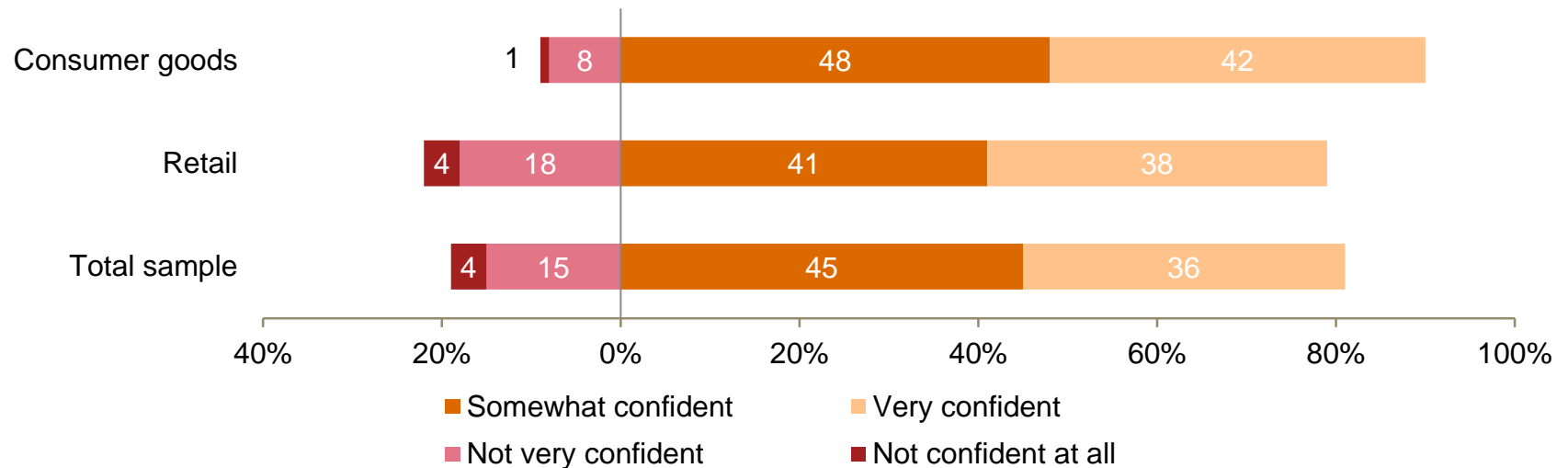
## ***The future looks uncertain***

***“To be honest, we wouldn’t dare to predict the future. The fact is, the world has been changing a lot more quickly in recent years. And looking back we find that many forecasts of the global economy turned out to be incorrect. In our company, we just try to do well everything we need to do today.”***

Alex C. Lo, President, Uni-President Enterprises Corp., Taiwan

# ***But most retail & consumer goods CEOs are still fairly confident of revenue growth***

Change has been the order of the day in the last decade. Multichannel retailing has taken off, direct-to-brand shopping has become a trend, and supply chain disruptions are becoming more common. The majority of retail and consumer goods CEOs expect to grow this year, and consumer goods CEOs are more confident than their retail counterparts.



**Q: How confident are you about your company's prospects for revenue growth over the next 12 months?**

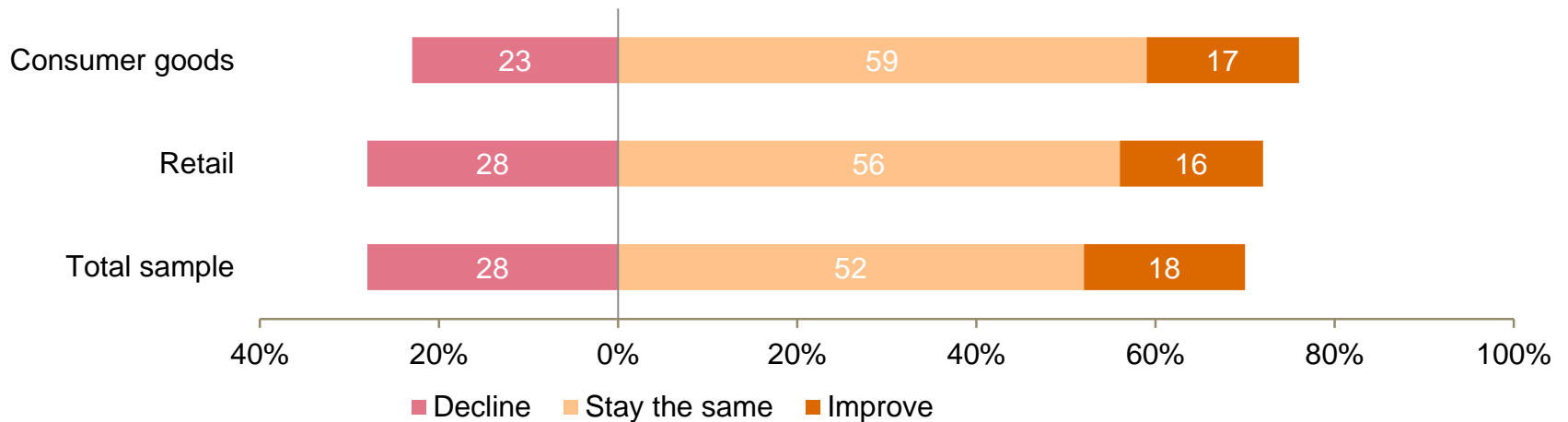
Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013



# ***Retail and consumer goods CEOs expect to see a flat economy next year***

The majority of retail and consumer goods CEOs don't expect to see the economy grow, but most don't think it will shrink either. That's an improvement from last year, when 49% of both retail and consumer goods CEOs expected the economy to get worse.

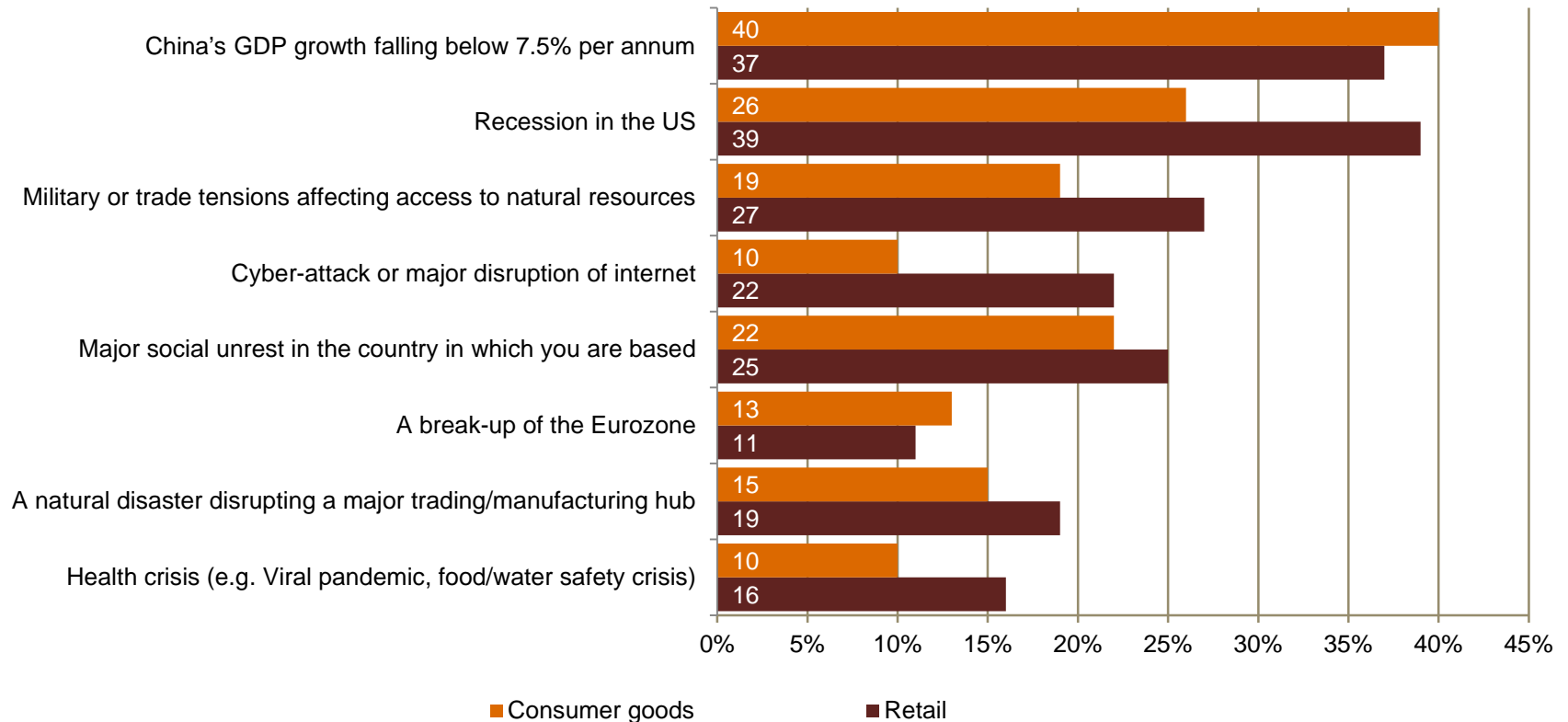


**Q: Do you believe the global economy will improve, stay the same, or decline over the next 12 months?**

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

# Most retail & consumer goods CEOs don't expect worst case scenarios to happen



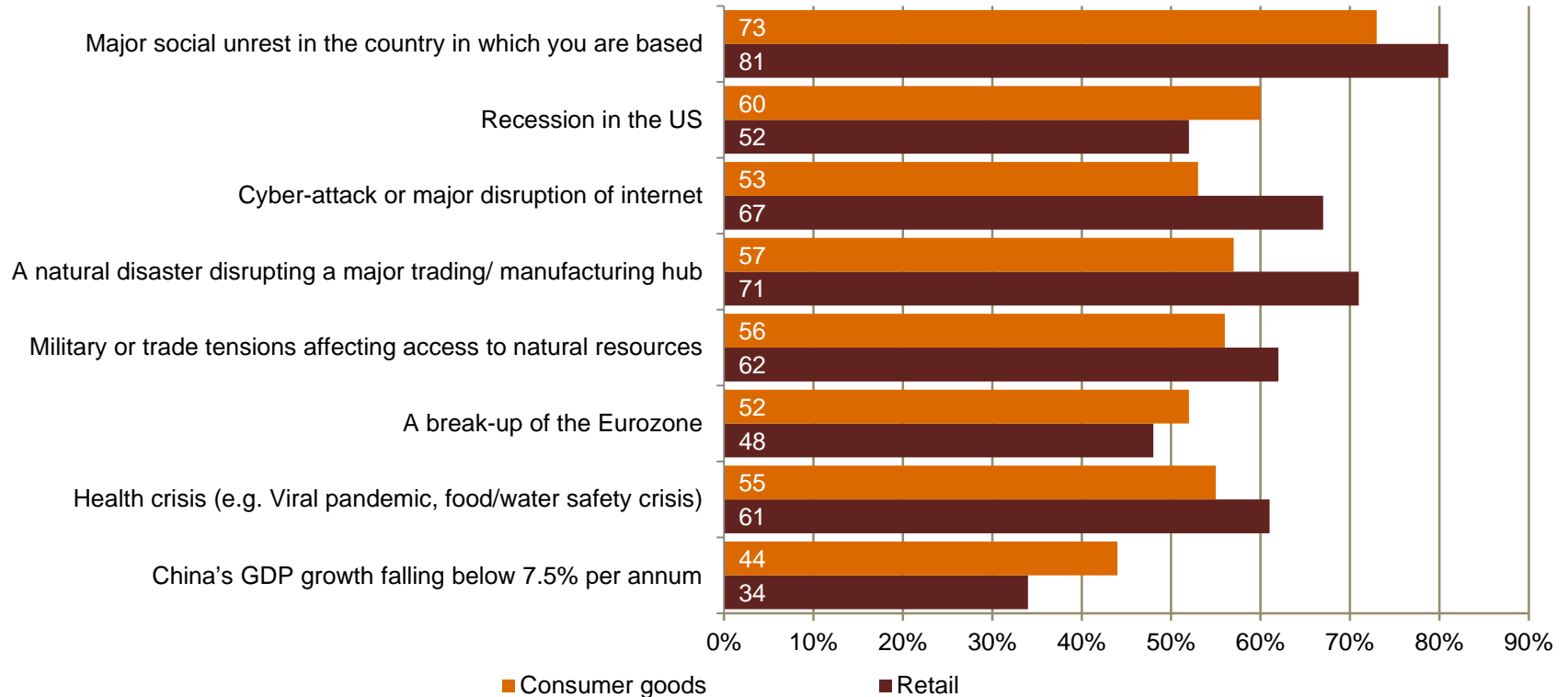
**Q: How likely are the following scenarios to occur?**

*Note: Respondents who rate the scenario as 'likely'*

Base: All respondents (Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

# ***But what if they do happen? The negative impacts could be substantial***



***How would your organisation cope with the following scenarios, if they happened within the next 12 months?***

***Note: Respondents who stated 'it would have a negative impact'***

Base: All respondents (Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

# ***What worries CEOs?***

***“Two words sum up the global economy currently for me, and they are fragility and volatility. Wherever you look, things are shifting very rapidly indeed. So I think what we have to do is monitor what is happening, be prepared for that volatility and then look for the growth opportunities very carefully.”***

**Alison Cooper, Chief Executive, Imperial Tobacco Group, United Kingdom**

# Which worries are top of mind?

Rank	Total sample	Retail	Consumer goods
1	Uncertain or volatile economic growth	Uncertain or volatile economic growth	Uncertain or volatile economic growth
2	Government response to fiscal deficit and debt burden	Shift in consumer spending and behaviours	Energy and raw material costs
3	Over-regulation	Government response to fiscal deficit and debt burden	Increasing tax burden
4	Increasing tax burden	Increasing tax burden / Over-regulation	Over-regulation
5	Lack of stability in capital markets		Government response to fiscal deficit and debt burden

**Q: How concerned are you, if at all, about each of the following threats to your growth prospects?**

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Note: Only top 5 listed for each category. List combines 'economic and policy threats' and 'business threats'.

Source: PwC 16th Annual Global CEO Survey 2013

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***Natural resource threats stand out for consumer goods CEOs***

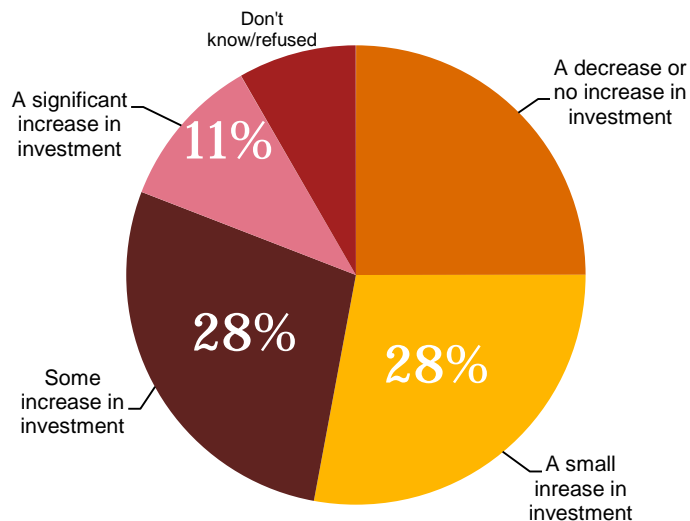
**72%**

***of consumer goods CEOs are concerned about the cost of energy and raw materials***

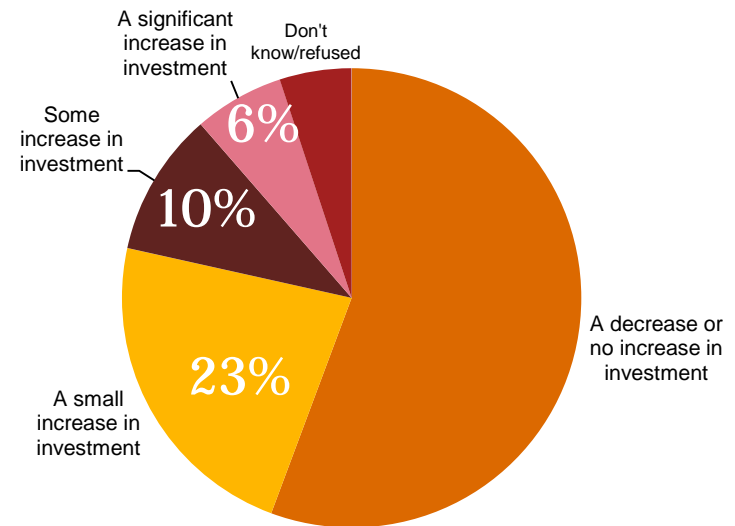
# And consumer goods CEOs are taking far more action than their retail counterparts

While the majority of consumer goods CEOs are planning to increase resource investments, retail CEOs aren't doing the same. More than half plan either a decrease, or no increase in investment in this area. Rightly or wrongly, they may be relying on their supply chain partners to keep the raw materials flowing.

## Consumer goods



## Retail



Q. How much does your company plan to increase its investment over the next three years to achieve the following outcomes in the country in which you are based? - Securing natural resources that are critical to business.

Base: All respondents (Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

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## *So what are CEOs doing?*

- **Targeting pockets of opportunity**
- **Concentrating on the customer**
- **Improving operational effectiveness**



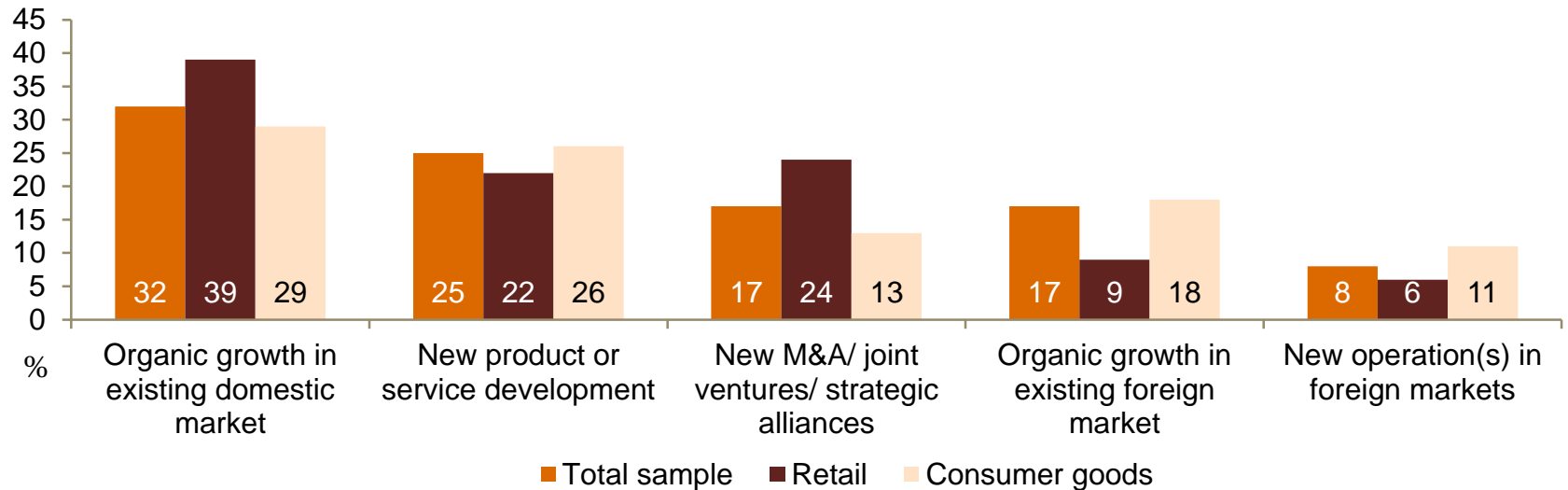
# *Targeting pockets of opportunity*

# *China*

is one of the top growth markets for both  
retail and consumer goods CEOs.

# ***Growing at home – but looking to foreign markets too***

Many retail and consumer goods CEOs in our survey view organic growth in existing domestic markets as their main opportunity for growth in the next year (39% and 29% respectively). For consumer goods CEOs, new product development is next on the list, while for retail CEOs deals are more important.



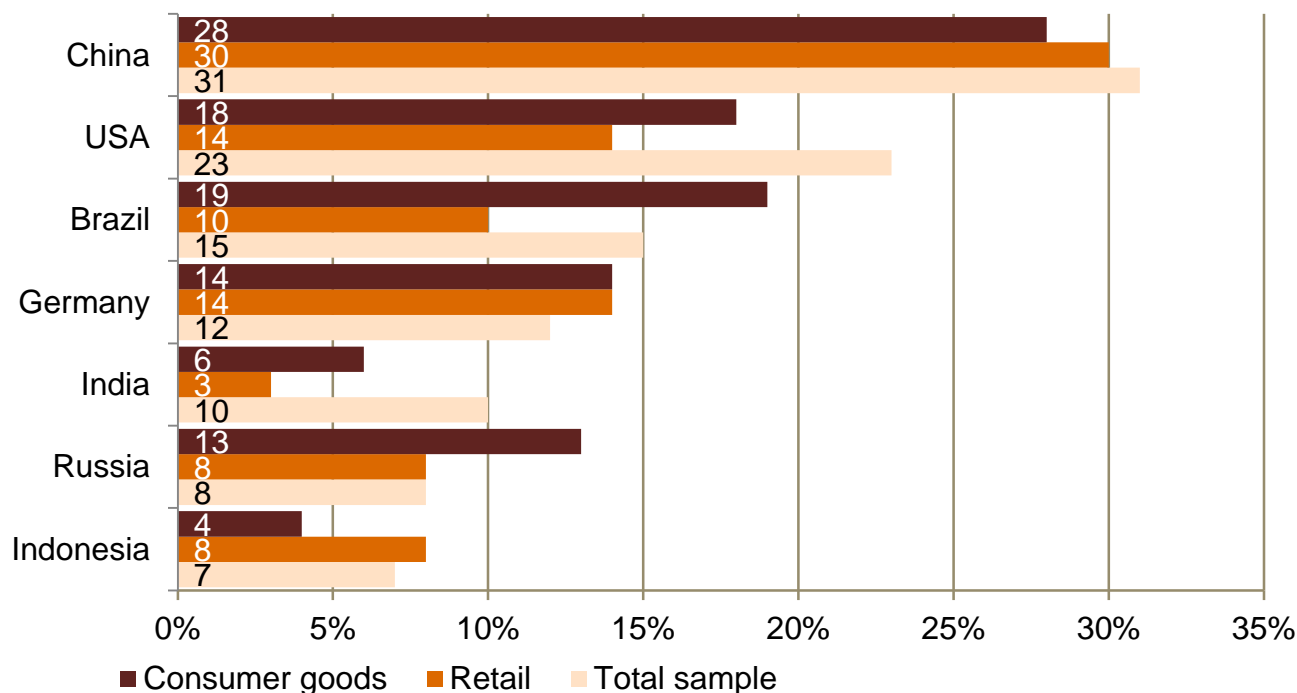
**Q: Which one of these do you see as the main opportunity to grow your business over the next 12 months?**

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

# ***Sector CEOs are counting on growth in emerging markets – with China leading the way...***

***...but the US and Germany are important too***



**Q: Which countries, excluding the country in which you are based, do you consider most important for your overall growth prospects over the next 12 months?**

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

## ***Getting granular in emerging markets***

***“I think there are some challenges around the BRIC classifications currently. I think you’ve got to drill down to see where the growth really is. Find out which cities are generating growth, where the growth opportunities are with consumers and really go for where the growth is in every market – and there is growth in every market – but you’ve got to go granular.”***

**Alison Cooper, Chief Executive, Imperial Tobacco Group, United Kingdom**

# ***Concentrating on the customer***

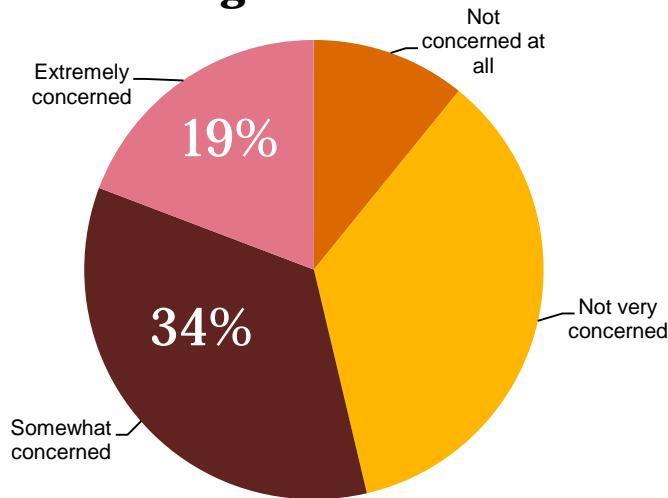
***“Here at Renner, we want more than just satisfied consumers. We want to delight them - to go beyond their expectations.”***

**José Galló, CEO and Director, Lojas Renner, Brazil**

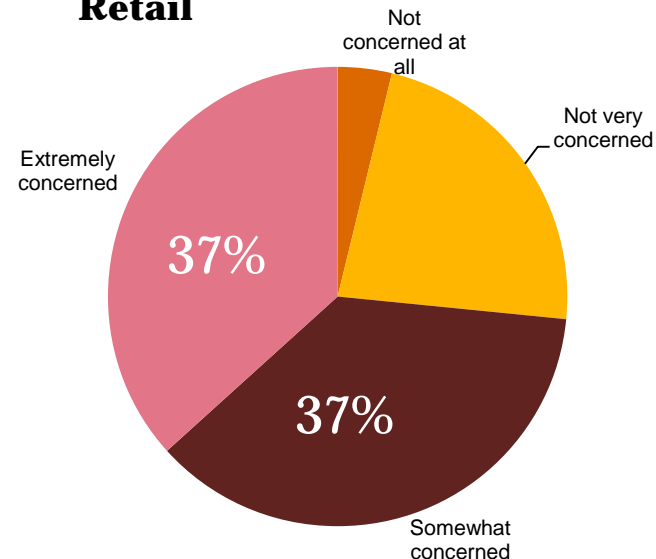
# Consumer habits are changing

Social media, smart phones, online shopping...consumers' spending habits and behaviours are changing rapidly, and that's keeping many retail CEOs awake at night. In fact, 37% are 'extremely concerned' about such shifts, and the same number are 'somewhat concerned'. More than half of consumer goods CEOs are worried too.

## Consumer goods



## Retail



**Q: How concerned are you about the following potential business threats to your growth prospects - Shift in consumer spending and behaviours?**

Base: All respondents (Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

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# ***So sector CEOs are reaching out to the connected consumer***

**Consumer  
Goods  
57%**

## **Getting serious about social media**

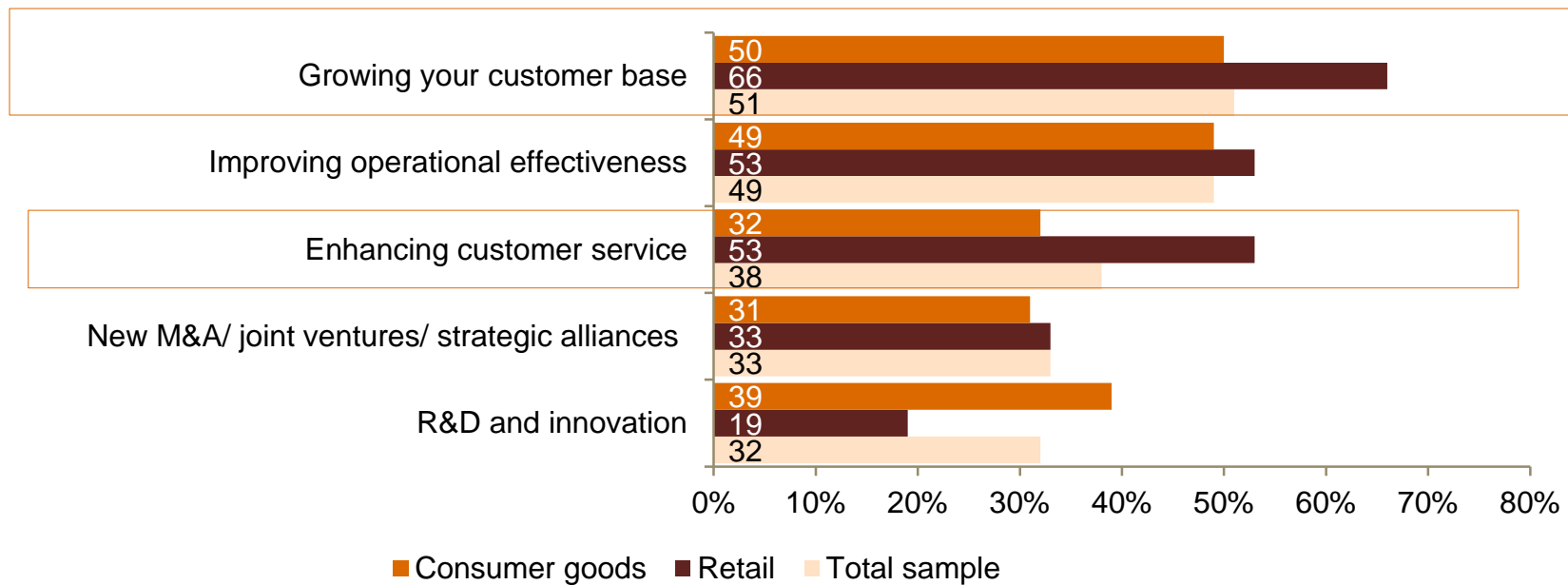
Many of these customers – and potential customers – are hooked on the participatory experience that social media provides.

Social media can help build a company's brand and reputation, and CEOs know that creating a distinct experience pays off. So it's not surprising that 57% of consumer goods CEOs and 61% of retail CEOs say that social media users are affecting their strategy. The large majority of these CEOs plan to increase efforts to reach out.

**Retail  
61%**

Relatively few retail and consumer goods CEOs told us that they see the speed of technological change as a threat. For many, customers' use of new technology may be seen as more of an opportunity than a risk.

# And investing in customers



**Q: What are your top 3 investment priorities over the next 12 months?**

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Note: Only high-ranking choices are listed.

Source: PwC 16th Annual Global CEO Survey 2013

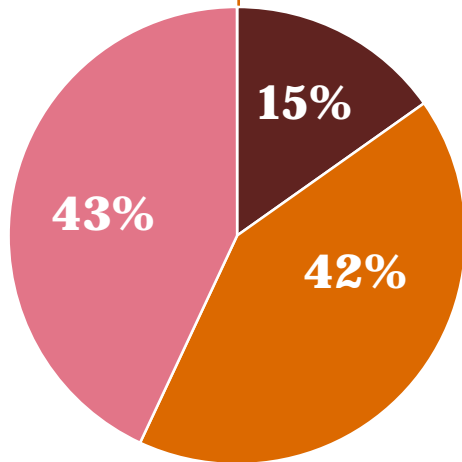


# ***They're also changing course to serve customers better and win their loyalty***

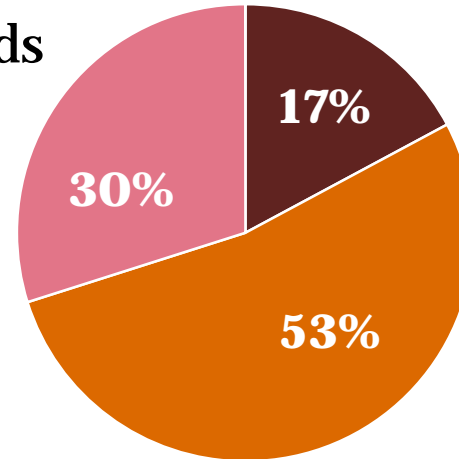
**>80%**

Both retail and consumer goods CEOs are changing their customer growth/retention/loyalty strategies — 43% of retailers say they'll make 'major' changes

Retail



Consumer goods



■ A major change   ■ Some change   ■ No change

**Q: To what extent do you anticipate changes at your company over the next 12 months with regards to customer growth/retention/loyalty strategies? Do you anticipate no change, some change or a major change?**

Base: All respondents (Retail, 79; Consumer goods, 204)

Source: PwC 16th Annual Global CEO Survey 2013

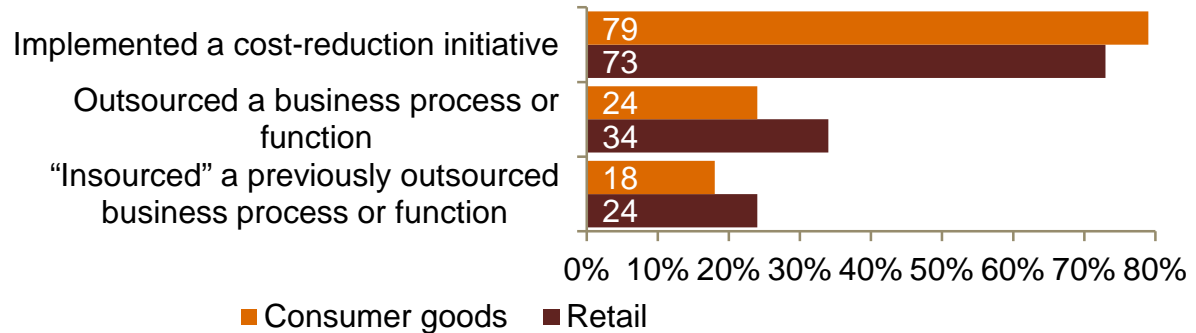
# *Improving operational effectiveness*

*~50%*

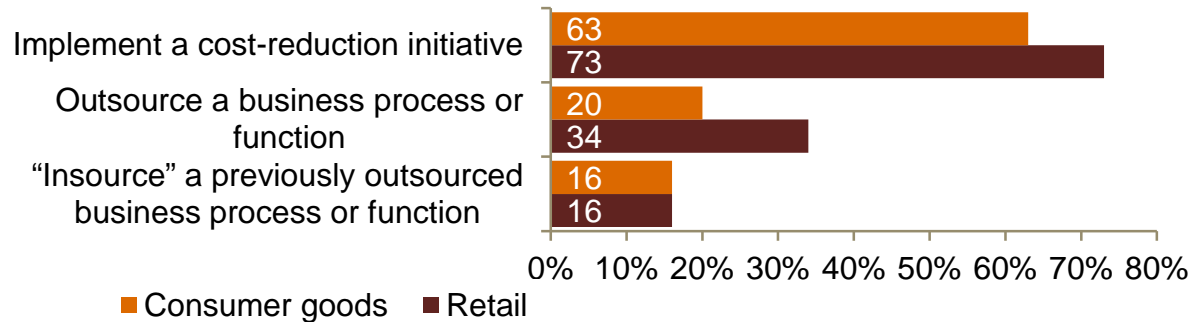
53% of retail CEOs and 49% of consumer goods CEOs say its one of their top investment priorities.

# Retail & consumer CEOs are making cost-cutting a priority

## Past 12 months:



## Coming 12 months:



**Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months? Which, if any, do you plan to initiate in the coming 12 months?**

Base: All respondents (Retail, 79; Consumer goods, 204)

Note: Not all restructuring options are listed.

Source: PwC 16th Annual Global CEO Survey 2013

# And they're working together across the supply chain.

Most retail and consumer goods CEOs say supply chain partners are influencing their strategy. And most of these CEOs say they'll reach out.

Retail: 86%

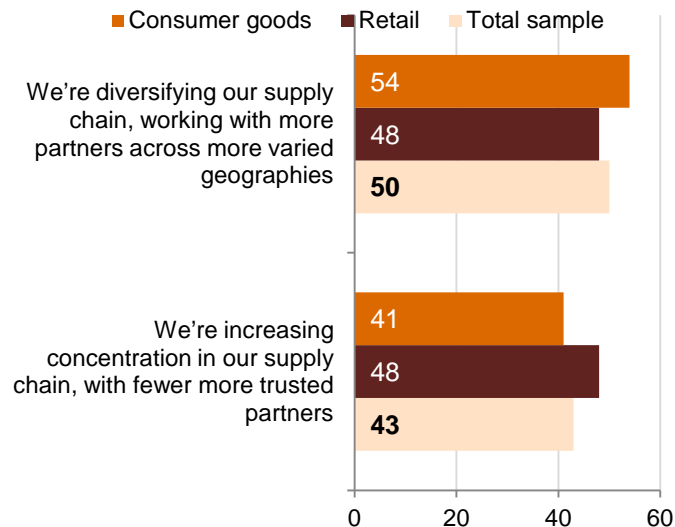
Consumer goods: 84%

Total sample: 76%

Engagement



More supply chain partners or fewer?  
Views are split.



Q: Thinking about the range of stakeholders, to what extent do your supply chain partners have a significant influence on your business strategy? For those stakeholders with some or significant influence, to what extent are you strengthening your engagement programme? - Your supply chain partners.

Which of the two options is more likely to occur?

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204) Note: Don't know/refused excluded.

Source: PwC 16th Annual Global CEO Survey 2013

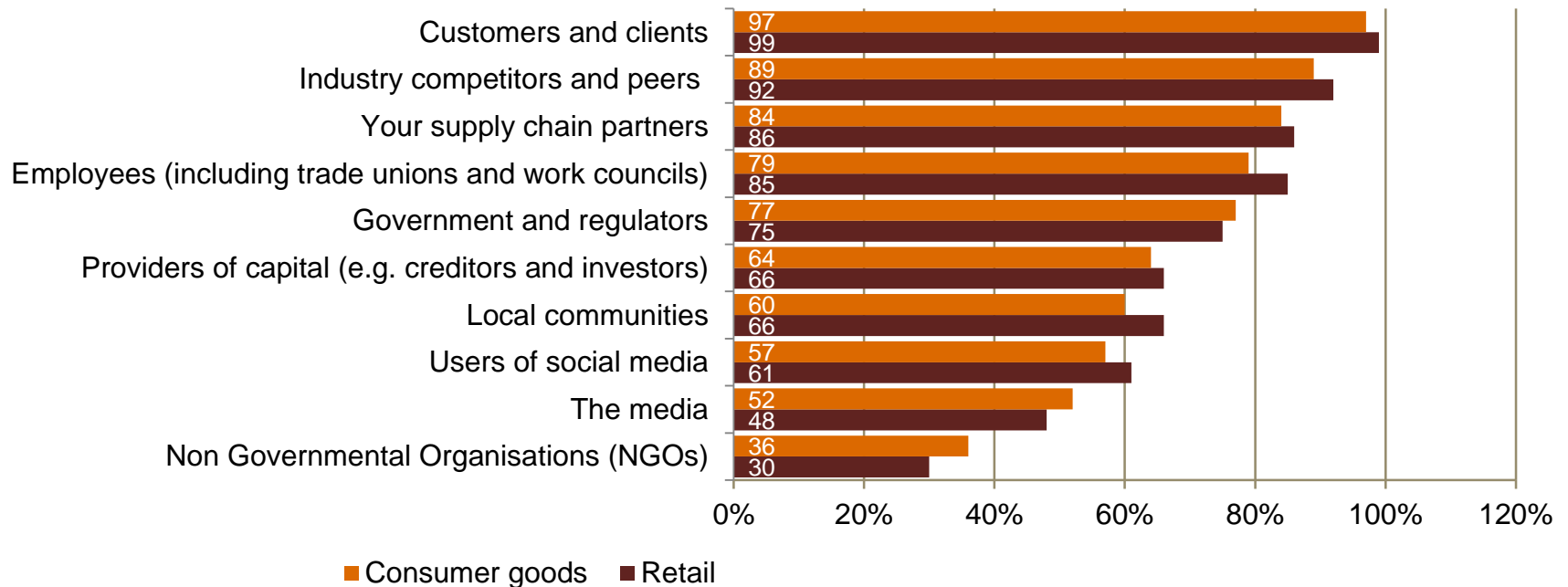
# ***It's a question of trust***

***“We focus on four key areas through our responsibility agenda, and one of them is about reinvestment in the communities in which we operate. That’s driven very much by our agenda, our values and our desire to be a sustainable business ...”***

**Alison Cooper, Chief Executive, Imperial Tobacco Group, United Kingdom**

# Retail and consumer CEOs are listening to a wide range of stakeholders

Customers particularly, but industry peers, supply chain partners and employees are influencing company strategy too.



**Q: How much influence do the following groups have on your strategy?**

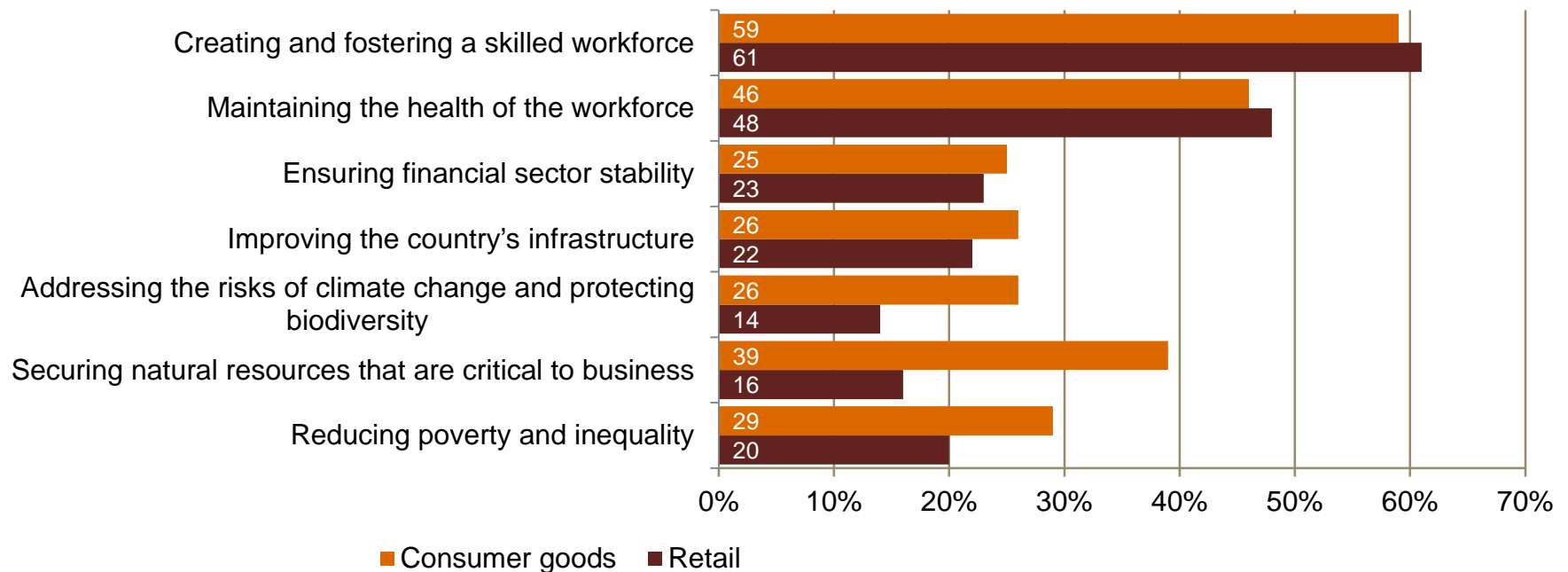
Base: All respondents (Retail, 79; Consumer goods, 204)

Note: Respondents answering 'some' or 'significant' influence

Source: PwC 16th Annual Global CEO Survey 2013

# ***Behaving ethically and encouraging a diverse workforce are key***

Consumer goods CEOs are especially concerned about reducing their environmental footprint too.



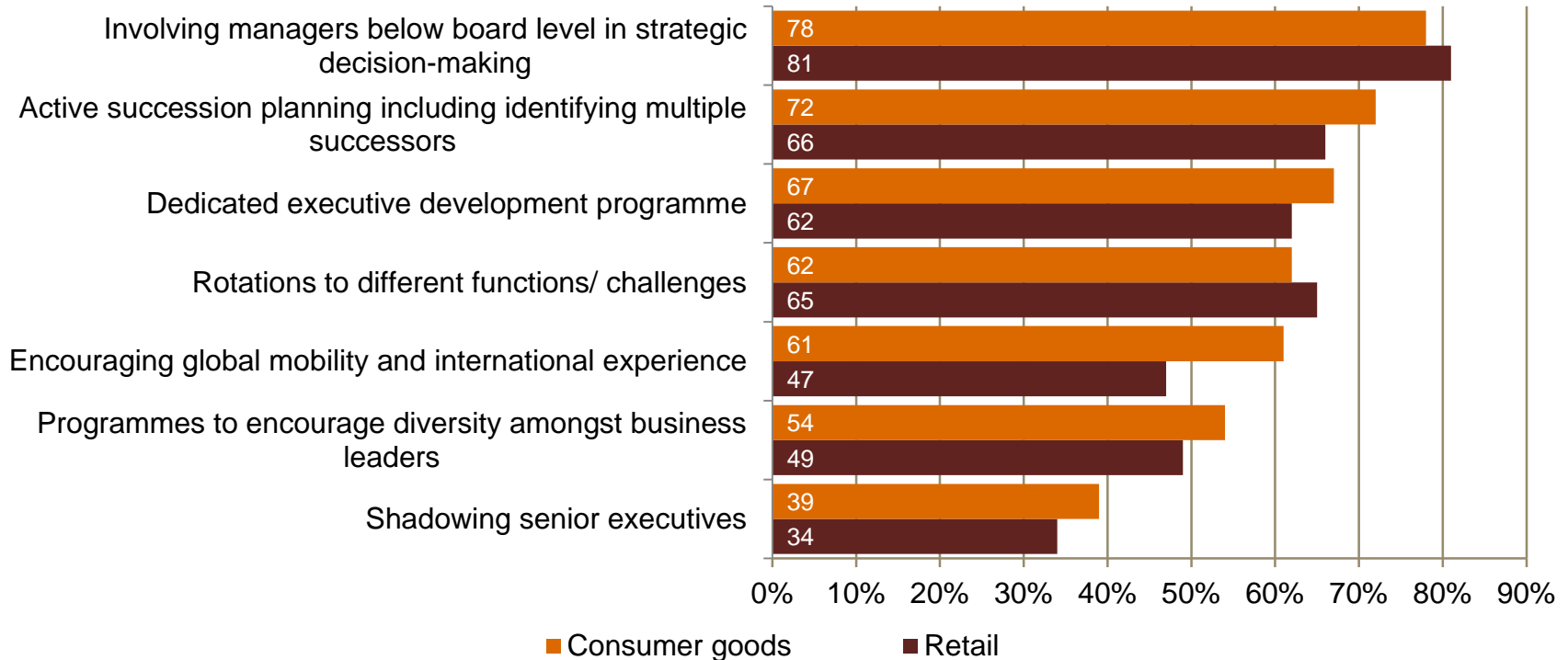
**Q: How much influence do the following groups have on your strategy?**

Base: All respondents (Retail, 79; Consumer goods, 204)

Note: Respondents answering 'some' or 'significant' influence

Source: PwC 16th Annual Global CEO Survey 2013

# ***Retail and consumer goods CEOs say they're working hard to develop their leadership pipeline***



**Q: Do you deploy any of the following to develop your leadership pipeline?**

Base: All respondents (Total sample, 1330; Retail, 79; Consumer goods, 204)

Note: Respondents who stated yes.

Source: PwC 16th Annual Global CEO Survey 2013



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Renner, Brazil

Alex C. Lo, President, Uni-President  
Enterprises Corp., Taiwan

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