

**WITS Conference:
Food and Beverage 2012: Trends and Challenges**

**Industry Supply Chain trends & Issues
July 15, 2008**

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Deloitte is the world's largest professional services firm

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- Relative position = number 298 on the Global Fortune 500
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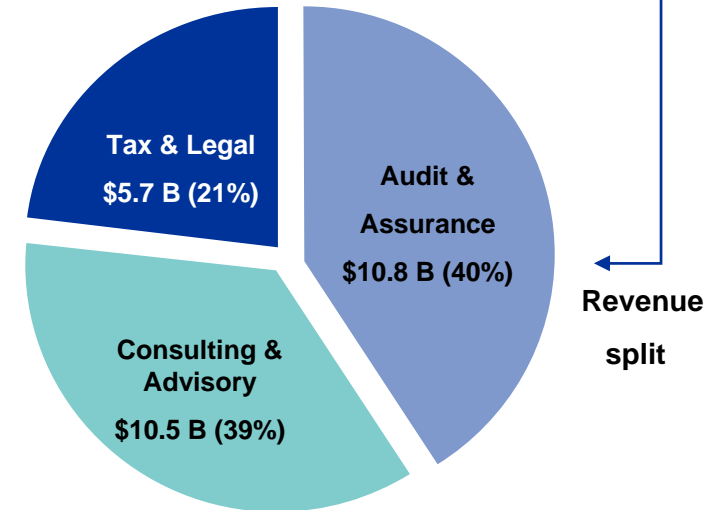
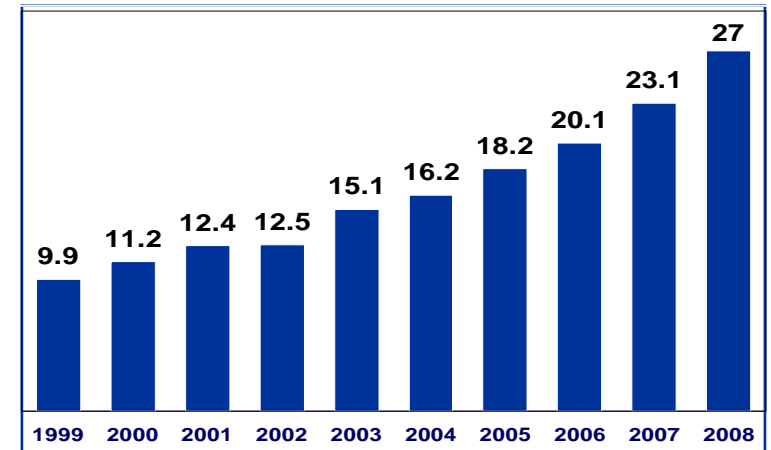
Deloitte Consulting

- Annual revenues of \$ 10.5 billion
- Over 35.000 consultants
- The third largest consulting firm worldwide, systematically ranked by Gartner as a top tier consultancy
- Wide breadth of integrated consulting services such as strategy & operations, finance, information technology, human capital & change management,
- We serve 22 of the 25 largest food and beverage companies in the world and many below this threshold
- We have served the global Wine Industry for over 50 years

Deloitte's Supply Chain Service Line

- Over 2,000 specialists worldwide
- Producing thought provoking, Industry specific, points of View

Deloitte worldwide annual revenue (\$ B)



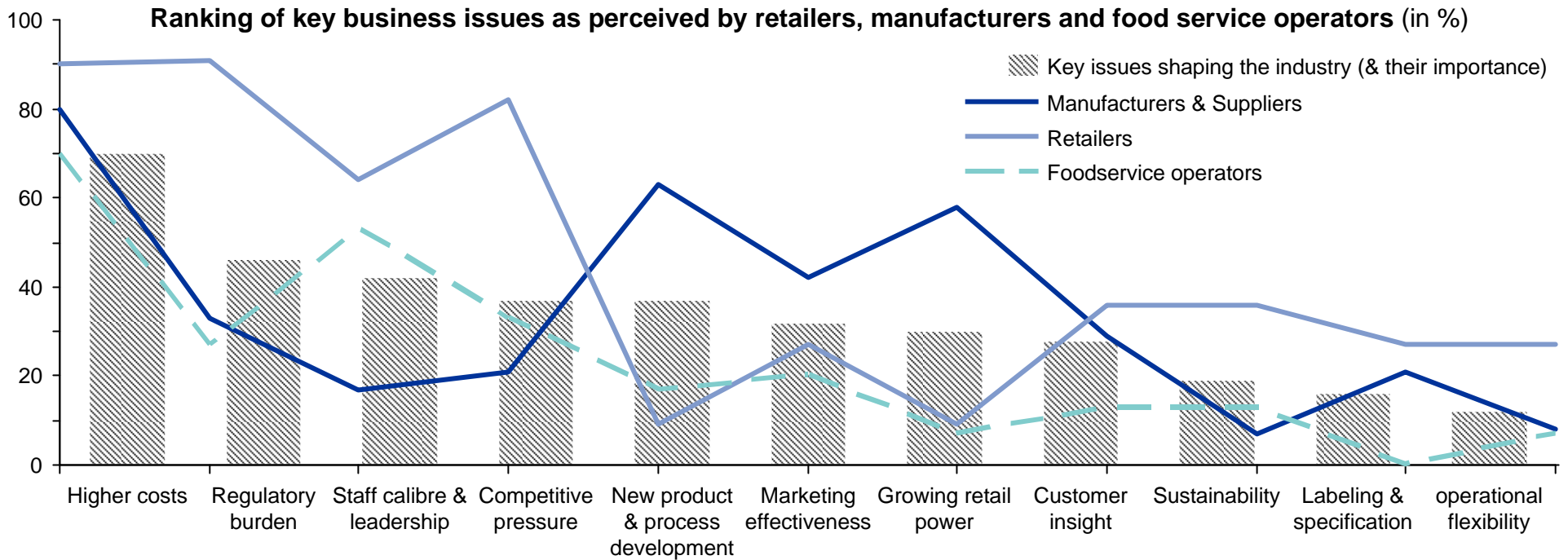
F&B 2012: Significant trends & issues in the Wine Industry Supply Chain

A global survey of Food and Beverage Industry senior executives was conducted over the past 12 months giving us some unique insights and observations to share...

- 1 ■ Increasingly complex distribution systems, from Production to Wholesalers & Retailers against ever stricter regulatory environments resulting in conflicting interests
- 2 ■ Changing Consumer Preferences driven by demographic, economic and lifestyle changes
- 3 ■ Demands for reliable supply, despite the proliferation of SKU's in the face of a vulnerable and unpredictable source
- 4 ■ Sustainability and Corporate Social Responsibility expectations
- 5 ■ Industry Consolidation and globalization, requiring readjustment of Supply Chains
- 6 ■ Skyrocketing Commodities & Energy Prices impacting Product Cost

Source: Deloitte research 2008. Survey of 93 senior executives at leading food and beverages businesses

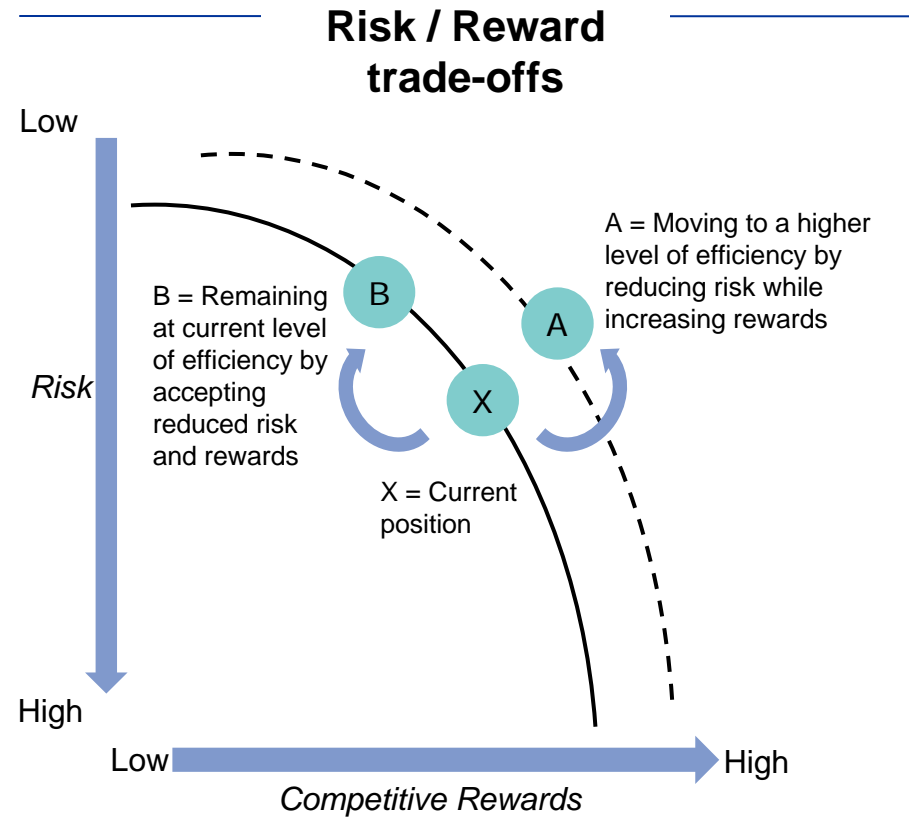
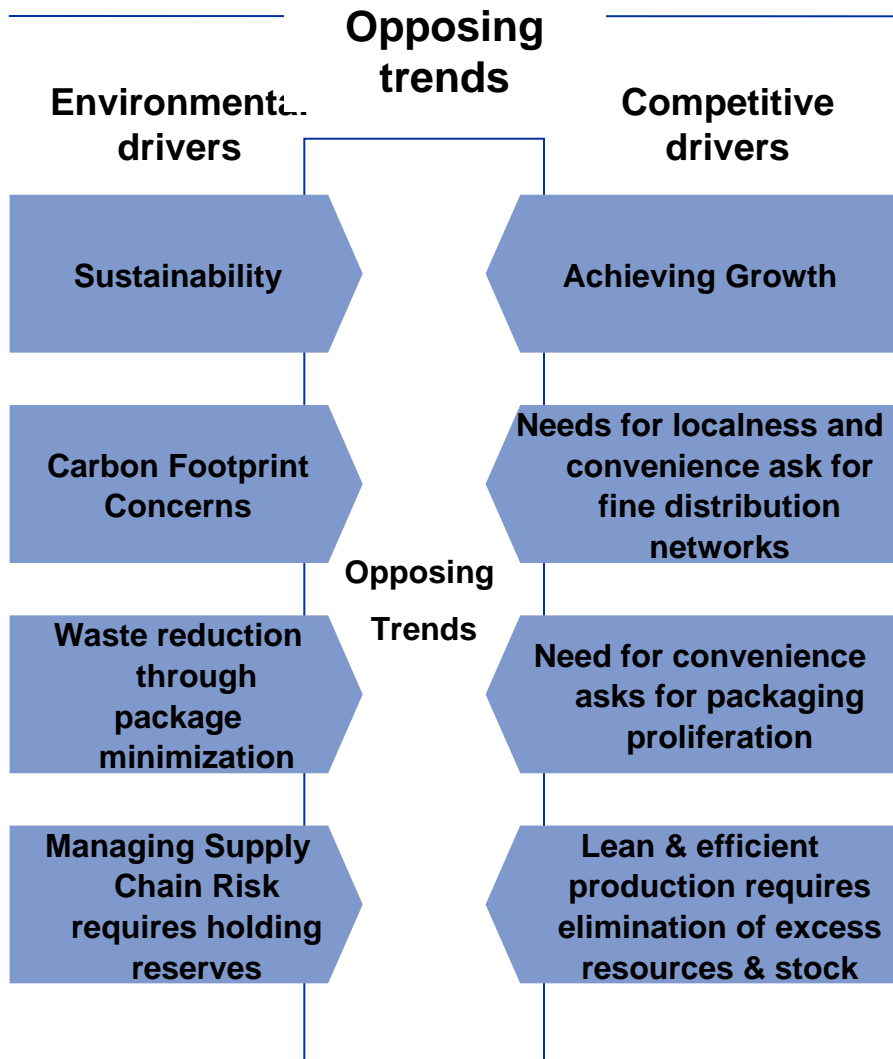
Executives voiced concerns over price & profitability pressures, compliance issues and talent management...



- Both retailers and manufacturers indicate customer service is becoming an important differentiator and good service needs well trained and experienced employees
- The industry appears to be well in tune with consumer trends and priorities notably around health and nutrition, innovation and variety, convenience, guarantees of provenance, quality and positive environmental and social contribution
- The importance of the factors influencing the business landscape is perceived differently by manufacturers and retailers, which can further complicate the overall supply chain

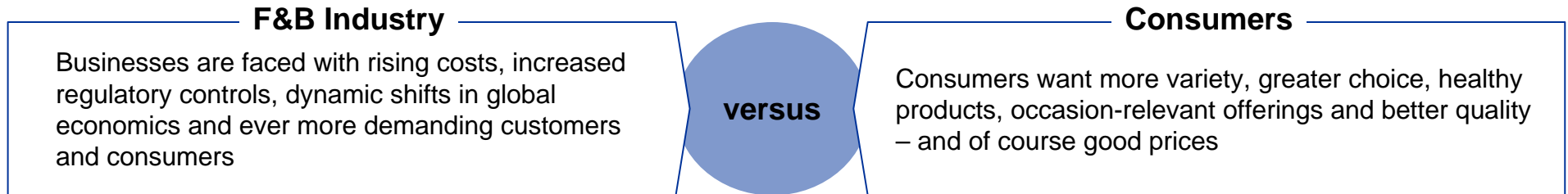
Source: Deloitte research 2008. Survey of 93 senior executives at leading food and beverages businesses

Dilemma: Some industry trends have a contradictory impact on supply chains and the F&B companies face a tough challenge in balancing environmental & competitive drivers



- Examples of higher efficiency levels by risks ↓ & rewards ↑:
- Investigate possibilities for using alternative material / resources like packaging formats
 - Using 3PL providers for outbound transportation might enhance efficient use of transportation methods and limit carbon release

Those businesses that can respond to the pressure of the changing and challenging F&B landscape and turn them to their competitive advantage will be the winners



The big debate...

These major issues for consideration emerged as the key focus for food and beverage companies

- **Strategy** – What stance will you take on key issues?
 1. Health, nutrition and corporate accountability
 2. Tougher regulation
 3. Greenhouse gas emissions and carbon footprint
 4. Vulnerability versus sustainability development
- **Execution** – What will shape your future operating model?
 5. Changing Consumer preferences
 6. Consolidation & Rationalization
 7. Skyrocketing Commodity Prices

Preparing for the future...

- We strongly believe that there is real opportunity to create substantial value in the industry. Doing so requires businesses to do three things:
 - Develop the right strategies, mobilize to win**
 - Make the right choices, develop awareness & agility**
 - Get the Supply Chain basics right**