

Research indicates back-to-basics favoured by retailers

The Consumer Goods Forum (CGF) and KPMG International have released new research indicating that retailers across the world are increasingly opting for traditional 'back-to-basics' strategies to drive growth; foregoing newer business trends.



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The report, Consumer Executive Top of Mind Survey, released on 14 June 2013, to coincide with the global summit of the Consumer Goods Forum in Tokyo, shows that 43% of global businesses ranked sales growth among the top three levers for improving profitability over the next 2 years. This is followed closely by product innovation (39%) and cost reduction programmes (36%). Interestingly, IT transformation - a new approach to ensuring profitability - only ranked in the top three growth levers for 19% of businesses, much lower than might be expected.

According to Sabine Ritter, executive vice president at the CGF, "The world of retail is always fluid, as technology evolves and demographic trends alter. What is interesting from this research, however, is that businesses are turning to tried and tested tactics to ensure they not only survive in this new climate, but grow in it."

"Globally, consumers have increasing access to technology and information and, as a result, are demanding more of everything. These consumer expectations, coupled with rising input prices, complex supply chains, regulation and competition, make it a challenge for many consumer companies to grow or even sustain margins," says Willy Kruh, global chair of consumer markets, KPMG International.

Key findings

- Product development ranked as the highest priority in terms of R&D and innovation investment by 48% of businesses, with marketing (44%) following closely behind
- In relation to marketing strategies, brand building ranked as the top strategy by 21% of businesses, followed by pricing (13%) and the new trend of consumer data analytics (13%) - one of the only novel approaches to be ranked so highly
- However, online/mobile sales (8%), social media (7%) and app development (4%) were all placed as much less of a priority. In all cases, traditional business tools were seen as holding the key to business growth over more trendy alternatives

South African results

In South Africa, 45% of South African executives indicate that declining consumer spending, coupled with the volatility of the Rand, are currently high on their list of risks for their businesses. Looking at addressing these key risks, 73% of South African executives view sales growth as a key strategy to improve profitability over the next two years, followed by cost reduction (45%), mergers and acquisitions (36%) and planned expansions or opening new stores (about two thirds) to grow their businesses further.

Daryll Jackson, KPMG consumer markets industry leader for South Africa, noted, "The majority of the South African companies surveyed that are looking to new market expansions to grow their businesses have their sights set on Africa. Almost half have ambitions for strong growth on the continent. When expanding into new markets, companies need a

product strategy as much as they need a distribution strategy to ensure their products meet local consumer needs."

Informed consumers alters focus

This back- to-basics approach is also reflected in how retailers are maintaining and directing their focus, explicitly back towards their customers. The survey has revealed that businesses have recognised the power and influence of today's consumer, causing them to alter their focus to work with the customer and meet their needs, rather than trying to influence them.

An increase in informed consumers is expected to be the most positive impact on profitability, with 64% of businesses stating this belief. In fact, one-third of retailers now expect to collaborate with consumers as a means of driving innovation. The survey suggests that for businesses, the old adage that 'the customer is always right' is once again true.

"The results of this important survey explore the issues that are at the top of consumer executives' agendas, and how their companies are navigating a complex and changing environment," added Kruh.

"Perhaps the main conclusion to take from this research is that while new trends such as IT transformation are important, businesses still recognise the overriding need to have good products and low costs, all delivered with an unwavering focus on the customer. It is simple business, but appealing in today's economic climate," concludes Ritter.

Methodology

HawkPartners on behalf of the CGF and KPMG conducted the research online and by telephone, during March and April 2013 with 442 senior executives (90% CEO, COO and SVP) from companies headquartered in 44 countries; 55% of companies were manufacturers and 45% retailers, with almost all companies having over US \$250 million in sales.

The role of the Consumer Goods Forum is to create a vision for the industry. Manufacturers and retailers have chosen the CGF to develop common positions on key strategic and practical issues affecting the retail and consumer goods industry. For more information, go to www.theconsumergoodsforum.com or <http://tcgfsummit.com>.

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