Achieving High Performance in Food and Non-Alcoholic Beverages
A limited portfolio of global brands—continuously adapted to meet the needs of consumers and selectively localized—distinguishes the high performers in food and non-alcoholic beverages. In the future, the deep consumer insight, strong retail partnerships and operational excellence that sustain these strengths will be more important than ever as companies pursue growth in high-value emerging markets and seek to remain competitive in developed markets.

The Future Outlook

Over the next five years, growth in both food and non-alcoholic beverages is expected to slow significantly—to one-third of 2004-2009 levels in food (1.7 percent), and to half those levels in non-alcoholic beverages (2.4 percent). Rising commodity prices and mounting competition from emerging-market players who are increasingly becoming active outside their home markets will pose major challenges. But companies with low-cost operating models and the right talent that can meet the needs of shoppers for convenience, health and value in key growth categories such as baby food, noodles, snack bars, dairy and functional beverages will be well positioned. Emerging markets offer huge growth opportunities for affordable products adapted to local needs. Asia Pacific (APAC) is now the largest global market for non-alcoholic beverages, while Latin Americans will soon rank as the world’s biggest consumers of carbonated beverages.

"Accenture High Performance Business Research methodology has been enhanced to take better account of positioning for the future. Our recent analysis of the food and non-alcoholic beverages industry, which will be refreshed regularly, covers the period 2011 to 2014."

1. © Euromonitor International 2010
2. Accenture High Performance Business Research methodology analyzes performance across five metrics: (revenue) growth; longevity (or total return to shareholders over time); profitability (or ROIC); consistency over five years; and positioning for the future (a measure of investors’ expectations of the value of future returns). In food and non-alcoholic beverages, we analyzed a peer set of 14 publicly held, global companies to identify those that continuously outperformed their industry peers over economic and industry cycles and changes of leadership.
Industry Background

In both food and non-alcoholic beverages, private label penetration is intensifying, eroding the price premium for branded manufacturers with high quality products that are effectively own brands. Meanwhile, soaring commodity prices are undermining consumer goods companies’ ability to predict and maintain margin.

In developed markets recession-chastened consumers have rediscovered home cooking, are spending less on processed foods and ready meals and are shopping smarter in general as they seek out value for money in whichever retail formats they can. Manufacturers struggle to supply demands for a combination of convenience, health and wellness via a proliferation of new, convenience-based shopping channels. The power of the supermarkets is intensifying in the fight for shelf space and leading non-alcoholic beverages manufacturers are acquiring their bottlers and bringing that capability in-house to further simplify their operating model and tighten control of the value chain.

Regulation is intensifying in both developed and emerging markets, with regulators focused on verifying the scientific basis of product claims in the former and on ensuring the basic safety of product ingredients in the latter.
Against this background, high performers have been able to consistently increase revenues while maintaining strong profitability over a five-year period. They have also delivered higher returns on invested capital over both three and five years—a reflection of their higher levels of capital efficiency.

These high performing companies owe their success to the mastery of three building blocks (Figure 1).

**Market Focus & Position**
The high performers have achieved strategic category dominance by simplifying their global brand portfolios and scaling them—at the same time localizing both their business models and their brands in high-potential emerging markets. They focus resources and investments on targeted, high-margin, innovation-sensitive niches where private-label penetration is relatively limited. They re-evaluate these choices frequently, leveraging mergers and acquisitions (M&A) strategically in a constant process of global trade-offs and streamlining operations to build business rapidly and efficiently.

**Distinctive Capabilities**

- **Solution Marketing**
  Thanks to superior, analytics-driven consumer insight, high performers spot consumer trends first and innovate (or renovate) their portfolios with products that consumers favor over those of competitors or for which they are willing to pay more. They display the same rigorous approach in divesting non-core categories, re-investing what they gain in advertising and promotion for core brands. They ensure faster and better execution by
integrating the marketing and innovation areas in a continuous process of renewal, leveraging new, digital channels as part of an integrated marketing campaign. In emerging markets, they gain local consumer insight via joint ventures and brand education programs, adapting their portfolios to cater to the needs of both the middle class and the poor.

- **Customer & Channel Management**
  High performers know that powerful retail and distribution partnerships are critical to success. They tailor their account strategies and tactics to their retail partners’ priorities. They have developed sophisticated trade management and promotional analytics as well, and they use the latest technologies to measure shelf visibility to maximize ROI in supermarkets. In both developed and emerging markets, thanks to fully integrated trade marketing, supply chain and customer services processes, they can ensure optimal product availability at point of sale.

- **Flexible & Low-Cost Operations**
  A simple operating model helps the high performers deliver on their brand promises by enabling speedy decision making, scalability and integration—in short, seamless execution. They leverage these economies of scale across a global network, investing in lean processes and technologies to control costs. Thanks to their streamlined, flexible and responsive supply chains they can integrate acquisitions at speed.

**Performance Anatomy**
By fully aligning their human resource and business strategies, the high performers have developed organizations flexible enough to absorb acquisitions swiftly and created cultures that embrace change. Their workforce planning approach consistently recognizes outstanding performance, individual initiative and teamwork. They measure what matters and reward results. Job rotation and training programs ensure the development of skills appropriate to evolving needs.

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**Are You Ready for High Performance?**
Intrigued? Accenture has worked collaboratively with the leading players in Consumer Goods and Services for decades, leveraging an unmatched combination of research-driven insights, experience and skills to help them achieve high performance. For more information about how Accenture can help your company achieve high performance, book a visit to one of our Customer Innovation Centres or contact us directly to begin your journey to high performance.

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**Figure 1. Three building blocks for high-performance businesses in food and non-alcoholic beverages.**

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