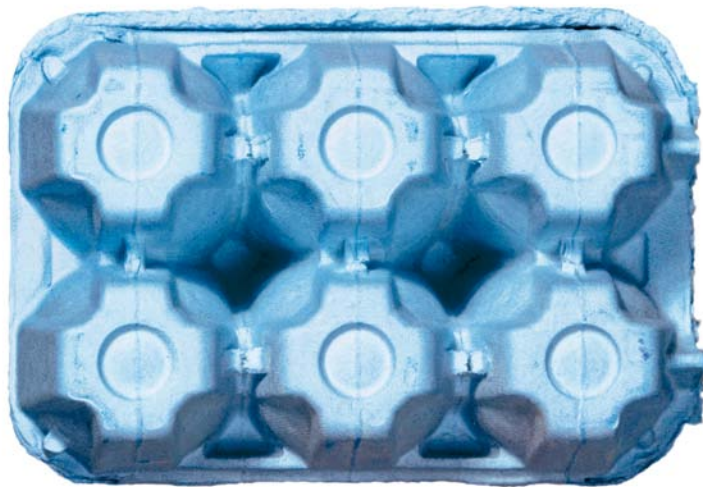


## Global powers of the consumer products industry.

*Thinking inside, outside, and all around the box*





# Contents

Global powers of the consumer products industry – top 250 consumer products companies, fiscal 2006.....	3
The value of intangibles: understanding Q ratio .....	19
Trends in the consumer products industry .....	21
Consumer Business Contacts .....	25



# Global powers of the consumer products industry – top 250 consumer products companies, fiscal 2006

## Strong consumer spending drives growth

In 2006, the global economy was very strong, with global GDP rising an astounding 5.4%, one of the fastest rates ever recorded. Relatively rapid economic expansion took place in such disparate locations as Argentina, Canada, China, Germany, India, Russia, the UK, and the US. Even long-stagnant Japan experienced growth far better than in recent years. In many countries, elevated home prices added substantially to consumer wealth, thereby stimulating expanded spending. This was especially true in Australia, Spain, the UK, and the US. Big emerging markets continued to experience rapid growth in consumer incomes, with millions shifting from poverty to the middle class. Economically, this was a good time to be in the business of selling consumer products.

DT rank (FY06)	Company name	Country	Region	Product sector	FY06 net sales (US\$mil)	FY06 net profits (US\$mil)	FY06 sales growth
1	Altria Group, Inc.	United States	North America	Food, Drink & Tobacco	101,407	12,185	3.6%
2	Hewlett-Packard Company	United States	North America	Electronic Products	91,658	6,198	5.7%
3	Samsung Electronics Co., Ltd.	Korea (South)	Asia/Pacific	Electronic Products	90,551	8,685	5.9%
4	Nestle SA	Switzerland	Europe	Food, Drink & Tobacco	78,625	7,865	8.1%
5	Matsushita Electric Industrial Co., Ltd.	Japan	Asia/Pacific	Electronic Products	77,966	2,126	2.4%
6	The Procter & Gamble Company	United States	North America	Personal & Household Products	76,476	10,340	12.1%
7	Sony Corporation	Japan	Asia/Pacific	Electronic Products	64,777	1,085	13.1%
8	Toshiba Corporation	Japan	Asia/Pacific	Electronic Products	60,916	1,311	12.2%
9	Dell Inc.	United States	North America	Electronic Products	57,095 <sup>e</sup>	2,614 <sup>e</sup>	2.1%
10	Nokia Corporation	Finland	Europe	Electronic Products	51,657	5,485	20.3%
11	Unilever Group	United Kingdom	Europe	Personal & Household Products	49,799	6,300	3.2%
12	LG Electronics Inc.	Korea (South)	Asia/Pacific	Electronic Products	49,120	-233	4.3%
13	Motorola, Inc.	United States	North America	Electronic Products	42,879	3,661	21.6%
14	Japan Tobacco Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	40,826	1,847	2.8%
15	Canon Inc.	Japan	Asia/Pacific	Electronic Products	35,748	4,050	10.7%
16	PepsiCo, Inc.	United States	North America	Food, Drink & Tobacco	35,137	5,642	7.9%
17	Koninklijke Philips Electronics N.V.	Netherlands	Europe	Electronic Products	33,888	6,767	4.7%
18	Sharp Corporation	Japan	Asia/Pacific	Electronic Products	26,774	877	11.8%
19	Tyson Foods, Inc.	United States	North America	Food, Drink & Tobacco	25,559	-196	-1.7%
20	The Coca-Cola Company	United States	North America	Food, Drink & Tobacco	24,088	5,080	4.3%
21	Fujifilm Holdings Corporation	Japan	Asia/Pacific	Electronic Products	23,818	403	4.3%
22	Imperial Tobacco Group PLC	United Kingdom	Europe	Food, Drink & Tobacco	21,028	1,545	4.0%
23	Mars, Incorporated	United States	North America	Food, Drink & Tobacco	21,000 <sup>e</sup>	na	16.7%
24	Michelin Group	France	Europe	Tires	20,582	720	5.1%
25	The Goodyear Tire & Rubber Company	United States	North America	Tires	20,258	-330	2.7%
26	Christian Dior SA	France	Europe	Fashion Goods	20,120	2,680	10.0%
27	L'Oreal SA	France	Europe	Personal & Household Products	19,836	2,590	8.7%
28	Coca-Cola Enterprises Inc	United States	North America	Food, Drink & Tobacco	19,804	-1,143	5.7%

e=estimate

## Consumer Business

DT rank (FY06)	Company name	Country	Region	Product sector	FY06 net sales (US\$mil)	FY06 net profits (US\$mil)	FY06 sales growth
29	Apple Inc.	United States	North America	Electronic Products	19,315	1,989	38.6%
30	Sanyo Electric Co., Ltd.	Japan	Asia/Pacific	Home Furnishings & Equipment	18,964	-388	-7.6%
31	SABMiller plc	United Kingdom	Europe	Food, Drink & Tobacco	18,620	1,883	21.6%
32	Whirlpool Corporation	United States	North America	Home Furnishings & Equipment	18,080	441	26.3%
33	British American Tobacco plc	United Kingdom	Europe	Food, Drink & Tobacco	17,991	3,774	4.7%
34	Groupe Danone	France	Europe	Food, Drink & Tobacco	17,679	1,960	8.1%
35	Kimberly-Clark Corporation	United States	North America	Personal & Household Products	16,747	1,594	5.3%
36	InBev NV	Belgium	Europe	Food, Drink & Tobacco	16,718	2,671	14.2%
37	NIKE, Inc.	United States	North America	Fashion Goods	16,326	1,492	9.2%
38	Henkel KGaA	Germany	Europe	Personal & Household Products	16,004	1,094	6.4%
39	Anheuser-Busch Companies, Inc.	United States	North America	Food, Drink & Tobacco	15,717	1,965	4.5%
40	Altadis, S.A.	Spain	Europe	Food, Drink & Tobacco	15,707	639	-1.6%
41	Gallaher Group Plc	United Kingdom	Europe	Food, Drink & Tobacco	15,483	752	2.3%
42	Heineken NV	Netherlands	Europe	Food, Drink & Tobacco	14,860	1,690	9.6%
43	Lenovo Group Limited	Hong Kong	Asia/Pacific	Electronic Products	14,590	161	9.9%
44	Diageo plc	United Kingdom	Europe	Food, Drink & Tobacco	14,456	3,007	3.0%
45	Kirin Brewery Company, Limited	Japan	Asia/Pacific	Food, Drink & Tobacco	14,327	522	2.1%
46	Electrolux AB	Sweden	Europe	Home Furnishings & Equipment	14,109	523	3.1%
47	Svenska Cellulosa AB SCA	Sweden	Europe	Personal & Household Products	13,782	743	5.2%
48	Sony Ericsson Mobile Communications AB	United Kingdom	Europe	Electronic Products	13,767 <sup>e</sup>	1,252 <sup>e</sup>	50.8%
49	Cadbury Schweppes plc	United Kingdom	Europe	Food, Drink & Tobacco	13,688	2,147	15.5%
50	Eastman Kodak Company	United States	North America	Electronic Products	13,274	-601	-7.0%
51	Masco Corporation	United States	North America	Home Improvement Products	12,778	515	1.7%
52	The Pepsi Bottling Group, Inc.	United States	North America	Food, Drink & Tobacco	12,730	522	7.1%
53	adidas AG	Germany	Europe	Fashion Goods	12,668	623	52.0%
54	General Mills, Inc.	United States	North America	Food, Drink & Tobacco	12,442	1,144	6.9%
55	Asahi Breweries, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	12,439	394	1.1%
56	Sara Lee Corp.	United States	North America	Food, Drink & Tobacco	12,278	504	7.1%
57	Colgate-Palmolive Company	United States	North America	Personal & Household Products	12,238	1,353	7.4%
58	Seiko Epson Corporation	Japan	Asia/Pacific	Electronic Products	12,121	-121	-8.6%
59	ConAgra Foods, Inc.	United States	North America	Food, Drink & Tobacco	12,028	765	3.9%
60	Smithfield Foods, Inc.	United States	North America	Food, Drink & Tobacco	11,911	167	4.4%
61	Fomento Economico Mexicano S.A.B de C.V.	Mexico	Latin America	Food, Drink & Tobacco	11,574	845	13.5%
62	Tchibo Holding AG	Germany	Europe	Food, Drink & Tobacco	11,354 <sup>e</sup>	1,362 <sup>e</sup>	2.8%
63	Acer Incorporated	Taiwan	Asia/Pacific	Electronic Products	11,350	318	16.0%
64	Kellogg Company	United States	North America	Food, Drink & Tobacco	10,907	1,004	7.2%
65	Associated British Foods plc	United Kingdom	Europe	Food, Drink & Tobacco	10,775	554	6.7%
66	Kao Corporation	Japan	Asia/Pacific	Personal & Household Products	10,544	616	26.8%
67	BSH Bosch und Siemens Hausgerate GmbH	Germany	Europe	Home Furnishings & Equipment	10,437	467	13.2%
68	Dean Foods Company	United States	North America	Food, Drink & Tobacco	10,099	225	-0.7%
69	Swift & Company	United States	North America	Food, Drink & Tobacco	10,000 <sup>e</sup>	na	7.0%
70	Ajinomoto Co., Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	9,917	287	4.7%
71	Groupe Lactalis	France	Europe	Food, Drink & Tobacco	9,422	na	21.0%
72	Vion NV	Netherlands	Europe	Food, Drink & Tobacco	9,222	87	18.0%
73	Reckitt Benckiser plc	United Kingdom	Europe	Personal & Household Products	9,071	1,242	17.8%
74	H.J. Heinz Company	United States	North America	Food, Drink & Tobacco	9,002	786	4.1%
75	Fortune Brands, Inc.	United States	North America	Food, Drink & Tobacco	8,769	830	24.2%

e=estimate

DT rank (FY06)	Company name	Country	Region	Product sector	FY06 net sales (US\$mil)	FY06 net profits (US\$mil)	FY06 sales growth
76	Avon Products, Inc.	United States	North America	Personal & Household Products	8,677	480	7.6%
77	Reynolds American, Inc.	United States	North America	Food, Drink & Tobacco	8,510	1,210	3.1%
78	Pernod Ricard	France	Europe	Food, Drink & Tobacco	8,413	0	6.2%
79	Nippon Meat Packers	Japan	Asia/Pacific	Food, Drink & Tobacco	8,366	97	1.4%
80	Nintendo Co., Ltd.	Japan	Asia/Pacific	Leisure Goods	8,274	1,492	89.8%
81	Dr August Oetker KG	Germany	Europe	Food, Drink & Tobacco	8,081 <sup>e</sup>	na	-8.5%
82	Orkla ASA	Norway	Europe	Food, Drink & Tobacco	8,051	1,764	12.0%
83	Uni-President Enterprises Corporation	Taiwan	Asia/Pacific	Food, Drink & Tobacco	7,923	111	6.3%
84	Mohawk Industries, Inc.	United States	North America	Home Improvement Products	7,906	456	19.4%
85	Sherwin-Williams Company	United States	North America	Home Improvement Products	7,810	576	8.6%
86	Arla Foods amba	Denmark	Europe	Food, Drink & Tobacco	7,663	158	-1.9%
87	S.C. Johnson & Son, Inc.	United States	North America	Personal & Household Products	7,500 <sup>e</sup>	na	7.1%
88	Campbell Soup Company	United States	North America	Food, Drink & Tobacco	7,343	766	3.8%
89	Land O'Lakes, Inc.	United States	North America	Food, Drink & Tobacco	7,275	89	-3.7%
90	Coca-Cola Hellenic Bottling Company SA	Greece	Europe	Food, Drink & Tobacco	7,055	429	17.5%
91	Nikon Corporation	Japan	Asia/Pacific	Electronic Products	7,043	469	12.6%
92	The Estee Lauder Companies Inc.	United States	North America	Personal & Household Products	7,038	456	8.9%
93	BenQ Corporation	Taiwan	Asia/Pacific	Electronic Products	6,988	-833	28.5%
94	Carlsberg A/S	Denmark	Europe	Food, Drink & Tobacco	6,920	366	8.0%
95	Pioneer Corporation	Japan	Asia/Pacific	Electronic Products	6,783	-58	6.2%
96	CJ Corporation	Korea (South)	Asia/Pacific	Food, Drink & Tobacco	6,637	170	16.4%
97	The Black & Decker Corporation	United States	North America	Home Improvement Products	6,447	486	-1.2%
98	Yamazaki Baking Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	6,443	40	1.6%
99	Beiersdorf AG	Germany	Europe	Personal & Household Products	6,432	839	7.2%
100	Alticor Inc.	United States	North America	Personal & Household Products	6,300 <sup>e</sup>	na	-1.6%
101	Newell Rubbermaid Inc.	United States	North America	Personal & Household Products	6,201	385	8.5%
102	Compagnie Financiere Richemont SA	Switzerland	Europe	Fashion Goods	6,192 <sup>e</sup>	1,705 <sup>e</sup>	12.0%
103	Dole Food Company, Inc.	United States	North America	Food, Drink & Tobacco	6,171	-89	5.9%
104	V.F. Corporation	United States	North America	Fashion Goods	6,138	534	10.0%
105	Ferrero S.p.A.	Italy	Europe	Food, Drink & Tobacco	6,136 <sup>e</sup>	641 <sup>e</sup>	5.0%
106	Scottish & Newcastle plc	United Kingdom	Europe	Food, Drink & Tobacco	6,133	558	2.1%
107	Pirelli & C. SpA	Italy	Europe	Tires	6,081	-1,318	6.5%
108	Meiji Dairies Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	6,016	118	-3.1%
109	Shiseido Company, Limited	Japan	Asia/Pacific	Personal & Household Products	5,946	245	3.5%
110	TCL Corporation	China	Asia/Pacific	Electronic Products	5,884	-467	-9.3%
111	Royal Friesland Foods NV	Netherlands	Europe	Food, Drink & Tobacco	5,873	204	5.8%
112	Grupo Bimbo C.A. de C.V.	Mexico	Latin America	Food, Drink & Tobacco	5,845	333	8.5%
113	Molson Coors Brewing Company	United States	North America	Food, Drink & Tobacco	5,845	377	6.1%
114	Hormel Foods Corporation	United States	North America	Food, Drink & Tobacco	5,745	286	6.1%
115	Mattel, Inc.	United States	North America	Leisure Goods	5,650	593	9.1%
116	Steinhoff International Holdings Limited	South Africa	Africa/ Middle East	Home Furnishings & Equipment	5,344 <sup>e</sup>	na	18.9%
117	Casio Computer Co., Ltd.	Japan	Asia/Pacific	Electronic Products	5,314	226	7.0%
118	Pilgrim's Pride Corp.	United States	North America	Food, Drink & Tobacco	5,236	-34	-7.6%
119	Constellation Brands, Inc.	United States	North America	Food, Drink & Tobacco	5,216	332	13.3%
120	Maple Leaf Foods Inc.	Canada	North America	Food, Drink & Tobacco	5,200	9	-3.8%
121	Lexmark International, Inc.	United States	North America	Electronic Products	5,108	338	-2.2%

e=estimate

## Consumer Business

DT rank (FY06)	Company name	Country	Region	Product sector	FY06 net sales (US\$mil)	FY06 net profits (US\$mil)	FY06 sales growth
122	Kohler Co.	United States	North America	Home Improvement Products	5,000 <sup>e</sup>	na	19.0%
123	Liz Claiborne, Inc.	United States	North America	Fashion Goods	4,994	255	3.0%
124	Bacardi & Company, Limited	Bermuda	Latin America	Food, Drink & Tobacco	4,967 <sup>e</sup>	730 <sup>e</sup>	9.0%
125	Morinaga Milk Industry Co.,Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	4,950	47	4.7%
126	The Hershey Company	United States	North America	Food, Drink & Tobacco	4,944	559	2.6%
127	Arcelik Anonim Sirketi	Turkey	Africa/Middle East	Home Furnishings & Equipment	4,885	251	11.4%
128	San Miguel Corporation	Philippines	Asia/Pacific	Food, Drink & Tobacco	4,883	199	10.1%
129	Parmalat Group	Italy	Europe	Food, Drink & Tobacco	4,875	245	5.4%
130	The Clorox Company	United States	North America	Personal & Household Products	4,847	501	4.4%
131	Yamaha Corporation	Japan	Asia/Pacific	Leisure Goods	4,711	243	3.0%
132	Wm. Wrigley Jr. Company	United States	North America	Food, Drink & Tobacco	4,686	529	12.7%
133	Jones Apparel Group, Inc.	United States	North America	Fashion Goods	4,670	-144	-6.9%
134	Sumitomo Rubber Industries Ltd.	Japan	Asia/Pacific	Tires	4,593	244	4.1%
135	Skandinavisk Tobakskompagni A/S	Denmark	Europe	Food, Drink & Tobacco	4,587 <sup>e</sup>	396 <sup>e</sup>	4.6%
136	Grupo Modelo, S.A. de C.V.	Mexico	Latin America	Food, Drink & Tobacco	4,574	1,039	9.0%
137	Campina Melkunie UA	Netherlands	Europe	Food, Drink & Tobacco	4,552 <sup>e</sup>	58 <sup>e</sup>	1.5%
138	Chiquita Brands International, Inc.	United States	North America	Food, Drink & Tobacco	4,499	-96	15.2%
139	Hanesbrands Inc.	United States	North America	Fashion Goods	4,403 <sup>e</sup>	208 <sup>e</sup>	-1.6%
140	Itoham Foods Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	4,317	-12	-2.5%
141	Sony Bmg Music Entertainment	United States	North America	Electronic Products	4,314 <sup>e</sup>	na	-13.7%
142	Polo Ralph Lauren Corporation	United States	North America	Fashion Goods	4,295	401	14.6%
143	The Yokohama Rubber Company Limited	Japan	Asia/Pacific	Tires	4,258	140	10.1%
144	Bongrain SA	France	Europe	Food, Drink & Tobacco	4,193	149	-0.3%
145	The Stanley Works	United States	North America	Home Improvement Products	4,109	290	3.6%
146	Levi Strauss & Co.	United States	North America	Fashion Goods	4,107	239	-1.1%
147	Hallmark Cards, Inc.	United States	North America	Leisure Goods	4,100 <sup>e</sup>	na	-2.4%
148	Husqvarna AB	Sweden	Europe	Home Improvement Products	3,995	258	2.2%
149	Gateway, Inc.	United States	North America	Electronic Products	3,981	10	3.3%
150	PepsiAmericas, Inc.	United States	North America	Food, Drink & Tobacco	3,972	158	6.6%
151	Namco Bandai Holdings Inc.	Japan	Asia/Pacific	Leisure Goods	3,930	208	1.8%
152	Q.P. Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	3,918	62	0.2%
153	Nichirei Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	3,918	94	-2.5%
154	Mccain Foods Limited	Canada	North America	Food, Drink & Tobacco	3,911	na	-22.1%
155	The Swatch Group Ltd.	Switzerland	Europe	Fashion Goods	3,849	663	12.3%
156	Jarden Corporation	United States	North America	Personal & Household Products	3,846	106	20.6%
157	Fenaco	Switzerland	Europe	Food, Drink & Tobacco	3,789 <sup>e</sup>	41 <sup>e</sup>	8.4%
158	Alberto-Culver Company	United States	North America	Personal & Household Products	3,772	205	6.8%
159	TCL Multimedia Technology Holdings Ltd.	Hong Kong	Asia/Pacific	Electronic Products	3,758	-322	-10.2%
160	Sapporo Holdings Limited	Japan	Asia/Pacific	Food, Drink & Tobacco	3,742	20	-4.1%
161	Foster's Group Limited	Australia	Asia/Pacific	Food, Drink & Tobacco	3,741	762	5.0%
162	Vestel Elektronik Sanayi ve Ticaret A.S.	Turkey	Africa/Middle East	Electronic Products	3,672 <sup>e</sup>	11 <sup>e</sup>	18.7%
163	Nisshin Seifun Group Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	3,580 <sup>e</sup>	126 <sup>e</sup>	-0.8%
164	Miele & Cie. KG	Germany	Europe	Home Furnishings & Equipment	3,578 <sup>e</sup>	na	7.9%
165	Harman International Industries Inc./DE/	United States	North America	Electronic Products	3,551	312	9.3%
166	The Schwan Food Company	United States	North America	Food, Drink & Tobacco	3,500 <sup>e</sup>	na	3.7%

e=estimate

DT rank (FY06)	Company name	Country	Region	Product sector	FY06 net sales (US\$mil)	FY06 net profits (US\$mil)	FY06 sales growth
167	B & C Tönnies Holding GmbH und Company KG	Germany	Europe	Food, Drink & Tobacco	3,459	na	5.9%
168	Austria Tabak GmbH & Co KG	Austria	Europe	Food, Drink & Tobacco	3,435	na	-40.1%
169	Red Bull GmbH	Austria	Europe	Food, Drink & Tobacco	3,430	na	28.4%
170	Armstrong World Industries	United States	North America	Home Improvement Products	3,426	1,358	3.0%
171	EMI Group plc	United Kingdom	Europe	Electronic Products	3,423	-543	-13.1%
172	Del Monte Foods Company	United States	North America	Food, Drink & Tobacco	3,415	113	13.9%
173	Perdue Farms Incorporated	United States	North America	Food, Drink & Tobacco	3,400 <sup>e</sup>	na	0.0%
174	Funai Electric Co., Ltd.	Japan	Asia/Pacific	Electronic Products	3,396	-31	9.9%
175	Essilor International	France	Europe	Personal & Household Products	3,379	416	11.0%
176	Meiji Seika Kaisha, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	3,371	51	3.0%
177	Hankook Tire Co., Ltd.	Korea (South)	Asia/Pacific	Tires	3,363	177	9.1%
178	Kikkoman Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	3,361	107	9.1%
179	Montres Rolex SA	Switzerland	Europe	Fashion Goods	3,350 <sup>e</sup>	na	21.8%
180	RPM International Inc.	United States	North America	Home Improvement Products	3,339	208	11.0%
181	Coca-Cola Amatil Limited	Australia	Asia/Pacific	Food, Drink & Tobacco	3,331	213	6.5%
182	SEB SA	France	Europe	Home Furnishings & Equipment	3,331	110	7.7%
183	Groupe ONA	Morocco	Africa/Middle East	Food, Drink & Tobacco	3,326	150	9.7%
184	Royal Numico N.V.	Netherlands	Europe	Food, Drink & Tobacco	3,321	255	31.7%
185	Charoen Pokphand Foods Public Company Limited	Thailand	Asia/Pacific	Food, Drink & Tobacco	3,304	67	10.2%
186	SanDisk Corporation	United States	North America	Electronic Products	3,258	201	41.3%
187	Inventec Appliances Corp.	Taiwan	Asia/Pacific	Electronic Products	3,235 <sup>e</sup>	63 <sup>e</sup>	-12.4%
188	Coty, Inc.	United States	North America	Personal & Household Products	3,200	na	10.3%
189	Barilla G e R Fratelli SpA	Italy	Europe	Food, Drink & Tobacco	3,182 <sup>e</sup>	na	-2.9%
190	La Coop Federee	Canada	North America	Food, Drink & Tobacco	3,176	-10	1.1%
191	Hasbro, Inc.	United States	North America	Leisure Goods	3,151	230	2.1%
192	Groupe Terrena	France	Europe	Food, Drink & Tobacco	3,100 <sup>e</sup>	na	-21.8%
193	Electronic Arts Inc.	United States	North America	Leisure Goods	3,091	72	4.7%
194	Energizer Holdings, Inc.	United States	North America	Personal & Household Products	3,077	261	2.9%
195	Ebro Puleva S.A.	Spain	Europe	Food, Drink & Tobacco	3,076	226	3.8%
196	Nissin Food Products Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	3,067	163	11.4%
197	Carolina Group	United States	North America	Food, Drink & Tobacco	3,056	760	5.7%
198	Research In Motion Limited	Canada	North America	Electronic Products	3,037	632	47.0%
199	Gree Electric Appliances, Inc. of Zhuhai	China	Asia/Pacific	Home Furnishings & Equipment	2,989	79	30.3%
200	KT&G Corporation	Korea (South)	Asia/Pacific	Food, Drink & Tobacco	2,985	685	6.5%
201	Katokichi Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,979 <sup>e</sup>	-79 <sup>e</sup>	2.4%
202	D Swarovski & Co	Austria	Europe	Fashion Goods	2,977 <sup>e</sup>	na	12.9%
203	Puma AG Rudolf Dassler Sport	Germany	Europe	Fashion Goods	2,976	334	33.3%
204	Ashley Furniture Industries, Inc.	United States	North America	Home Furnishings & Equipment	2,964 <sup>e</sup>	na	16.2%
205	E. & J. Gallo Winery	United States	North America	Food, Drink & Tobacco	2,927 <sup>e</sup>	na	8.4%
206	Interstate Bakeries Corp.	United States	North America	Food, Drink & Tobacco	2,917	-113	-4.7%
207	Pactiv Corporation	United States	North America	Personal & Household Products	2,917	274	5.8%
208	Cremonini S.p.A.	Italy	Europe	Food, Drink & Tobacco	2,903	33	10.5%
209	JELD-WEN, Inc.	United States	North America	Home Improvement Products	2,900 <sup>e</sup>	na	11.5%
210	PT Gudang Garam Tbk	Indonesia	Asia/Pacific	Food, Drink & Tobacco	2,897	111	6.0%
211	Citizen Watch Co., Ltd.	Japan	Asia/Pacific	Fashion Goods	2,878	62	0.1%

e=estimate

DT rank (FY06)	Company name	Country	Region	Product sector	FY06 net sales (US\$mil)	FY06 net profits (US\$mil)	FY06 sales growth
212	World Co Ltd.	Japan	Asia/Pacific	Fashion Goods	2,854	44	15.0%
213	Lion Corporation	Japan	Asia/Pacific	Personal & Household Products	2,841	50	-0.4%
214	Coca-Cola West Holdings Company, Limited	Japan	Asia/Pacific	Food, Drink & Tobacco	2,819	65	33.3%
215	Gruma S.A. de C.V.	Mexico	Latin America	Food, Drink & Tobacco	2,816	147	10.0%
216	Techtronic Industries Co. Ltd.	Hong Kong	Asia/Pacific	Home Improvement Products	2,809	139	-2.4%
217	Brown-Forman Corporation	United States	North America	Food, Drink & Tobacco	2,806	390	14.8%
218	Videocon Industries Limited	India	Asia/Pacific	Electronic Products	2,785	171	87.8%
219	Toyo Suisan Kaisha, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,751	61	-1.3%
220	Toyo Tire & Rubber Co., Ltd.	Japan	Asia/Pacific	Tires	2,743	52	6.7%
221	ITC Limited	India	Asia/Pacific	Food, Drink & Tobacco	2,741	598	26.3%
222	Onward Kashiyama Co., Ltd.	Japan	Asia/Pacific	Fashion Goods	2,728	106	12.6%
223	McCormick & Company, Inc.	United States	North America	Food, Drink & Tobacco	2,716	205	4.8%
224	The Scotts Miracle-Gro Company	United States	North America	Home Improvement Products	2,697	133	13.8%
225	Cooper Tire & Rubber Company	United States	North America	Tires	2,676	-79	24.2%
226	Ito En, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,652	105	7.7%
227	Hunter Douglas N.V.	Netherlands	Europe	Home Furnishings & Equipment	2,629	328	9.0%
228	Dairy Crest Group plc	United Kingdom	Europe	Food, Drink & Tobacco	2,608	93	12.0%
229	Irish Dairy Board Co-operative Ltd.	Ireland	Europe	Food, Drink & Tobacco	2,606	410	5.0%
230	Thai Beverage Public Company Limited	Thailand	Asia/Pacific	Food, Drink & Tobacco	2,586	266	3.0%
231	Unicharm Corporation	Japan	Asia/Pacific	Personal & Household Products	2,584	147	11.7%
232	Yves Rocher SA	France	Europe	Personal & Household Products	2,572	88	2.5%
233	Glen Dimplex Group	Ireland	Europe	Home Furnishings & Equipment	2,566	na	33.3%
234	Spectrum Brands, Inc.	United States	North America	Personal & Household Products	2,552	-434	10.6%
235	Tiger Brands Limited	South Africa	Africa/Middle East	Food, Drink & Tobacco	2,532	356	12.8%
236	GuangDong Midea Electric Appliances Co.,	China	Asia/Pacific	Home Furnishings & Equipment	2,529	96	-5.5%
237	Valentino Fashion Group	Italy	Europe	Fashion Goods	2,466	197	13.6%
238	Qingdao Haier Co., Ltd.	China	Asia/Pacific	Home Furnishings & Equipment	2,464	45	18.9%
239	Triumph International Vertriebsgesellschaft AG	Switzerland	Europe	Fashion Goods	2,455	na	0.8%
240	Nordmilch eG	Germany	Europe	Food, Drink & Tobacco	2,438 <sup>e</sup>	na	-4.4%
241	Furniture Brands International, Inc.	United States	North America	Home Furnishings & Equipment	2,418	55	1.3%
242	PT Indofood Sukses Makmur Tbk.	Indonesia	Asia/Pacific	Food, Drink & Tobacco	2,414	83	16.9%
243	Prima Meat Packers, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,405	25	-0.2%
244	Perdigão S.A.	Brazil	Latin America	Food, Drink & Tobacco	2,400	57	1.3%
245	Rich Products Corporation	United States	North America	Food, Drink & Tobacco	2,400 <sup>e</sup>	na	-4.0%
246	Makita Corporation	Japan	Asia/Pacific	Home Improvement Products	2,396	316	22.2%
247	Snow Brand Milk Products Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,374	69	-1.0%
248	Quiksilver, Inc.	United States	North America	Fashion Goods	2,362	93	32.6%
249	Sichuan Changhong Electronic Co. Ltd	China	Asia/Pacific	Electronic Products	2,355	38	24.5%
250	Fraser and Neave Limited	Singapore	Asia/Pacific	Food, Drink & Tobacco	2,340	267	8.8%

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Despite the positive economic environment, the consumer products industry faces enormous challenges. Private label competition, rising commodity prices, product integrity issues, diminishing returns on new product development, and declining productivity of traditional marketing programs are just some of the issues putting pressure on the industry. Nevertheless, strong consumer spending resulted in healthy growth for the industry's Top 250 companies in fiscal 2006, the financial period covered in this report.

Total sales for the Top 250 consumer products companies exceeded \$2.65 trillion in 2006. The average year-over-year growth rate for the group was a robust 8.4%.

However, not every company enjoyed strong growth. Forty-one companies, or 16% of the Top 250, experienced declining sales in fiscal 2006, a rather alarming statistic.

Top-line gains translated into solid profitability for most companies in 2006. Despite the challenges noted above, the average net profit margin for the 220 companies that disclosed their net income/loss figures was 6.0%. Of these companies, 24 (or 11%) recorded a net loss in fiscal 2006. Profitability was down slightly from the prior year when the average net profit margin was 6.2% and only half as many companies were unprofitable.

Consistent with that finding, return on assets averaged 5.9% in 2006, a modest decline from 6.0% a year earlier. Consumer products companies were fairly highly leveraged in 2006, with an average financial leverage ratio of 4.1 times (total assets / stockholders equity). This resulted in average return on equity of 18.2%.

To join the ranks of the Top 250 required fiscal 2006 sales of at least \$2.34 billion. The average size for the group was \$10.6 billion.

## A look at the leader board

The ten largest companies reported combined sales of \$751 billion in fiscal 2006, or 28.3% of total Top 250 net sales. This group grew sales 8.6%, on average, slightly ahead of the 8.4% pace for the Top 250.

These consumer products powerhouses have relied on a variety of growth strategies to achieve their current stature. Market-leading brands favored by the big retailers, innovative products that offer unique consumer benefits, strategic acquisitions and partnerships, and entry into high-opportunity geographies have helped to keep these companies on top. At the same time, ongoing restructuring and streamlining measures have helped maintain their ability to react quickly to market trends while cutting costs.

Altria Group (formerly Philip Morris Companies) was the world's largest consumer products company in 2006. However, this has already changed as the tobacco giant spun off its Kraft Foods division in March 2007. Kraft, when listed as a separate company, will very likely place among the Top 20. Altria also plans to spin off its fast-growing Philip Morris International arm to separate it from the declining US tobacco business, at which point the company will drop well out of the Top 10.

## Global top 10 consumer products companies, 2006

DT rank (FY 06)	Company name	Country	Product sector	Net sales (US\$mil)	Y-o-Y sales growth	Net profit margin	ROA	Financial leverage	ROE
1	Altria	United States	Food, Drink & Tobacco	101,407	3.6%	12.0%	11.7%	2.4	28.2%
2	Hewlett-Packard	United States	Electronic Products	91,658	5.7%	6.8%	7.6%	2.1	16.2%
3	Samsung Electronics	Korea (South)	Electronic Products	90,551	5.9%	9.6%	10.1%	1.7	17.1%
4	Nestle	Switzerland	Food, Drink & Tobacco	78,625	8.1%	10.0%	9.7%	1.9	18.6%
5	Matsushita	Japan	Electronic Products	77,966	2.4%	2.7%	3.1%	1.8	5.6%
6	Procter & Gamble	United States	Personal & Household Products	76,476	12.1%	13.5%	7.5%	2.1	15.5%
7	Sony	Japan	Electronic Products	64,777	13.1%	1.7%	1.1%	3.4	3.7%
8	Toshiba	Japan	Electronic Products	60,916	12.2%	2.2%	2.6%	4.1	10.7%
9	Dell*	United States	Electronic Products	57,095	2.1%	4.6%	na	na	na
10	Nokia	Finland	Electronic Products	51,657	20.3%	10.6%	19.3%	1.9	36.2%
			<b>TOP 10</b>	<b>751,127</b>	<b>8.6%</b>	<b>7.4%</b>	<b>8.1%</b>	<b>2.4</b>	<b>16.9%</b>
			<b>TOP 250</b>	<b>2,650,098</b>	<b>8.4%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>4</b>	<b>18.1%</b>
			<b>Economic Concentration of Top 10</b>	<b>28.3%</b>					

\*Dell's balance sheet data unavailable at time of data collection

Altria is one of only two Food, Drink & Tobacco companies on the Top 10 leader board. Nestlé occupies the #4 spot. The world's largest food company recently became even larger with the acquisition of Gerber Products in September 2007. In 2006, Nestlé's relatively strong growth vs. fifth-place holder — consumer electronics maker Matsushita — moved Nestlé up one place from where it would have been positioned in 2005.

Seven of the Top 10 companies are electronics manufacturers. This is not surprising, especially given that these companies' sales figures include products and services for businesses as well as consumers. With its 2002 acquisition of Compaq, HP (#2) now leads the pack, closely followed by South Korea's Samsung Electronics. Japan is home to three of the world's top consumer electronics companies: Matsushita (#5), Sony (#7), and Toshiba (#8). Dell hung onto 9th place despite disappointing sales and earnings in 2006. Nokia, the world's top cell phone maker, came on strong to finish in the #10 spot.

P&G, the world's largest supplier of personal & household products, ranks 6th among the leader group. A series of acquisitions, including Gillette in 2005, has been followed by aggressive brand rationalization with a focus on billion-dollar brands. As a result, P&G has nearly doubled in size in the past five years.

The Top 10's average net profit margin of 7.4% compares favorably with 6.0% for the group as a whole. This translated into higher return on assets of 8.1% vs. the Top 250's 5.9%. The leader group was less highly leveraged, resulting in lower average return on equity.

### US companies dominate in number and size, but performance lags

By geographic region, the ninety-four North American firms (90 from the US) dominate in terms of sheer number, but the region experienced the lowest average 2006 sales growth, 7.4%. North American companies also lagged their European and Latin American counterparts in terms of profitability.

Europe, which is home to 70 Top 250 firms, saw sales rise 8.8%, on average. Strong growth was propelled by German and UK-based firms, but dragged down by

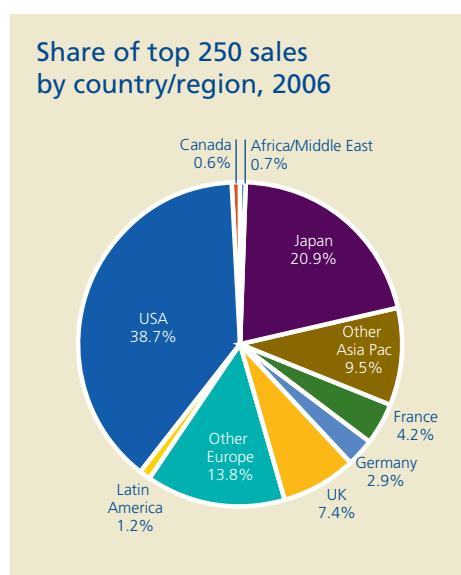
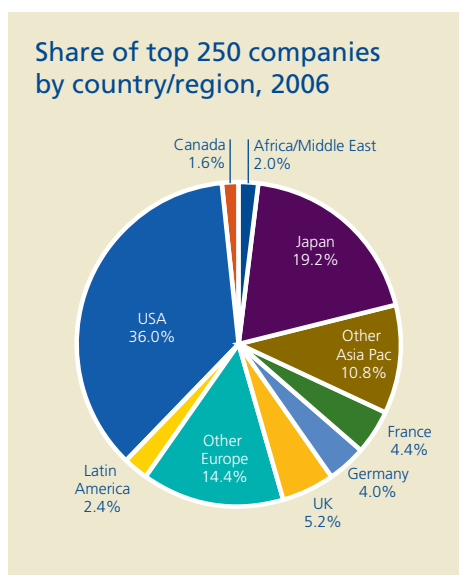
French companies. Companies in the Africa/Middle East region reported the highest average sales growth in 2006 at 14.3%.

Companies from Africa/Middle East and Latin America are the smallest, on average. Their share of Top 250 companies was more than double their share of Top 250 sales volume. UK companies are the biggest, with average sales in excess of \$15 billion in 2006.

Asian companies, particularly those based in Japan, reported the slimmest profit margins. This is partly because many of these companies operate in the low-margin electronics business. German companies stand out for their high return on assets, almost double the average ROA for all Top 250 firms.

### Performance by region/country, 2006

Region/country	# Cos.	Average net sales growth	Average net profit margin	Average size (US\$mil)	Average ROA
Africa/ME	5	14.3%	6.0%	\$3,952	8.1%
Asia/Pac	75	8.9%	3.7%	\$10,720	3.3%
Japan	48	7.3%	3.2%	\$11,530	3.4%
Europe	70	8.8%	8.3%	\$10,764	8.0%
France	11	5.3%	7.9%	\$10,239	6.5%
Germany	10	11.6%	8.7%	\$7,743	10.6%
UK	13	10.0%	9.0%	\$15,142	6.9%
Lat America	6	8.5%	9.7%	\$5,363	7.4%
N America	94	7.4%	6.4%	\$11,071	6.6%
US	90	7.4%	6.4%	\$11,393	6.7%
Top 250	250	8.4%	6.0%	\$10,600	5.9%



## Top consumer products companies by region

The Top 10 companies in North America, Europe and Asia/Pacific are all positioned among the top 33 consumer products companies globally. The highest-ranked consumer products firm elsewhere in the world is Mexico's #61 ranked FEMSA (Fomento Económico Mexicano), the largest beverage company in Latin America.

### Top 10 North American consumer products companies, 2006

Company name	North Am rank	Top 250 rank	Sector	Country	FY06 net sales (US\$mil)
Altria	1	1	Food, Drink & Tobacco	United States	101,407
Hewlett-Packard	2	2	Electronic Products	United States	91,658
Procter & Gamble	3	6	Personal & Household Products	United States	76,476
Dell	4	9	Electronic Products	United States	57,095 <sup>e</sup>
Motorola	5	13	Electronic Products	United States	42,879
PepsiCo	6	16	Food, Drink & Tobacco	United States	35,137
Tyson	7	19	Food, Drink & Tobacco	United States	25,559
Coca-Cola	8	20	Food, Drink & Tobacco	United States	24,088
Mars	9	23	Food, Drink & Tobacco	United States	21,000 <sup>e</sup>
Goodyear	10	25	Tires	United States	20,258

The Top10 North American companies are all US-based. The smallest of this group ranks 25th overall among the Top 250. Eight of these companies are from the Food, Drink & Tobacco and Electronic Products sectors. None are from the Home, Fashion or Leisure sectors.

### Top 10 European consumer products companies, 2006

Company name	Europe rank	Top 250 Rank	Sector	Country	FY06 net sales (US\$mil)
Nestle	1	4	Food, Drink & Tobacco	Switzerland	78,625
Nokia	2	10	Electronic Products	Finland	51,657
Unilever	3	11	Personal & Household Products	United Kingdom	49,799
Philips	4	17	Electronic Products	Netherlands	33,888
Imperial Tobacco	5	22	Food, Drink & Tobacco	United Kingdom	21,028
Michelin	6	24	Tires	France	20,582
Christian Dior	7	26	Fashion Goods	France	20,120
L'Oreal SA	8	27	Personal & Household Products	France	19,836
SABMiller plc	9	31	Food, Drink & Tobacco	United Kingdom	18,620
BAT	10	33	Food, Drink & Tobacco	United Kingdom	17,991

The Top 10 European consumer products companies are fairly dispersed geographically, but dominated by British and French companies. The largest company in this region is Switzerland's Nestlé (#4 overall). Luxury goods provider Christian Dior is the only Fashion Goods company in the Top 10 in any of the regional groups.

### Top 10 Asia/Pacific consumer products companies, 2006

Company name	Asia/Pac rank	Top 250 rank	Sector	Country	FY06 net sales (US\$mil)
Samsung	1	3	Electronic Products	Korea (South)	90,551
Matsushita	2	5	Electronic Products	Japan	77,966
Sony	3	7	Electronic Products	Japan	64,777
Toshiba	4	8	Electronic Products	Japan	60,916
LG Electronics	5	12	Electronic Products	Korea (South)	49,120
Japan Tobacco	6	14	Food, Drink & Tobacco	Japan	40,826
Canon	7	15	Electronic Products	Japan	35,748
Sharp	8	18	Electronic Products	Japan	26,774
Fujifilm	9	21	Electronic Products	Japan	23,818
Sanyo	10	30	Home Furnishings & Equipment	Japan	18,964

Eight of the Top 10 Asia/Pacific companies are based in Japan, while two are headquartered in South Korea. All but two of these companies — Japan Tobacco and Sanyo Electric — are electronics manufacturers.

### Top Latin American consumer products companies, 2006

Company name	Latin Am rank	Top 250 rank	Sector	Country	FY06 net sales (US\$mil)
FEMSA	1	61	Food, Drink & Tobacco	Mexico	11,574
Grupo Bimbo	2	112	Food, Drink & Tobacco	Mexico	5,845
Bacardi	3	124	Food, Drink & Tobacco	Bermuda	4,967 <sup>e</sup>
Grupo Modelo	4	136	Food, Drink & Tobacco	Mexico	4,574
Gruma	5	215	Food, Drink & Tobacco	Mexico	2,816
Perdigão	6	244	Food, Drink & Tobacco	Brazil	2,400

Latin America has six companies among the top 250, four of which are based in Mexico. All six companies operate in the food, drink & tobacco sector. Other than FEMSA, none rank among the 100 largest consumer products companies.

### Top Africa/ME consumer products companies, 2006

Company name	Africa/ME rank	Top 250 rank	Sector	Country	FY06 net sales (US\$mil)
Steinhoff International	1	116	Home Furnishings & Equipment	South Africa	5,344 <sup>e</sup>
Arcelik	2	127	Home Furnishings & Equipment	Turkey	4,885
Vestel	3	162	Electronic Products	Turkey	3,672 <sup>e</sup>
Groupe ONA	4	183	Food, Drink & Tobacco	Morocco	3,326
Tiger Brands	5	235	Food, Drink & Tobacco	South Africa	2,532

Africa/Middle East, the smallest region in terms of number of companies and average size, lists five companies. The top two are home furnishings & equipment manufacturers: Steinhoff International, based in South Africa, and Turkish appliance manufacturer Arçelik.

e=estimate

## Food, drink & tobacco is dominant product sector

For analytical purposes, the Top 250 companies have been organized into eight major product sectors:

- Electronic products
- Fashion goods
- Food, drink & tobacco
- Home furnishings & equipment
- Home improvement products
- Leisure goods
- Personal & household products
- Tires

Food, drink & tobacco companies are, by far, the largest product group — home to almost half of all Top 250 companies. Food processors comprise the largest subgroup in this sector with 85, followed by 25 beverage makers, and 13 tobacco companies. This huge sector reported sales growth of 5.6%, on average, in 2006, the slowest of all the product sectors.

Companies selling electronic products tend to be far larger, on average, than companies in any of the other product groups, with an average size of \$23.5 billion. This is due, in large part, to the fact that these companies' total sales figures include significant enterprise, as well as consumer, sales. This sector, represented by 37 companies, posted strong growth, but profit margins in this intensely competitive industry sector were slim. Only the tire group, with a negative average net profit margin, had worse profitability.

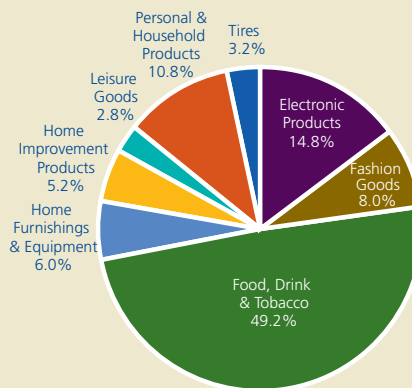
Among the eight product groups, the leisure goods sector enjoyed the strongest growth in 2006, followed by fashion goods. However, the Leisure group's result was heavily skewed by Nintendo's rapid sales growth. Both also posted above-average profitability. The personal & household products sector, with 27 companies, grew on a par with the Top 250 overall. Companies in this group tend to be above-average in size.

The two homegoods sectors also posted solid gains, but average profit margins were significantly higher for the home improvement group compared with the Home furnishings & equipment companies.

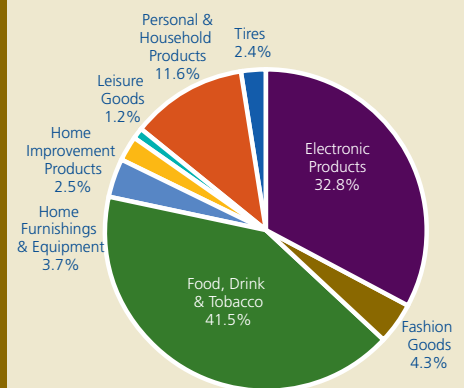
Performance by product sector, 2006

	# Cos.	Average net sales growth	Average net profit margin	Average size (US\$mil)	Average ROA
Electronic Products	37	12.3%	3.3%	\$23,490	2.6%
Fashion Goods	20	12.8%	7.8%	\$5,640	7.5%
Food, Drink & Tobacco	123	5.6%	6.7%	\$8,940	6.3%
Home Furnishings & Equipt.	15	12.3%	3.6%	\$6,486	4.7%
Home Improvement Products	13	8.7%	9.7%	\$5,047	9.9%
Leisure Goods	7	15.5%	8.1%	\$4,701	7.1%
Personal & Hshld. Products	27	8.2%	7.1%	\$11,414	7.8%
Tires	8	8.6%	-0.9%	\$8,069	0.3%
Top 250	250	8.4%	6.0%	\$10,600	5.9%

Share of top 250 companies by product sector, 2006



Share of top 250 sales by product sector, 2006



### Top 10 electronic products companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Hewlett-Packard	1	2	United States	North Am	91,658
Samsung	2	3	Korea (South)	Asia/Pac	90,551
Matsushita	3	5	Japan	Asia/Pac	77,966
Sony	4	7	Japan	Asia/Pac	64,777
Toshiba	5	8	Japan	Asia/Pac	60,916
Dell	6	9	United States	North Am	57,095 <sup>e</sup>
Nokia	7	10	Finland	Europe	51,657
LG Electronics	8	12	Korea (South)	Asia/Pac	49,120
Motorola	9	13	United States	North Am	42,879
Canon	10	15	Japan	Asia/Pac	35,748

As most of the top 10 largest companies are consumer electronics manufacturers, the top 10 electronic products companies look very much like the overall top 10 list. HP, the highest ranking company in this group, is in a tight race with Samsung. In addition to the electronics companies represented in the overall Top 10, are LG Electronics, Motorola and Canon. All of the top 10 electronics companies are among the top 15 largest consumer products companies worldwide.

### Top 10 food, drink & tobacco companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Altria	1	1	United States	North Am	101,407
Nestle	2	4	Switzerland	Europe	78,625
Japan Tobacco	3	14	Japan	Asia/Pac	40,826
PepsiCo	4	16	United States	North Am	35,137
Tyson	5	19	United States	North Am	25,559
Coca-Cola	6	20	United States	North Am	24,008
Imperial Tobacco	7	22	United Kingdom	Europe	21,028
Mars	8	23	United States	North Am	21,000 <sup>e</sup>
Coca-Cola Enterprises	9	28	United States	North Am	19,804
SABMiller	10	31	United Kingdom	Europe	18,620

The top 10 companies in the food, drink & tobacco group rank from first place to 31st place among the top 250. Six are from the US. Four of the top 10 are drinks manufacturers, three are food companies, and three make tobacco products.

### Top 10 personal & household products companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Procter & Gamble	1	6	United States	North Am	76,476
Unilever	2	11	United Kingdom	Europe	49,799
L'Oreal	3	27	France	Europe	19,836
Kimberly-Clark	4	35	United States	North Am	16,747
Henkel	5	38	Germany	Europe	16,004
SCA	6	47	Sweden	Europe	13,782
Colgate-Palmolive	7	57	United States	North Am	12,238
Kao	8	66	Japan	Asia/Pac	10,544
Reckitt Benckiser	9	73	United Kingdom	Europe	9,071
Avon	10	76	United States	North Am	8,677

P&G leads the personal & household products group by a significant margin, followed by Unilever. Nine of the top 10 are based in Europe or North America.

<sup>e</sup>=estimate

### Top 10 fashion goods companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Christian Dior	1	26	France	Europe	20,120
NIKE	2	37	United States	North Am	16,326
adidas	3	53	Germany	Europe	12,668
Richemont	4	102	Switzerland	Europe	6,192 e
VF	5	104	United States	North Am	6,138
Liz Claiborne	6	123	United States	North Am	4,994
Jones Apparel Group	7	133	United States	North Am	4,670
Hanesbrands	8	139	United States	North Am	4,403 e
Polo Ralph Lauren	9	142	United States	North Am	4,295
Levi Strauss	10	146	United States	North Am	4,107

The fashion goods sector (primarily apparel and footwear manufacturers) lists 20 companies. On average, these companies tend to be relatively small. The largest, Christian Dior, ranks 26th. Only three of the Top 10 companies in this sector – Dior, NIKE and adidas – reported 2006 sales in excess of \$10 billion. All ten companies are based in Europe or North America (7 are from the US).

### Top 10 home furnishings & equipment companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Sanyo	1	30	Japan	Asia/Pac	18,964
Whirlpool	2	32	United States	North Am	18,080
Electrolux	3	46	Sweden	Europe	14,109
BSH	4	67	Germany	Europe	10,437
Steinhoff International	5	116	South Africa	Africa/ME	5,344 e
Arcelik	6	127	Turkey	Africa/ME	4,885
Miele	7	164	Germany	Europe	3,578 e
SEB	8	182	France	Europe	3,331
Gree Electric Appliances	9	199	China	Asia/Pac	2,989
Ashley Furniture	10	204	United States	North Am	2,964 e

Household appliance makers dominate the home furnishings & equipment top 10. This is a much more geographically diverse group, with companies from four regions. Sanyo, ranked 30th overall, is the sector leader, followed closely by Whirlpool.

### Top 10 home improvement products companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Masco	1	51	United States	North Am	12,778
Mohawk	2	84	United States	North Am	7,906
Sherwin-Williams	3	85	United States	North Am	7,810
Black & Decker	4	97	United States	North Am	6,447
Kohler	5	122	United States	North Am	5,000 e
Stanley	6	145	United States	North Am	4,109
Husqvarna	7	148	Sweden	Europe	3,995
Armstrong	8	170	United States	North Am	3,426
RPM	9	180	United States	North Am	3,339
JELD-WEN	10	209	United States	North Am	2,900 e

The home improvement products arena is dominated by US companies. Sweden's Husqvarna is the only non-US representative among the top 10 in this sector.

e=estimate

### Top leisure goods companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Nintendo	1	80	Japan	Asia/Pacific	8,274
Mattel	2	115	United States	North Am	5,650
Yamaha	3	131	Japan	Asia/Pacific	4,711
Hallmark	4	147	United States	North Am	4,100 <sup>e</sup>
Namco Bandai	5	151	Japan	Asia/Pac	3,930
Hasbro	6	191	United States	North Am	3,151
Electronic Arts	7	193	United States	North Am	3,091

The leisure goods and tires sectors have the fewest firms on the top 250 list, with 7 and 8, respectively. Nintendo is the largest company in the Leisure sector, ranking 80th overall, followed by beleaguered toy maker Mattel. All of the companies in this small group are based either in Japan (electronic toys & games) or the US.

### Top tire companies, 2006

Company name	Product sector rank	Top 250 rank	Country	Region	FY06 net sales (US\$mil)
Michelin	1	24	France	Europe	20,582
Goodyear	2	25	United States	North Am	20,258
Pirelli	3	107	Italy	Europe	6,081
Sumitomo Rubber	4	134	Japan	Asia/Pac	4,593
Yokohama Rubber	5	143	Japan	Asia/Pac	4,258
Hankook Tire	6	177	Korea (South)	Asia/Pac	3,363
Toyo Tire & Rubber	7	220	Japan	Asia/Pac	2,743
Cooper Tire & Rubber	8	225	United States	North Am	2,676

Tire makers Michelin and Goodyear are running neck-and-neck in the tire category, with \$20+ billion in sales — far ahead of their next biggest competitor, Italy's Pirelli. Asian companies account for half of the tire makers on the top 250 list.

e=estimate

## Fastest 50 target emerging markets

In 2006, the 50 fastest-growing consumer products companies grew sales 25%, on average, three times the Top 250's 8.4% rate. Looking only at the top 10 fastest-growing companies, sales surged 45.2%. Growth for the Top 10 largest companies, by comparison, was 8.6%.

Number one-ranked Nintendo made great progress expanding gaming to the masses in 2006, reversing a long decline in the hand-held video game industry. The company has seen strong performance of both Nintendo DS and Wii.

Acquisitions boosted sales for many of the Fastest 50, including the 2nd fastest-growing company, adidas (acquired Reebok in 2006), Glen Dimplex, Royal Numico, and Whirlpool (acquired Maytag in 2006), among others.

A focus on innovative new products also resulted in strong growth for companies like Research In Motion (Blackberry wireless devices), SanDisk (flash memory products), Apple (iPod, iTunes, iTV, iPhone), and Red Bull (energy drinks).

Geographically, companies based in emerging markets grew rapidly, as would be expected. Both of the India-based manufacturers on the Top 250 list are among the Fastest 50, as are three of the five Chinese companies and two of the four Taiwanese firms. In addition, nearly one-third of the UK firms made the list of fast-growing companies.

From a product perspective, the two home-related sectors are the most over-represented. Fashion Good companies also have a disproportionate share of the Fastest 50. These findings point to a growing middle class around the world with more disposable income to spend on homegoods and apparel.

## 50 fastest growing consumer products companies 2005-2006

Growth rank	Sales rank	Company name	Country	Major product sector	2006 net sales (US\$mil)	YOY % sales growth
1	80	Nintendo Co., Ltd	Japan	Leisure Goods	8,274	89.80%
2	53	adidas AG	Germany	Fashion Goods	12,668	51.96%
3	48	Sony Ericsson Mobile Communications AB	United Kingdom	Electronic Products	13,767	50.78%
4	198	Research In Motion Limited	Canada	Electronic Products	3,037	47.00%
5	186	SanDisk Corporation	United States	Electronic Products	3,258	41.26%
6	29	Apple Inc.	United States	Electronic Products	19,315	38.65%
7	233	Glen Dimplex	Ireland	Home Furnishings & Equipment	2,566	33.33%
8	214	Coca-Cola West Holdings Company, Limited	Japan	Food, Drink & Tobacco	2,819	33.33%
9	203	Puma AG Rudolf Dassler Sport	Germany	Fashion Goods	2,976	33.29%
10	248	Quiksilver, Inc.	United States	Fashion Goods	2,362	32.65%
11	184	Royal Numico N.V.	Netherlands	Food, Drink & Tobacco	3,321	31.67%
12	199	Gree Electric Appliances, Inc. of Zhuhai	China	Home Furnishings & Equipment	2,989	30.32%
13	93	BenQ Corporation	Taiwan	Electronic Products	6,988	28.54%
14	169	Red Bull GmbH	Austria	Food, Drink & Tobacco	3,430	28.39%
15	66	Kao Corporation	Japan	Personal & Household Products	10,544	26.83%
16	221	ITC Limited	India	Food, Drink & Tobacco	2,741	26.34%
17	32	Whirlpool Corporation	United States	Home Furnishings & Equipment	18,080	26.28%
18	249	Sichuan Changhong Electronic Co. Ltd.	China	Electronic Products	2,355	24.54%
19	75	Fortune Brands, Inc.	United States	Food, Drink & Tobacco	8,769	24.19%
20	225	Cooper Tire & Rubber Company	United States	Tires	2,676	24.18%
21	246	Makita Corporation	Japan	Home Improvement Products	2,396	22.20%
22	179	Montres Rolex SA	Switzerland	Fashion Goods	3,350	21.82%
23	31	SABMiller plc	United Kingdom	Food, Drink & Tobacco	18,620	21.64%
24	13	Motorola, Inc.	United States	Electronic Products	42,879	21.60%
25	71	Groupe Lactalis	France	Food, Drink & Tobacco	9,422	20.97%
26	156	Jarden Corporation	United States	Personal & Household Products	3,846	20.61%
27	10	Nokia Corporation	Finland	Electronic Products	51,657	20.27%
28	84	Mohawk Industries, Inc.	United States	Home Improvement Products	7,906	19.42%
29	122	Kohler Co.	United States	Home Improvement Products	5,000	19.05%
30	116	Steinhoff International Holdings Limited	South Africa	Home Furnishings & Equipment	5,344	18.93%

Growth rank	Sales rank	Company name	Country	Major product sector	2006 net sales (US\$mil)	YOY % sales growth
31	238	Qingdao Haier Co., Ltd.	China	Home Furnishings & Equipment	2,464	18.86%
32	162	Vestel Elektronik Sanayi ve Ticaret A.S.	Turkey	Electronic Products	3,672	18.68%
33	72	Vion NV	Netherlands	Food, Drink & Tobacco	9,222	18.00%
34	73	Reckitt Benckiser plc	United Kingdom	Personal & Household Products	9,071	17.78%
35	90	Coca-Cola Hellenic Bottling Company SA	Greece	Food, Drink & Tobacco	7,055	17.49%
36	242	PT. Indofood Sukses Makmur Tbk.	Indonesia	Food, Drink & Tobacco	2,414	16.93%
37	23	Mars, Incorporated	United States	Food, Drink & Tobacco	21,000	16.67%
38	96	CJ Corporation	Korea (South)	Food, Drink & Tobacco	6,637	16.43%
39	204	Ashley Furniture Industries, Inc.	United States	Home Furnishings & Equipment	2,964	16.24%
40	63	Acer Incorporated	Taiwan	Electronic Products	11,350	16.03%
41	49	Cadbury Schweppes plc	United Kingdom	Food, Drink & Tobacco	13,688	15.47%
42	138	Chiquita Brands International, Inc.	United States	Food, Drink & Tobacco	4,499	15.23%
43	218	Videocon Appliances	India	Electronic Products	2,785	15.07%
44	212	World Co Ltd.	Japan	Fashion Goods	2,854	15.01%
45	217	Brown-Forman Corporation	United States	Food, Drink & Tobacco	2,806	14.81%
46	142	Polo Ralph Lauren Corporation	United States	Fashion Goods	4,295	14.65%
47	36	InBev NV	Belgium	Food, Drink & Tobacco	16,718	14.17%
48	172	Del Monte Foods Company	United States	Food, Drink & Tobacco	3,415	13.89%
49	224	The Scotts Miracle-Gro Company	United States	Home Improvement Products	2,697	13.84%
50	237	Valentino Fashion Group	Italy	Fashion Goods	2,466	13.62%

## Study methodology and data Sources

To be considered for this list, a company must first be designated as a manufacturer (primary SIC code 20-39). Each company was then analyzed in an attempt to determine if the majority of its fiscal 2006 sales were derived from consumer products versus commercial or industrial products. Broadly defined, these are products produced for and purchased by the ultimate consumer. Generally, these products are marketed under well-known consumer brands. The list excludes contract manufacturers — organizations that make products under contract for other companies — and includes only the companies whose brands are on the final products. It also excludes motor vehicles, as this industry is not relevant to the vast majority of the target audience for this analysis.

Companies whose primary business is the sale of consumer products were included among the Top 250 based on their total fiscal 2006 Net Sales, which may include sales of commercial and industrial products as well as consumer products. The fiscal 2006 definition encompasses fiscal years ended through June 2007.

A number of sources were consulted to develop the top 250 list and the other tables and charts in this report. Whenever possible, data was taken directly from annual reports, 10-Ks, press releases, or other company-supplied information sources. Other sources include Hoovers, Factiva, OneSource, Amadeus, and Forbes Largest Private Companies list.

In order to provide a common base from which to rank the companies, Net Sales for non-US companies were converted to US dollars. Exchange rates, therefore, have an impact on the results. OANDA.com was the source used for the exchange rates. The average daily exchange rate corresponding to each company's fiscal year was used to convert that company's results to US dollars. Growth rates and other financial ratios, however, were calculated in the companies' local currencies.

# The value of intangibles: understanding Q ratio

In today's business environment, producers of consumer goods fight a constant battle against commoditization. Due to advances in manufacturing technology and the ubiquity of discount retailers with low-priced private label goods, consumers have come to expect high quality and low prices. As a result, they are not necessarily convinced that a brand is differentiated from its competitors simply on the basis of good quality. The problem with commoditization is that it leads to margin-killing price competition. The only way to avoid this is to create a compelling brand, clearly differentiated products, and a better consumer experience. This entails innovation in design and technology, clever marketing, closeness to the consumer, and excellence in brand management. This is a tall order, but companies that can do this achieve pricing power, higher margins, better returns to shareholders, and higher market capitalization.

It would be useful to observe the gains to shareholder value that emanate from such non-tangible assets as strong branding, innovation, differentiation, first mover advantage, and market leadership. These strengths are critical in an environment characterized by price pressure, private label competition, and commoditization. The value of such attributes is not reflected in a company's statement of assets. Instead, the value is captured in the market value assigned by financial markets. As such, the ratio of market capitalization to assets, dubbed the Q ratio by the Nobel-prize winning economist James Tobin, is a good indicator of the ability of a company to generate shareholder value from such intangibles as brand, innovation, and so on.

Deloitte has chosen to measure the Q ratio for the world's leading consumer product companies. We have done this for the 190 publicly traded companies on our list of the top 250 consumer product companies. To calculate the Q ratio, we took market capitalization (share price times number of shares) as of October 8, 2007 divided by reported assets for fiscal year 2006.

Our analysis of the world's leading consumer product companies yields some interesting insights. The composite Q ratio for all 190 companies is 1.51. In other words, on average, the world's leading consumer product companies generate about a third of their financial market value from non-tangible assets such as brand.

Of the 190 companies, 99 had Q ratios greater than one while 91 companies had Q ratios less than one. If the Q ratio is less than one, this implies that there is an arbitrage opportunity. In theory, the company could be acquired and the assets could be sold off for a profit.

There are differences between the Q ratios of companies in different countries and in different sectors:

- On average, companies based in North America and Europe have higher Q ratios than companies in other regions. Companies based in the UK, Germany, and the US have high Q ratios while companies based in Japan have, on average, relatively low ratios. Naturally, there are significant individual exceptions to these averages.
- Companies in the leisure sector have the highest average Q ratios. This is not surprising as these companies depend on the strength of their brands. In addition, companies in the personal and household product sector and the food, drink, and tobacco sector have relatively high Q ratios. On the other hand, average Q ratios for home furnishing, home improvement, and tire companies are low.
- Interestingly, companies with high market capitalizations have, on average, high Q ratios. Those with low market values have low average Q ratios. On the other hand, companies that are large in terms of revenue do not, on average, have Q ratios significantly different than companies with low revenues.
- The two companies on the list with the highest Q ratios (Research in Motion and Apple) are those with very high-profile, innovative technologies that have been successfully branded and are clearly differentiated from competitors.

The importance of the Q ratio should not be overstated. Differences between companies can arise over whether assets are owned or leased, or over whether processes are performed in house or are outsourced. Still, the ratio can provide some indication of the degree to which companies have successfully branded, differentiated, innovated, and done other things necessary to maintain pricing power and avoid commoditization.

## Top 5 Q ratio by region/country

## Asia/Pacific

Company	Q ratio
ITC Limited	6.95
Nintendo Co., Ltd	5.12
KT&G Corporation	2.53
Makita Corporation	2.03
Nikon Corporation	1.98

## Europe

Company	Q ratio
Nokia Corporation	4.95
Beiersdorf AG	3.98
Reckitt Benckiser plc	3.94
Essilor International	3.33
The Swatch Group Ltd.	3.03

## Latin America

Company	Q ratio
Grupo Modelo, S.A. de C.V.	1.97
Perdigao S.A.	1.74
Fomento Economico Mexicano S.A.B de C.V.	1.03
Molson Coors Brewing Company	0.79
Gruma S.A. de C.V.	0.6

## France

Company	Q ratio
Essilor International	3.33
L'Oreal SA	2.54
Groupe Danone	1.89
SEB SA	1.13
Michelin Group	0.93

## Germany

Company	Q ratio
Beiersdorf AG	3.98
Puma AG Rudolf Dassler Sport	3.16
Henkel KGaA	1.26
adidas AG	1.2
Coca-Cola Hellenic Bottling Company SA	1.78

## Japan

Company	Q ratio
Nintendo Co., Ltd	5.12
Makita Corporation	2.03
Nikon Corporation	1.98
Japan Tobacco Inc	1.87
Canon Inc.	1.84

## UK

Company	Q ratio
Reckitt Benckiser plc	3.94
Imperial Tobacco Group PLC	2.37
Diageo plc	2.2
British American Tobacco plc	2.12
Unilever Group	2.05

## USA

Company	Q ratio
Apple Inc.	8.49
The Coca-Cola Company	4.5
Colgate-Palmolive Company	4.02
PepsiCo, Inc.	3.99
Wm. Wrigley Jr. Company	3.85

## Top 5 Q ratio by product sector

## Electronic products

Company	Q ratio
Research In Motion Limited	21.32
Apple Inc.	8.49
Nokia Corporation	4.95
Harman International Industries Inc./DE/	2.26
Nikon Corporation	1.98

## Fashion goods

Company	Q ratio
The Swatch Group Ltd.	3.3
Puma AG Rudolf Dassler Sport	3.16
Compagnie Financiere Richemont SA	3.05
NIKE, Inc.	2.8
Polo Ralph Lauren Corporation	2.08

## Food, drink &amp; tobacco

Company	Q ratio
ITC Limited	6.95
The Coca-Cola Company	4.5
PepsiCo, Inc.	3.99
Wm. Wrigley Jr. Company	3.85
Carolina Group	3.18

## Home furnishings &amp; equipment

Company	Q ratio
Hunter Douglas N.V.	1.36
SEB SA	1.13
Arcelik Anonim Sirketi	0.75
Electrolux AB	0.72
Whirlpool Corporation	0.53

## Home improvement products

Company	Q ratio
Husqvarna AB	2.37
Makita Corporation	2.03
Sherwin-Williams Company	1.74
The Scotts Miracle-Gro Company	1.26
The Stanley Works	1.19

## Leisure goods

Company	Q ratio
Nintendo Co., Ltd	5.12
Electronic Arts Inc.	3.55
Hasbro, Inc.	1.49
Namco Bandai Holdings Inc.	1.1
Yamaha Corporation	0.97

## Personal &amp; household products

Company	Q ratio
Colgate-Palmolive Company	4.02
Beiersdorf AG	3.98
Reckitt Benckiser plc	3.94
Essilor International	3.33
Avon Products, Inc.	3.09

## Tires

Company	Q ratio
Hankook Tire Co., Ltd.	0.98
Michelin Group	0.93
Cooper Tire & Rubber Company	0.68
Sumitomo Rubber Industries Ltd.	0.63
The Yokohama Rubber Company Limited	0.55

Source: Capital IQ and Bloomberg

# Trends in the consumer products industry

## 1. Inflation and deflation put the squeeze on suppliers

In the past twenty years, the world has witnessed a new era of unusually low inflation. This came about mainly for two reasons. First, countries adopted sensible monetary policies aimed at keeping inflation low and economic growth stable. Second, the entry into the global economy of nearly one billion workers from formerly closed economies (Russia, Central Europe, China, and India) put downward pressure on global wages and enabled vast improvements in economic efficiency.

This new era of low inflation made consumers more price sensitive, suppliers more cost sensitive, and it made retailers more focused on offering a better value proposition. The real winner in this was the consumer. Yet for suppliers, low product price inflation created new headaches. On the other hand, expanded economic growth in emerging countries has stimulated higher commodity prices. The combination of upward pressure on input prices and downward pressure on product prices has squeezed the profit margins of suppliers. In the future, successful suppliers will be those that can navigate this minefield by keeping costs low and brand equity high.

## 2. Health and obesity concerns

In discussions with executives of processed food suppliers, one issue that keeps coming up is obesity. This public health issue has reached crisis proportions in the US and is becoming of critical importance in many other developed markets and even some emerging markets. The relatively low-cost and easy availability of fast/fatty foods and the increasingly sedentary lifestyles of many workers have contributed to this problem. The rise of obesity threatens to rapidly increase the incidence of serious illnesses such as diabetes. It could lead to a decline in life expectancies and a large increase in public health expenditures. Obesity among children is of particular concern.

As consumers and governments start to take an interest in this issue, many food suppliers are responding by changing the mix of ingredients and products. A possible government approach to this would be a sin tax, akin to those levied on tobacco, alcohol and gambling. The challenge will be to meet the rigorous taste demands of fickle consumers while providing a healthier eating experience. This is particularly difficult as many consumers have

a certain degree of cognitive dissonance. That is, they indicate a desire for healthy foods, yet they continue to purchase and enjoy relatively unhealthy foods.

## 3. How to reach the world's poor?

In recent years, a growing share of global consumer spending growth has come from emerging markets, especially China and India. This is likely to continue. Consequently, consumer product suppliers will look to these markets for a large share of their future growth. Of particular interest will be the rising incomes of the poorest consumers in these countries. The challenge will be to develop products on a mass scale that are affordable to relatively low income consumers. Already many such efforts are under way. In India, there is a plan to develop an automobile for under US\$2,000. In many countries, computer manufacturers seek to offer personal computers for under US\$200. Even when it comes to household and personal care products, manufacturers are trying to find ways to manufacture at very low cost and sell products with minimal packaging (as the latter often accounts for a large share of total cost). This effort is likely to intensify in the next few years. Moreover, it could lead to innovative and lower cost products aimed at affluent markets as well.

## 4. Retail consolidation drives supplier consolidation

Often referred to as "the Wal-Mart effect," the rise of a handful of powerful low-priced retailers has wreaked havoc for consumer product companies. This consolidation has taken place through merger and acquisition activity as well as through strong organic growth by the largest players.

Large retailers, by virtue of their size, have shifted the balance of power in the supply chain. By focusing on high volume and low prices, they have put price pressure on suppliers and have shifted costs back up the supply chain. By developing strong private brands, the retailers have competed directly with their branded suppliers. Within major merchandise categories, some of these retailers are reducing the number of vendors with which they deal. The goal is to reduce distribution costs as well as create a more focused assortment for consumers. As such, retailers are picking favored vendors in each category they sell. This means that fewer vendors are needed. And this means that many suppliers must fight for shelf space. Finally, large retailers are demanding customized products from suppliers, playing an active role in product development. In essence, the retailers often have a veto over supplier product initiatives.

One effect of retail consolidation has been to make suppliers highly dependent on key retailers. For example, Wal-Mart alone accounts for roughly 14% to 18% of the sales of many large

consumer product suppliers. In a few cases, the share is much higher. Moreover, retail consolidation is taking place on a global scale — including in emerging markets.

For consumer product suppliers, these trends have led to merger and acquisition activity. This has been important for several reasons: first, to offset the shifting balance of power by creating larger supplier organizations; second, to reduce overhead costs through scalar efficiency; third, to create organizations that are among the handful of suppliers favored by the big retailers.

Yet supplier consolidation alone is not sufficient. After all, retailers continue to manage and define relationships with consumers. For suppliers, the challenge is to break out of this dilemma by building direct consumer relationships and offering products and brands that are sufficiently differentiated. In doing so, suppliers would be able to exert leverage with retailers. To do this requires better information about consumers, especially their motivations. It requires innovation in order to differentiate. Yet in order to make such a strategy sustainable, the process of innovation must be institutionalized.

## 5. Innovating for long-term growth

Consumers the world over are becoming richer — especially in emerging markets. Even in the already affluent developed countries, many consumers have accelerated their spending due to increased wealth associated with their homes and financial portfolios. Yet this expanded affluence has not necessarily led to increased purchases of traditional products. After all, there are only so many times you can wash your hair or mop your floor. Instead, most of the incremental spending has had to do with innovative electronics, fashion, and services such as travel, dining, and entertainment.

The challenge for consumer product companies is to find ways to capture some of this extra spending. That means creating innovative, more upscale products and brands. There won't necessarily be more hair-washing events, but perhaps consumers can be stimulated to spend more on each such event. The sad alternative for suppliers is to dramatically reduce the cost of producing products and, thereby, generate greater margins on the existing range. Yet while this is a good idea, it is a one-shot deal and is not consistent with longer-term growth. In other words, it is not sufficient.

One issue is that mass merchandise retailers are devoting more space to the kinds of products on which consumers spend incremental income. That means less space devoted to food and other fast moving goods and more space devoted to apparel,

electronics, appliances, and games. For suppliers of fast moving consumer goods, this means more competition for space. It also means a greater imperative to come up with ideas that stand out from the crowd — especially ideas that involve premium brands with premium pricing. The challenge for traditional suppliers is to either acquire newer brands or develop brands that meet new consumer needs.

## 6. Fragmentation of the consumer experience

At the same time that each retail segment is becoming more consolidated, consumers are being offered a wider range of retail formats for each merchandise category. For consumers purchasing food and household products, for example, there are hypermarkets, supercenters, membership warehouse clubs, hard discount stores, single price stores, supermarkets, drug stores, convenience stores, and websites to choose from. In other categories the choices are great as well. In addition, it appears that consumers are increasingly disloyal to particular formats or fascias — and this is especially true of younger consumers. Moreover, consumers are increasingly seeking alternative venues for low-priced and high-priced goods. At the low end, the rise of hard discounters and one price stores has caused problems for traditional retailers and suppliers. At the upper end, specialty retailers offer alternative categories and brands such as organic, non-GM, and upscale specialty products. Again, this leaves the traditional players with a declining share of wallet.

## 7. Is it all about price?

After many years of rising market share for discount retailers, consumers the world over are becoming trained to expect low prices even for relatively high quality merchandise. Indeed, many upscale consumers have switched from traditional formats to discount formats — even when it comes to fashion apparel and home fashion. Thus, suppliers are under pressure from retailers and consumers to offer a higher sense of value. This sense can emanate from low prices, but a focus on price alone will lead inevitably to lower margins.

The problem stems from the fact that consumers have been trained by price-oriented retailers. These retailers have focused on price to the exclusion of much else, creating the impression that all products are commodities and that purchasing decisions are made only on the basis of price. Indeed some big retailers recognize that they have created a monster and are interested in having differentiated, premium brands that would help to boost margins. This represents an opportunity for suppliers. On the other hand, the success of some retailers in creating private labels for different consumer cohorts indicates that they may actually be

more successful at consumer segmentation than their traditional suppliers.

## 8. Finding alternatives to traditional marketing

In recent years, the power of mass marketing has dramatically declined. The advent of new technologies has enabled consumers to obtain entertainment in many more ways than in the past. The proliferation of cable and satellite television channels, the internet, DVDs, and video games means that marketing channels are becoming fragmented and less productive. This is especially true when it comes to the much sought-after young consumer. Moreover, technology now allows consumers to avoid marketing information through channel surfing, recording programming, or purchasing entertainment online.

For suppliers, this means that alternative approaches are essential. These can involve internet advertising, cinema advertising, product placement in films and games, special events, and tie-ins with other brands.

## 9. The talent dilemma

In the US, roughly 60% of new MBAs go to work in banking or consulting. Many others pine to work in technology or media. In this environment, it is hard for consumer product companies to attract the best and brightest. Yet the problem goes beyond competition for talent. Much existing talent is aging and near retirement. The soon to retire baby boom generation in the US and Western Europe will be succeeded by a smaller generation and, hence, a smaller pool of talent. For consumer product companies, the challenge then is to retain and transfer group knowledge, attract strong talent, and properly manage a geographically and culturally diverse workforce. The latter will be critical as much of the transfer of knowledge will involve offshoring of talent, especially to emerging nations such as India and China. Some of this offshore talent will involve managing new business opportunities in emerging markets. Some could involve transferring entire functions to emerging markets.

## 10. Managing retailer-supplier relations

Unfortunately for suppliers, much of what happens in the retailer-supplier relationship will be driven by retailer behavior. Retailers are becoming more concentrated and more powerful, and are increasingly focusing on managing and marketing their own brands. Moreover, retailers are now hiring marketing executives away from consumer product companies in order to improve their own private labels. If retailers become better at managing private labels, they will be more serious competitors to consumer product companies.

That is not to say that suppliers lack choices. Purveyors of the leading brands, especially those with a strong consumer following, will be well positioned to negotiate with retailers from strength. At the same time, the development of niche brands that focus on small, focused consumer cohorts, will take expanded market share. That will leave second tier national brands, however, struggling to survive. Many, in fact, will not. They will be stuck in the middle between leading brands, private brands, and niche brands. It could very well be that the optimal strategy for suppliers will be to rationalize their brand portfolios by shedding second tier brands. They will do best to focus on leading brands and newer niche and innovative brands. Thus, an important part of managing retail relationships will be successfully managing brand portfolios.

Another important part of managing retail relationships will be managing new kinds of retailers. A disproportionate share of the growth of consumer spending will probably be driven through new channels such as organic and health related food retailers, upscale and specialty stores, and downscale retailers (such as one price stores). Managing these will require some new approaches.

## 11. Grabbing the “long tail” of opportunity

There are not many opportunities to differentiate while at the same time targeting a mass audience. Thus, more differentiation is likely to mean more niche selling. This means exploiting the much-discussed “long tail.” Specifically, if you assume that most consumer cohorts (defined by income, lifestyle, or interests) are distributed in a bell-shaped curve, the mass market is generally in the middle of that bell. Today, that middle is often saturated and increasingly commoditized. The long tails at either end of the bell, however, may offer opportunities that have not been well exploited.

It is in this long tail where future profitable growth opportunities will likely lie. This is especially true as consumers continue to fragment into more narrowly defined groupings. The fragmentation of mass media both reflects and encourages this trend. Thus, targeting the long tail will also involve getting close to a more narrowly defined target consumer through new forms of marketing.

How will suppliers attack the long tail? There is no single solution. Instead, opportunities in the long tail can be exploited through organic innovation, acquisition of existing businesses, or some combination thereof. For example, a large consumer products company can act as a financing tool for small entrepreneurs with innovative ideas. The key is to figure out the right mix of organic, acquisition, and partnership efforts. It requires flexibility and openness to new ideas.

## 12. Social responsibility

In many parts of the world consumers are becoming increasingly aware of, and concerned about, the impact that companies have on society. This includes concern about the safety and health of workers who produce goods, the impact on the physical environment of producing goods, and the impact on the environment of consuming goods and disposing of waste. This concern is increasingly reflected in the policies of governments as well. Moreover, there is an expectation that future policy initiatives will be more aggressive and, potentially, more costly for companies. To date, government action in this area has been more carrot than stick – deductions for energy-efficient properties, solar energy credits, and clean renewable energy bonds.

Awareness is growing that, for companies, being proactive in this area can be good business. First, taking action now may either mitigate future regulatory costs or at least smooth the cost over time. Second, taking action now can enhance brand equity, especially for consumers who are particularly concerned about these issues. Finally, taking action can actually reduce unit production costs — especially when it comes to packaging. Already many companies are measuring their societal impact and have appointed high-level executives to focus on social responsibility issues. This focus is likely to grow in the future.

## 13. The brand — more important than ever

In this environment, brand equity becomes critical. A brand, of course, is simply an efficient piece of information that defines the differentiating factors about a product or service. In a commoditized world, consumers are increasingly indifferent to brand messages, with the notable exception of luxury goods. The rise of discounters, private brands, no-name brands, and one-price stores reflects this indifference. In such a world, brands are of even greater importance to consumer oriented businesses than in the past. The challenge is greater than just building brand equity. The challenge is to create differentiating factors in order to attract a target consumer, use new marketing tools to engage the target consumer in a dialogue, use that dialogue to build a brand that conveys the differentiating factors, and execute the strategy in order to convince consumers of the reliability of the brand. This is a tall order.

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