

Deloitte.



Finance Transformation
in consumer products
It's a whole new world

Introduction

A number of converging trends are creating unprecedented challenges for companies in the Consumer Products. Each one of these trends is in itself significant; the fact that they are increasingly interrelated makes the challenges for executives even more complex, requiring tighter integration between Finance and the commercial teams. They include:

- Dramatic growth in emerging markets; slowing growth in developed ones.
- Focus on cost cutting, liquidity, international growth, and diversification.
- Cost-conscious consumers who are more mobile and empowered by technology.
- Sharper focus on the responsible sourcing of materials, commodity cost volatility, and sustainability.
- Continuing consolidation across sectors and geographies.
- Increased regulatory and tax pressures having a growing impact on business strategy.
- Ongoing economic pressures underscore the need for an optimized global finance model.

Deloitte developed its Global Center of Excellence program to help executives in the consumer industries address these and other critical challenges. The program focuses the deep knowledge and experience of practitioners at Deloitte member firms around the world on specific priority issues and solutions to help executives guide their companies. The intention in each case is to provide executives with our industry-specific perspective and provide practical guidance that has commercial impact.

This point of view on Global Finance Transformation in Consumer Products addresses five key drivers for Finance Transformation and examines the shifting role of finance in the industry from “support function” to business partner. I hope you find it useful and that you will also benefit from our upcoming reports on sustainability, pricing, M&A, regulation and additional topics as they become available.

I welcome your ideas and input on this and other topics that you feel are important for your business, and encourage you to contact me or the leaders listed on the back of this report.

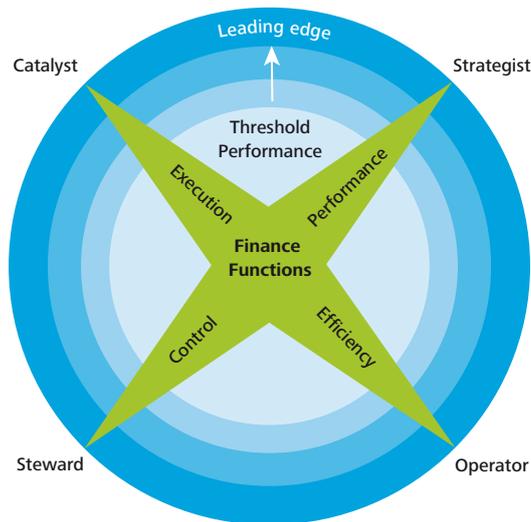
Leon Pieters
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The new world of Finance Transformation in consumer products

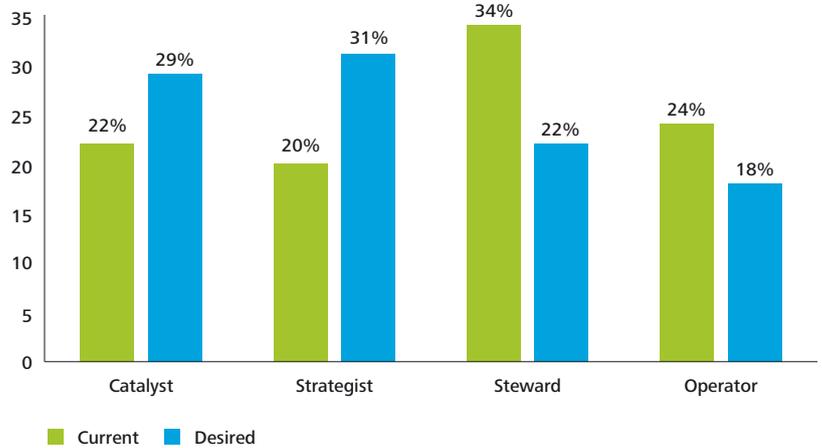
The changing role of finance

Finance leaders play a transformational role in helping the business overcome the growing challenges in the consumer products (CP) industry. Over the last decade, Finance's role has transformed – it's much more important, more complex, and certainly more demanding. Adapting to strategic shifts in the market, facing off to the changing regulatory environment, driving changes to the company's business model, and striving to maintain efficiencies in their Finance organization are just some of the catalysts that have forced Finance leaders to adapt to an ever-expanding scope of responsibilities.

Four faces of the CFO



Percentage of total time spent by CFOs on the four roles



Source: North American CFO Survey, second quarter 2010, Deloitte Development LLC

In the aftermath of economic turmoil, CFOs are spending a large proportion of their time as stewards within their organizations, focused on preserving the value of their companies. As the chart below shows, this role consumes nearly 35% of their time, while the other three roles consume roughly 20% each. Looking ahead, CFOs would prefer to spend a total of just 40% of their time in steward and operator roles and split the remaining 60% equally between their catalyst and strategist roles.

Finance leaders who don't quickly evolve in their role might find themselves less relevant, less effective, and significantly less influential to their business and business partners.

The importance of Finance Transformation to global consumer products companies

Challenges faced by the global CP industry would be difficult to overstate. In addition to the long-existing pressures of intense competition, rising commodity costs and shifting market growth prospects, the industry is experiencing customers and consumers who are more resistant to absorbing price increases and more concerned about product safety notices. In this kind of environment, quick responsiveness based on accurate facts and forecasts is often the basis for a company's ability to avoid unwarranted costs and undesired publicity.

Today's CFOs and finance organizations must execute on a much broader range of responsibilities – including those related to finance function effectiveness, information quality and consistency, finance talent management, internal controls and corporate governance, business performance management, and others – than existed in their traditional role as stewards of the business.

The Finance Transformation services provided by Deloitte member firms help CFOs and finance organizations assess their finance strategy and vision, and design and implement change to their finance organization, processes and systems to improve the overall value of finance. With our deep insight to the issues facing global CP companies and the leading practices described below, Deloitte helps CFOs fulfill the evolving, expanded and increasingly complex roles we refer to as the Four Faces of Finance: Steward, Operator, Strategist and Catalyst.

Over the last decade, Finance's role has transformed – it's much more important, more complex, and certainly more demanding.



Five factors driving the need for a finance transformation program

As an advisor to CP CFOs and as a leader of global Finance Transformation initiatives, Deloitte is all too aware of the expectations and challenges facing Chief Financial Officers. In addition to the typical finance function requirements related to delivering reliable financial information at an optimal cost, we have identified five key business issues addressed through Finance Transformation:

1. Going global: the Finance operating model

CP companies struggle with defining an optimized global operating model, one that effectively manages the trade-off between customer service and cost.

Leading practices

Developing a common global Finance operating model that optimizes where Finance work gets done:

- Considers all of the services Finance delivers (not only transactional services) with a standardized approach across geographies which is scalable to support global growth.
- Uses a high-quality mix of services factoring in cost, location, in-house staffing, and outsourcing.
- Expands the use of shared services and Centres of Excellence that drive efficiency without sacrificing quality or control.

2. How Finance earns its stripes: driving profitable growth

CP companies struggle with measuring the key drivers of their business, relying too often on lagging indicators and on manual activities to collect financial and operating results from disparate systems.

Leading practices

- Driving global, consistent performance measures to many levels of the organization and integrating into the elements of the performance management process.
- Defining information needs based on the decisions that need to be made rather than by the reports that are expected to be delivered.
- Incorporating strategic planning, budgeting, variance analysis, forecasting and management reporting as part of an integrated process versus independent financial cycles.

3. Growing retailer power: collaboration and rationalization to achieve more with less

CP companies struggle with gathering, analyzing and modelling reliable profitability information.

Leading practices

- Developing profitability modelling capabilities to better assess product viability and customer margin contributions and putting these tools in the hands of the business.
- Maintaining and periodically refreshing critical benchmarks on the competitive peer group, including product market share against private label competitors.
- Identifying actionable metrics for product portfolio management and continuously monitoring results of actions taken.

4. Marketing and trade promotion effectiveness: think about the return on every dollar

CP companies struggle with measuring the effectiveness of marketing and promotional activities (e.g., understanding the link between promotional activity and sales, incremental and cannibalization).

Leading practices

- Collaborating with the chief marketing officer to measure the efficiency and effectiveness of marketing spend through ROI modelling and post-promotion analysis.
- Segregate marketing cost pools for analysis and build granularity in data capture.
- Develop dynamic driver-based analytics using real-time point of sales and other source data to simulate financial impact and the relationship between raising or lowering promotion to price, revenue, and volume.

5. Finance talent management: it's not an on/off switch

CP companies struggle not only with attracting, developing, and retaining the talent but also with defining and agreeing on what 'talent' means for the Finance function.

Leading practices

- Identifying critical workforce segments required for the Finance function to succeed and programs targeted to develop, deploy and connect with this talent.
- Recognizing and embracing the generational differences among Finance talent and having programs that target each segment of this audience.
- Identifying top performers and moving Finance personnel within the business so they can create more value and grow.
- Adopting a retention strategy clearly defined to meet business demands and match employee goals.

Finance Transformation case studies

As a leader in FT in the consumer products industry, Deloitte has organized and led many global FT initiatives. These programs often consist of both strategic and tactical elements driving functional cost reductions while freeing up time for finance professionals to deliver more insights to its business partners. The solutions implemented for our clients address a combination of process, technology and organizational changes that lead to tangible value. Below are illustrations of two consumer products companies that have embarked on the FT journey.

A global food company – This company was in the midst of a Global Finance Transformation focused on simplifying, standardizing and harmonizing routine transactions and planning processes. Their objectives were to reduce total finance costs while reallocating investments into providing value-added insights to business leaders. Finance Transformation efforts underway cover five areas: FP&A, Transaction Processes, Audit, Tax and Treasury. Deloitte helped them address **the design of standard, global Finance Transaction processes, including the month-end close process, statutory reporting, intercompany accounting, fixed assets and VAT.** The project also included an assessment of how to better leverage financial systems to support the global process design, as well as the design and execution of change management considerations to support the transformation.

The company targeted specific Finance cost reductions by eliminating, simplifying and automating process activities; reduced system cost by optimizing SAP functionalities and migrating more finance work to existing shared services organizations. Significant qualitative benefits are being monitored including:

- Global, standard processes based on leading practices
- Further leverage of Financial systems investment
- Use of process metrics to sustain performance improvements
- Efficiencies gained through increasing levels of Audit centralization
- Reliable and timely financial information through one close submission

A global beverage company – Deloitte supported a Global Finance Transformation initiative to help achieve efficiencies in the following areas:

- **Finance Operating Model** – each business unit performed many Finance functions, leaving little time to perform activities that directly drove growth; processes also lacked standardization.
- **Close/Consolidate/Report (CCR)** – processes lacked accountability; overly complex reporting structures inhibited analysis and reporting; technologies enabling consolidated results did not provide data transparency.
- **Planning, Budgeting and Forecasting and Management Reporting** – performance management processes lacked standardization, clear targets, and transparency; high-touch, high-cost planning processes were time consuming and not focused on key drivers to win in the market.

Deloitte helped redesign the Finance operating model and establish Regional Finance Centers, simplify and streamline CCR processes and tools, connect strategic planning, budgeting, reporting and reward processes to drive accelerated business performance and standardize management reports across the enterprise. The FT program will deliver a direct P&L impact by 2012 and a substantial portion of the company's overall goal of US\$500 million of savings. Also this initiative will improve the ability of Finance to support the 2020 Vision of doubling the size of the company.

How do you get started?

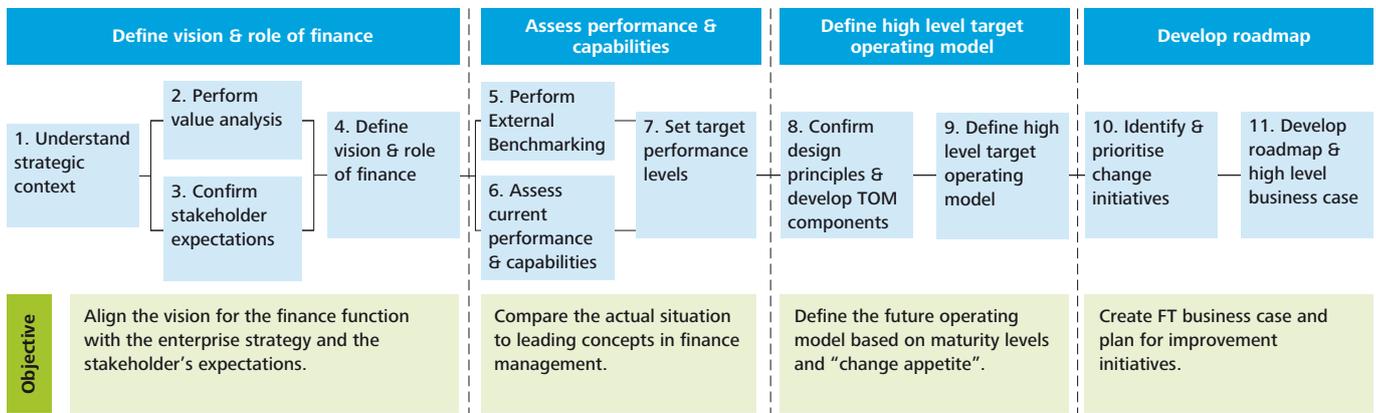
As a finance leader, here are a few key questions to consider:

1. Where are you focusing your time given the expanded responsibilities of the CFO and finance functions? How are finance resources allocated across the 4 faces framework?
2. How deeply is finance embedded in the business solving "heart of the business" issues?
3. How seamlessly are you providing accurate and meaningful financial and operating information as requested and routinely at period end?
4. What does finance need to change in order to support the needs and aspirations of the business? How do you know?

Deloitte leverages a proven approach that translates a strategic Finance vision into an actionable Finance Transformation roadmap. This approach:

- Sets a strategy for Finance Transformation aligned with the direction of the business and prioritizes capability-building investments in the function.
- Initiates a voice of the customer survey to understand how effective Finance is, while at the same time benchmarking Finance operations against a peer set.
- Conducts a rapid and objective assessment of Finance capabilities, which includes a comparison to Deloitte's maturity models.

Deloitte's FT framework assesses the current finance operating model, benchmarks its processes to the "best-in-class," and creates a pragmatic roadmap to attain the vision.



Deloitte's Finance Transformation capabilities

As a full-service professional services network and the recognized market leader, Deloitte is optimally positioned to empower Finance leaders to solve complex finance issues and deliver shareholder value.

The Deloitte Difference

Reasons	Qualifications
Market Leader	<ul style="list-style-type: none"> Deloitte is the market leader in Finance Transformation, as recognized by Kennedy Consulting Research. Over 65% of Fortune 500 companies have leveraged Deloitte's Finance Transformation services. Our Finance Transformation growth rate, practice size, market momentum and depth & breadth of capabilities outperform our competitors.
Breadth & Depth of Service	<ul style="list-style-type: none"> Our comprehensive experience in Finance Transformation in Consumer Products provides us with a unique position to deliver industry-leading solutions. We offer a strong multidisciplinary approach that spans Finance strategy & vision, organization, process and technology.
Experienced professionals	<ul style="list-style-type: none"> Our professionals are hands-on and have served as trusted advisors to finance executives; many have held finance roles in industry before joining Deloitte. Our professionals understand the interdependencies that exist between the corporate finance function and individual business units, while also understanding today's complex regulatory issues.
Thought Leadership	<ul style="list-style-type: none"> Our commitment to our clients includes access to our timely, valuable thought leadership concerning the issues faced by CFOs and Finance organizations. We actively share our experience with the Finance community through regional executive roundtables, webinars, surveys, points of view and conferences to keep executives up-to-date on the latest issues.



Deloitte's Finance Transformation offerings

Deloitte's FT offerings include a comprehensive portfolio of services that help address the critical needs of today's organization across each of the key dimensions of Finance:



As trusted advisors to Finance executives, Deloitte supports their transformation programs by:

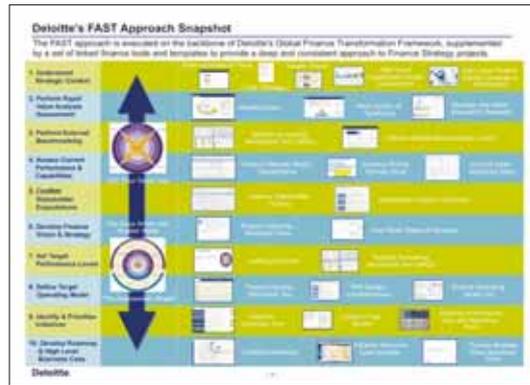
- **Enabling** Finance as a valued business partner.
- **Defining** a Finance strategy that aligns with business objectives and tracks growth.
- **Improving** business decision support and financial analytics.
- **Driving** an efficient and effective operating model and organization design.
- **Identifying** Finance Transformation initiatives that best support the business.
- **Executing** value-added finance operations improvement initiatives.

“Deloitte’s vision is to be able to serve all the needs of the CFO and his or her organization, and it can draw from across its broad advisory and non-advisory offerings to meet those needs.”

Source: Kennedy; Finance Management Consulting Marketplace 2009-2012; © BNA Subsidiaries, LLC; reproduced under license.

Representative tools and methodologies

Deloitte’s tools and methodologies are essential in translating a strategic Finance vision to an actionable Finance Transformation roadmap. The experiences of Deloitte’s FT professionals has been codified in our proprietary approach and set of tools for rapid Finance assessment and improvement.



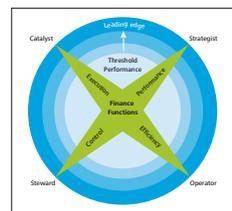
Four-stage maturity models that outline performance characteristics along each Finance Value Driver and Enabler.



Finance Transformation Assessment Wheel – a framework for assessing Finance organization capabilities to help identify gaps and opportunities to improve the overall value of Finance.



A framework of the four distinct, but interrelated roles CFOs play in their organizations and how Finance adds value.

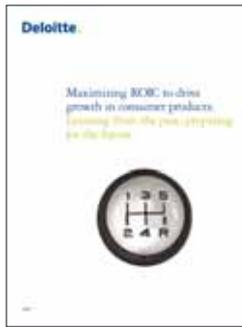
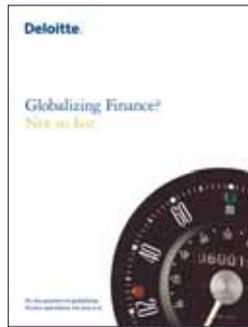


A proprietary approach and set of tools for rapid Finance assessment and improvement.



Deloitte’s eminence and perspectives on Finance Transformation

Deloitte has a dedicated team of professionals focused on research and eminence providing both practical and visionary solutions. In addition to the research effort, we gather and organize the knowledge and experience of our engagement teams who have worked with global companies on FT programs. In the spirit of knowledge sharing, Deloitte continues to develop provocative and relevant publications that address the issues that matter most to Finance executives. A very small sampling of our eminence includes the following:



The Deloitte global network

With a strong network operating in more than 30 countries throughout the Americas, Europe, and Asia Pacific, Deloitte’s Consumer Products specialists combine deep industry experience and understanding of regional markets to help companies around the world succeed wherever they operate.

Deloitte member firms serve:

- 23 of the 29 consumer products companies in the Fortune Global 500®, including:
- All eight of the consumer products companies in the FTSE 100.
- Four of the world’s five largest brewing companies.
- Three of the world’s largest wine and spirits companies.

Our clients in the Consumer Products space include:

- Anheuser-Busch Inbev
- Avon Products Inc.
- Carlsberg
- China Resources National Corporation
- Clorox Company
- The Coca-Cola Company
- Columbia Sportswear Co
- Danone
- FEMSA
- Grupo Bimbo
- Grupo Modelo
- Kraft
- L’Oréal
- Nestlé
- Procter & Gamble Company
- Wacoal International Corp

Whether you are contemplating a Finance Transformation initiative, are in the midst of one, or have recently completed such a program, please feel free to contact one of Deloitte's leaders for a unique point of view on finance transformation in the consumer products sector.

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