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Evolve, survive and thrive
Global powers of the consumer products industry 2009

Consumer Business

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Global powers of the consumer products industry

Deloitte Touche Tohmatsu (Deloitte) is pleased to present the second annual Global Powers of the Consumer Products Industry. This report identifies the 250 largest consumer products companies around the world based on publicly available data for the companies' fiscal year 2007 (encompasses fiscal years ended through June 2008). The report also provides an outlook for the global economy; a discussion of major challenges affecting consumer products companies; the strategic implications of these challenges; and an analysis of market capitalization in the industry.

The global economic outlook—and how we got there

How quickly things have changed. As recently as early September 2008, most analyses of the global economy were focused on whether the US Federal Reserve and other central banks might need to increase interest rates over concern about inflation. Rising commodity prices and a perception that the worst of the credit crunch was behind us was the impetus for such discussion. Now, the world is facing a seriously frozen credit market, the prospect of a significant recession, massive government intervention in the financial markets, and a business environment far weaker and uncertain than expected in late 2008.

What on earth went wrong?

First, the US housing market became a bubble. High borrowing levels by government and consumers, combined with massive purchases of dollar-denominated assets by the government of China, created a combination of low interest rates, high liquidity, and readily available credit. This was a very favorable environment for investment in residential property. The result was that property prices increased rapidly. Banks, meanwhile, were eager to initiate mortgages that could be bundled, securitized and sold off to investors hungry for high returns. In a weak regulatory environment, sub-prime mortgages, in particular, were of great interest to investors.

When interest rates rose, the housing bubble ultimately burst. House prices fell, and homeowners could no longer simply sell their homes at a profit if they could no longer service their sub-prime mortgages. Instead, defaults increased, leading the assets backed by sub-prime mortgages to decline in value. Banks holding these assets took write-downs and experienced a loss of capital. This, in turn, caused a contraction in the volume of credit.

As banks and other financial institutions were caught holding toxic assets, other banks became wary of their credit worthiness. This increased perception of risk led to increased credit spreads (the difference between the return on assets with market risk and government assets with no risk); the result was that, starting in August 2007, credit activity seized up. This led the Federal Reserve to cut interest rates and flood the market with liquidity.

By the end of the summer of 2008, the credit crunch appeared to be under control. Yet as US home prices continued to fall in the wake of poor credit conditions and an excess inventory of unsold homes, the volume of toxic assets increased. Some large financial institutions quickly found themselves in an untenable position. The government facilitated the rescue of several, but did allow one large institution to fail. This single act, which at the time seemed appropriate to many analysts, nevertheless sparked panic. Credit spreads increased dramatically, credit market activity nearly ceased, more institutions came to the brink of collapse, and economic policymakers were forced to look into the abyss.

In the autumn of 2008, the Federal Reserve and the Treasury undertook extraordinary measures aimed at restoring credit market activity. They acquired several large institutions, guaranteed the entire US money market, and promised to purchase commercial paper to restore activity to this critical market. In addition, Congress allocated nearly $800 billion to the Treasury to acquire toxic assets and recapitalize banks.

At the same time, as the appreciation of the exposure of financial institutions and crisis of confidence spread globally, governments in Europe and Asia chose to spend hundreds of billions of Euros, Pounds, and other currencies to recapitalize their banks. The UK government, in particular, started this process by spending money to acquire shares in publicly traded banks rather than merely purchase toxic assets. This act was soon followed by other governments, notably that of the US.

Will government actions work?

Governments have the unique advantage of being able to print money. There is no theoretical limit to how much money they can spend or how many assets they can acquire as long as they control the supply of their own currency. In the case of the Eurozone, however, governments theoretically lack this power since they do not control their own supply of money. There is no doubt that, ultimately, the banks can be recapitalized and that capital markets can be made to function. Moreover, if confidence is not restored and banks refuse to lend, they can ultimately be nationalized and ordered to lend. For example, the British plan enables the UK government to do just that. In addition, if credit markets are restored, governments can eventually sell the assets they acquire. In the long run, taxpayer liability might be far less than the notional amounts that have been spent.

Past experience offers a mixed bag of successes and failures. In Japan in the early 1990s, the collapse of an enormous property bubble rendered many large banks insolvent. Yet it was seven years before the Japanese government intervened and assisted banks in cleaning up their balance sheets. At least the US and European governments are today acting more quickly. A good model for success is what happened in Sweden in the 1990s. Then, a bank crisis was followed by rapid and massive government intervention which included some bank nationalization. The credit markets were restored quickly and the government ultimately sold most of the assets it had acquired. The liability of the Swedish taxpayer was actually minimal.

What does this mean for economic activity—and for consumers?

Even before the current total credit freeze, things were not looking particularly good for the global economy. The collapse of housing prices in the US and the end of housing bubbles in the UK, Spain, and several other countries meant that the positive wealth effect of increased housing prices would no longer spur retailing. Hence, the growth of consumer spending was constrained. In addition, the collapse of housing market activity hurt home-related retail spending. So it is no surprise that overall retail sales growth has been weak both in the US and Europe.

Now, with the credit freeze having intensified, there is a strong likelihood of a deeper economic downturn in the US and Europe, which is already having a spillover effect on the rest of the world. The almost complete collapse of the commercial paper market in the US means that both large and small businesses are having trouble with short-term financing. Although government intervention in this market is designed to stimulate lending, it may take a while to kick-start activity. In the interim, some weak businesses may fail rather than be acquired, given the inability to finance new acquisitions. Employment is likely to suffer substantially.

The ultimate impact on the global economy will depend on how quickly governments restore credit market credibility. Yet recent volatility in equity prices indicates that market participants have reevaluated the future profitability of large corporations. They have determined that the current problems will cause a slowdown in economic activity, which will suppress profits. The implied drop in wealth will certainly have a negative impact on spending by consumers. Thus, the outlook for consumer spending in developed economies is quite poor.

Some economists forecast that the US economy will ultimately recover by the start of 2010, though some think this optimistic. Even then, consumer spending growth will be limited. The US housing market will take much longer to recover; the destruction of housing wealth will weaken consumer spending growth. Indeed, the structure of the US economy is likely to shift so that more growth will come from exports (something that is already happening) and consumer spending on goods will grow more slowly than the overall economy.

As this happens, the American consumer will no longer be the engine of global growth that it represented in the past; instead, the rest of the world will have to rely on other sources of growth. In East Asia, which has been highly dependent on exports to the US and Europe, more future growth will come from domestic consumer spending. For global retailers and their suppliers, this means that there will be a shift in focus for future growth away from North America and Europe toward East Asia and some other emerging economies.

What should consumer products companies do?

In the short run, companies will have to focus on market share and positioning to emerge stronger from the downturn. It was relatively easy to do well when the market was growing rapidly; this new environment will determine which companies have the right strategies.

Consumers will be intensely value-oriented, even more so than in the recent past. We are seeing this already with consumers both trading down in what they buy and in shifting to more price-focused retailers. It's not that consumers have stopped spending, but they are spending differently. The result, however, is an orgy of cost cutting on the part of retailers in order to maintain competitive pricing.

Top-line growth, however, will require something altogether different than simply cutting costs. Retailers and manufacturers will gain market share only if they are clearly differentiated from competitors, possess strong brand equity, have the ability to innovate in order to maintain differentiation, and offer a customer experience that excites consumers. These are the factors that will provide retailers and manufacturers with pricing power. It's about both value and values – providing the value that consumers will increasingly seek while preserving and building on the values of the brand as a platform for future market leadership.

Whatever happened to commodity prices?

Until the recent credit crisis, many analysts were more focused on concerns about high and rising commodity prices, but no longer. Since September, commodity prices have dropped precipitously, including energy and food prices. Have the causes of high-priced commodities gone away? No. In the long-run, there are good reasons to expect oil and food prices to resume their upward but volatile path driven by increasing global demand for resources. However, over the next couple of years, commodity prices are likely to remain much lower than the peaks of 2008, though still elevated versus recent history.

As of this writing, the global economy is on a downward path. The US is in a deep and prolonged recession. Western Europe is also already seeing the early signs of a downturn in economic activity. Nor are emerging markets immune; they are likely to experience at least a slowdown in growth. Thus, global demand for commodities is quickly weakening and markets are responding by driving down prices. These will remain weak until economic recovery is clearly on the horizon. In the interim, lower commodity prices, especially for oil, will offset some of the negative impact of the credit crunch in oil-importing countries. For commodity exporters, however, the current drop in prices will certainly hurt economic growth.

In the longer term, the same forces that drove up prices through most of this decade have not disappeared. As large emerging markets such as China and India continue to grow rapidly, demand for energy will rise accordingly—especially as energy costs are subsidized in these countries—leading to highly inefficient usage. At the same time, supply of energy will be constrained by failure to invest in new capacity in many emerging markets. Discrimination against foreign investment, political instability, and international conflicts over pipelines will be among the factors that limit investment and, therefore, output. In spite of investments in alternative energy and growing international momentum behind reducing carbon emissions, the result will be high prices for a prolonged period—at least until the existence of such prices spurs energy consumers to radically change their demand patterns. In time, this will happen, but not for several years.

What does this mean for consumer products companies in the longer term? High energy costs influence these companies at both the demand and the supply end of the equation. On the demand side, relatively high energy prices mean a shift in consumer behavior. In the US and Canada, it will likely mean the purchase of smaller, more fuel-efficient vehicles. Globally, it will mean greater consumer sensitivity to distance when planning shopping and leisure trips. And it will mean more expenditure on products that improve energy efficiency in the home.

On the supply side, higher energy prices could change the nature of supply chains. In the past two decades, global supply chains were designed to take advantage of low transport costs and low wages in emerging countries such as China. In the long run, when transport costs increase and wages rise in China, it will make sense for retailers and their suppliers to maintain more diverse supply chains. Some production will, for example shift out of China and other parts of South East Asia toward locations closer to end consumers

The US

The US economy is now in a deep and, most likely, prolonged recession. It is suffering the aftermath of an overextended housing market. House prices rose at an historically high rate, in part influenced by the massive flow of liquidity into the US from Asia. This kept interest rates low and encouraged excessive borrowing. In addition, for much of the past decade, consumer spending in the US was largely driven by rising housing prices. Millions of Americans refinanced their mortgages and extracted cash from the increased values of their homes. This cash accounted for roughly half of the increase in consumer spending over the past decade. This cycle is now over and will not soon return.

As of this writing, it is not clear to what extent the existing policy response will be effective in boosting economic activity. A large fiscal stimulus will boost demand, but will not have a lasting impact absent repair of the financial system. While massive quantities of funds have been pumped into the large banks, they remain substantially undercapitalized, possess huge quantities of toxic assets, and are functioning in a manner that can only be described as "zombie-like." There remains debate about what to do next.

In the interim, consumer spending has plummeted, rendering many retailers and their suppliers in catastrophic condition. Of particular concern is the steep drop in spending on durables and apparel. Less worrisome is the market for fast moving consumer goods, which tends to be less volatile. Still, spending in this arena has shifted toward discounters and private labels. Prices are dropping and overall inflation in the US is at its lowest level since 1954.

The outlook is difficult to predict. At the very least, 2009 will be a year of declining economic activity and, if all goes well with economic stimulus policy, 2010 could witness a recovery.

Europe

There was a time not long ago when Europeans reasonably thought they would avoid any serious consequences from the economic troubles in the US. That time has now passed. Today, Europe's financial system is reeling from the same troubles that began in the US with a housing bubble collapse. Although the word bubble cannot be used to describe the housing markets in many European countries, the US bubble nevertheless had a contagious impact on Europe's financial institutions.

First, many European banks were caught holding the troubled assets at the core of the crisis. This necessitated write-downs that reduced capital and caused a decline in the availability of credit. Second, the credit crisis in the US, which entailed a dramatically increased cost of capital as banks re-evaluated risk, spread to Europe as well. Bank lending to other banks declined dramatically, leading to a near collapse of the financial system. As the US government undertook massive economic intervention, so did the governments of Europe. Most significant was the initial decision of the UK to inject capital into banks in order to recapitalize them and make them capable of lending. Other European governments followed suit. This process has since widened to the point of partial nationalization of some banks. The situation is particularly onerous in the UK.

As of this writing, the crisis is still in effect, and it is unclear how quickly normal credit conditions will be restored, how much more government intervention will be necessary, and to what extent the crisis will have a serious impact on overall economic activity. In addition, the burgeoning crisis in Eastern European finance threatens to bring down more Western Europe banks. What we do know, however, is that Europe's consumers feel substantial negative impact similar to that in the US and that spending has been curtailed.

Asia Pacific

There is a saying in international economics that, "If the US sneezes, the world catches a cold," meaning that if the US economy were to slow down, a number of economies around the world would feel the effects. Nowhere is this more relevant than in Asia, a region that has become one of the biggest suppliers of manufactured goods to the US. However, over the past couple of years, many experts deemed that the old adage no longer applied to Asia as it had "decoupled" from the US economy—Asian economies were growing on their own and not because of the US. Enter the current financial crisis, and this thinking has been shown to be wanting. The US has now entered into a recession and a good part of the Asia Pacific region is suffering from contagion. This underscores the fact that modern economies are not just connected by trade but also through complex financial pathways.

Due to the global financial crisis, equity markets in the Asia Pacific region have been hit hard, and there is sharp volatility in the markets. Some central banks in the region have sharply cut interest rates as well as lowered bank reserve ratios, but these actions seem to have had little effect. Risk spreads, an indicator of how risky countries or companies are perceived to be, are reaching new peaks. The malaise has started to extend into the real economy, with industrial production numbers falling in recent months.

So what is next? Asia will continue to be impacted as the slowdown in the US and Europe deepens, and GDP growth will likely be subdued for the next couple of years. Australia, an exporter of commodities, will get hit because of falling commodity prices. Central banks will most certainly reduce interest rates as well as cut reserve ratios; they have been lucky because inflation has started to show signs of tapering off as a result of cooling commodity prices. Governments will also chip in with some amount of fiscal priming; however, there is a limit to what can be done. Governments don't have unlimited budgets (the Chinese government however does have a huge amount of money at its disposal). It is likely that neither central banks nor governments will be fully effective, as this is a crisis of confidence more than anything else. The aforementioned Japanese situation in the 1990s is a prime example of this scenario, where neither fiscal nor monetary measures worked because consumers had lost their faith and refused to spend.

Even China's economy is now slowing. Export growth has stopped due to the slowing US and European economies and the rising value of the Chinese currency. As a consequence, industrial production is decelerating. On the other hand, inflation seems to be under control. This provides room for the Central Bank to continue easing monetary policy. The government is using fiscal policy to stimulate demand. The end result will be slower growth and possibly a recession. In addition, while exports will suffer, consumer spending will slow down but not drop precipitously.

India, having tightened monetary policy last year to quell inflation, now faces a slowdown in growth too. This has led to a drop in equity prices, a drop in confidence, and a substantial decline in foreign investment. The result was downward pressure on the currency. The Central Bank has lately loosened monetary policy in order to deal with the economic slowdown. The result of these actions will be an economic slowdown but not necessarily a recession. In the longer term, a number of problems will stifle strong growth. These include excessive regulation, poor infrastructure, and limits on the supply of high-quality human capital. Still, India will likely grow more rapidly than its historical pattern, thereby fueling strong growth in the number of domestic middle-class shoppers and creating substantial opportunities for consumer products companies.

The countries of Southeast and East Asia are experiencing the most onerous effects of the global slowdown. In Korea, for example, GDP fell at an annual rate of roughly 20% in the fourth quarter of 2008. In many of these countries, exports are dropping rapidly. The outlook in 2009 for this area is poor.

Finally, Japan is again entering into a recession, possibly a deep one. This is fueled by the global slowdown as well as the lagged effects of tight monetary policy. The Bank of Japan is caught between a desire to ease the slowdown but at the same time avoid weakening the yen, which could lead to increased activity in the so-called carry trade. The latter could cause increased financial market volatility. For now, it appears unlikely that there will be acceleration in consumer spending in Japan, something needed to fuel stronger growth.

Russia

Russia has been riding high until recently. The high price of oil helped fuel strong economic growth which, in turn, created a consumer spending boom. Retailers in Russia have seen rapid growth in the midst of a relatively benign regulatory environment. Foreign retailers, especially, have enjoyed the Russian market due to limited regulation, strong consumer demand, and relatively weak local competition.

Yet the business environment has now changed dramatically. First, the price of oil has dropped precipitously. And although the price of oil is expected to be relatively high in the longer term, it could remain quite low for the next year or two given the weakness of the global economy. This will harm Russia's export revenue and, therefore, its economic growth.

Second, and simultaneously with the drop in oil, the global financial crisis emerged in late 2008. The result was that financial market participants began to anticipate a decline in Russia's growth. This led to a rapid decline in Russian equity prices. Unfortunately, some Russian businesses had secured loans using their equity as collateral. As equity prices declined, Russian banks faced serious capital losses. In the end, the Russian government had to intervene, similarly to what has happened in the US and Europe.

Despite uncertainties, a general view of Russia's outlook is emerging. With declining oil prices, rising inflation, and weak investment, it is reasonably safe to say that Russia's economy will slow down in the near future. In addition, monetary policymakers are caught in a difficult position. On the one hand, rising inflation suggests a need to tighten monetary policy, especially since there is now downward pressure on the ruble. On the other hand, the recent crisis in credit conditions suggests the need to loosen monetary policy to maintain liquidity in the economy. The latter will prevail for now. Russia's recovery, however, will depend on restoring investor confidence and a stabilization of oil prices. In the longer term, failure to invest in non-energy industries could stifle or even de-stabilize Russia's economy.

Brazil

Until recently, Brazil experienced relatively strong economic growth combined with single-digit inflation—a rare combination considering its difficult history. The country benefited from sensible monetary and fiscal policies, a competitively valued currency, rising prices for commodity exports, and strong interest in BRIC countries on the part of global investors. On the other hand, strong growth of commodity exports pushed up the value of the Brazilian currency and thereby hurt the competitiveness of exports.

Lately, Brazil has seen an increase in inflation. At the same time global commodity prices have started to decline in recent months, thereby reducing export earnings. In addition, this decline in commodity prices has pushed the currency down. While this might be beneficial to manufactured goods exporters, a weak currency also has the negative effect of increasing import prices and adding to inflation.

As a result, Brazil's policymakers are now faced with an unfortunate combination of slowing growth and rising inflation. Its Central Bank recently responded by tightening monetary policy, opting to fight inflation early even at the cost of slower economic growth. For the near term, it appears that Brazil's economic growth will slow. A combination of declining overseas demand, declining commodity prices, and tightening monetary policy will see to that. Once the global economy eventually recovers, Brazil will likely resume moderate growth.

Challenges facing consumer products companies

New consumer mindset—Against this global backdrop, many households, like businesses, will need to rebuild their balance sheets. That means reducing debts and increasing savings. But doing so in an environment of declining real incomes, reduced credit availability, falling housing prices, and rising unemployment will be challenging—and the rebalancing process will take some time. Accordingly, consumer spending is likely to take much of the strain. In particular, big-ticket spending, from home improvements to cars, is coming under the greatest pressure.

These and other factors have created an environment in which spending by already indebted consumers is being affected by a dramatic fall in confidence. Not surprisingly, people are trying to save money by eating out less, trading down to lower-price products and services, and spending less in general. All consumer sectors have been affected to some extent, but apparel, hard goods and luxury goods have been hardest hit as consumers cut back on discretionary spending. Although some sectors will continue to suffer bigger declines than others, overall consumer spending is forecasted to contract significantly in 2009. Little of this is new news. It is certainly not good news for consumer business companies.

With consumers' disposable income squeezed by the reduced availability of cheap credit, and their desire to spend impacted by falling confidence, it is not surprising that shopping habits are changing. This is manifested in different ways. Convenience, quality, well-being, and environmental and ethical concerns have not gone away. But price and value are becoming increasingly central to the choices that consumers make about where to shop and what to buy.

There is evidence that people are making fewer but more planned trips to retail stores and to the supermarket. More careful consumers are also shopping around for commodities in one store, and luxuries in another; understandably, sales of private label products are rising in several categories. In general, these are signs that shoppers are 'redefining need' when it comes to the kinds of products they buy.

Cost control and pricing—A recent food and beverage industry survey by Deloitte UK indicated that many businesses will be focusing on cost and price-related factors over the coming year as they face up to the challenges of the economic downturn and changing consumer purchase behavior. The situation in many other countries is very similar. Cost reduction will be the top priority for a majority of consumer products businesses in 2009. Cost-cutting efforts are the result of not just economic factors and changed consumer patterns, business leaders report that many companies have experienced substantial input cost rises during the previous year, yet some businesses are not able to implement corresponding price increases to match this rise in input costs. At present, a very real gap exists between the input cost increases companies have faced and the extent to which they have been able to recover them. Pricing strategy is key area of focus to protect and improve trading performance.

Communication and information—Often, the most significant decision consumers make can be whether to visit a particular store at all. This choice may have been made in the past more on the basis of convenience of location or habit. But value, price and, in particular, information about promotions, are now becoming more important to consumers. Retailers, together with their suppliers, must look ever more carefully at how they reach their target market and entice the shoppers they want.

The link between communication strategies outside the store and activation in the store is ever more crucial. In retail, research shows that shoppers, by and large, 'sleepwalk' through a store paying little attention to information that could inform the product choices they make. New labeling schemes have sprung up in recent years providing details of products' nutritional composition, provenance, carbon footprint, and more besides. However, in the modern grocery market, while consumers increasingly expect more and more information about products to be available, the reality is that outside of specific dietary and related needs time-pressed shoppers make very limited use of written information to inform product selection, being strongly influenced by simple visual triggers.

It is vital therefore for brand owners, retailers and foodservice companies to implement effective strategies to connect with consumers and shoppers, differentiate their brands and create drivers for purchase in the face of changing consumer behavior. Retailers are becoming increasingly aware of the need for integration of messaging outside the store and in-store. But in today's increasingly outlet and shopper-centric marketing environment, branded manufacturers also need to break down the barriers between marketing and sales, combining consumer and shopper insight to provide a strong integrated value proposition to the retailer, wholesaler, food service operator and individual. Collaboration with channel partners will therefore be increasingly central to branded manufacturers' brand development and communication strategies.

Food safety—Food safety, and its importance to brand reputation, should not be forgotten. In the past, high food prices have on occasion provided a financial incentive for unethical intermediaries to allow food unfit for human consumption to re-enter the food chain. The big rises in the cost of commodities have taken food safety issues off the front pages for a while, but not off the agendas of senior executives in the industry who appreciate the risks only too well. In the 2008 CIES Top of Mind survey of food retailers and manufacturers, food safety rose from number eight to number two in a ranking of senior executives' priorities and has maintained its position in the recently released 2009 survey. With ever more global patterns of food supply, it remains critically important for businesses to ensure the end-to-end integrity of the supply chain in which they operate in the interest of protecting consumers and protecting the brands they trust. We should not be complacent. Recent example such as melamine in various foods in China, demonstrates that this issue deserves even greater focus within most food businesses.

Tough times ahead—Ultimately, the successful brands in the future will be those which track and anticipate changing consumer needs and preferences and engineer the right value proposition, recognizing that not all consumers are alike. Success will depend on being more granular in understanding how the market is changing and in targeting different consumer groups accordingly. This will have to be done against a backdrop of significant challenges. Most consumers will feel less well-off for the foreseeable future. Health and wellness will continue to be important but will need to be affordable. Effective management of food safety risk is crucial. Environmental and ethical issues will be essential to brand relevance but price premiums versus alternative products will need to be well justified. Success in the future will be about providing value to the consumer, while at the same time sticking to and communicating the core brand values.

Communicating brand values has however become more challenging. It is no longer simply a case of investing in conventional advertising. Consumers now use a variety of different sources, such as the Internet, digital television, mobile phones, celebrities, and their own personal network to help them make choices about where to shop and what to buy. There has been a consequent decline in the influence of 'push' media, such as traditional television, radio, and print—over whose content the public has little control. Rather, 'pull' media such as the Internet, on-demand cable and satellite channels, and social networking sites have grown in stature as consumers take control over what they watch, when and how. Businesses must grapple with this changing dynamic to ensure they don't lose touch with their customers, especially with the economic downturn making them even more price and value-conscious than before.

As for the immediate and near-term future, most consumer products companies face tough times ahead or at least a period of no growth, against a backdrop of a deteriorating global economy. Nevertheless, there are still opportunities for those businesses who can manage effectively to track and foresee changing consumer needs, and who can meet and anticipate those needs with relevant brands, products and services.

The next year will also be characterized by further industry consolidation as those businesses with strong balance sheets and good cash reserves seize opportunities to acquire attractively priced assets that are a good strategic fit for their businesses. What's very clear is that the decisions businesses take over the coming year will be pivotal in shaping their destinies over the next ten years.

Strategies for a changed economy

Success in today's more challenging market environment will depend on understanding and anticipating changing consumer needs and responding with relevant products and solutions at the right price points.

Questions for consumer businesses

Some important questions for consumer products companies to consider are:

- How are shopper and consumer needs changing, both in the short term and longer term?
- Are our historical market segmentation models still relevant, or do we need to find different ways of looking at the market and the changing landscape of available revenue and value capture?
- What do we need to do to protect and enhance our brand's reputation and ensure its relevance to consumers, whose mindsets are very different from a year ago and to whom extravagance, even to the better-off, seems inappropriate?
- What is the most effective way of communicating our brand value proposition given the fragmentation of media and the barrage of messaging that consumers and shoppers receive? How can we most effectively integrate messaging outside the store with that at the point of purchase?
- How can we keep our existing customers and consumers loyal, and win new ones?
- How can we stay ahead of the curve in anticipating their needs and accelerate innovation and time to market?
- How should we direct the focus of this innovation to respond to changing consumer needs for value and pricing while preserving the values we stand for?
- What do we need to do to adapt our business model to establish the capabilities needed to compete effectively in today's marketplace?
- Where do opportunities exist to improve operational efficiency and reduce costs—for example, in marketing, sales, customer service, distribution, manufacturing or the back office?
- How should we adapt our sourcing strategies for affordability, sustainability and security of supply?
- How can we most effectively manage and reduce food safety risks given the new issues in the changed economy and increasingly global supply chain?

Preparing for the future

In answering these questions, to claim that there is a 'one size fits all' recipe for survival, prosperity and future market leadership for all businesses in the industry would be to greatly over-simplify. Different businesses find themselves with differing priorities. For many mid-sized and smaller suppliers, especially those carrying significant debt as do many private equity-owned businesses, cash flow and liquidity are the critical issues, alongside pressure on prices and margins and the need to reduce costs. Larger, better-capitalized businesses, while also focused on costs, are often more focused on tracking and anticipating changes in the market by category and geography and prioritizing investment accordingly to meet changing consumer and shopper needs.

Below we identify and discuss four critical areas that all businesses should think about when developing strategy appropriate to their particular situations:

Strengthening the balance sheet—focusing on sources of funding, working capital and cash management.

Optimizing trading performance—focusing on commercial and operational excellence, how to win in the current market by maintaining/growing market share with reduced resources while carefully managing pricing and costs.

Positioning for future leadership—focusing on re-assessing longer-term strategy regarding where to play and how to win.

Building confidence among stakeholders—focusing on leading and motivating people in a downturn; managing shareholder interactions and expectations; and collaborating with suppliers and other business partners.

Strengthening the balance sheet

Liquidity is the biggest problem facing many businesses today. Banks are reluctant to provide new lending or even renew existing facilities. Retailers are bolstering their own cash flow by insisting on extended payment terms from suppliers. Many suppliers carry high levels of long-term debt, especially those in private equity ownership and those that have been engaged in substantial acquisition activity at or near the top of the market. As the economy has slowed, more and more businesses are challenged in servicing their debts and ensuring adequacy of working capital. Leading consumer products companies are increasingly concerned about the stability of their supply base, as indeed are leading retailers.

Greater discipline in managing receivables, payables and working capital tied up in inventory is good practice but hardly sufficient to make much impact on the scale of the problems many face. More drastic action is required, and businesses need to work with their lenders to develop workable solutions. New equity investment can reduce short-term debt but can adversely impact existing investors. Selling off non-strategic business units may be necessary, though the values realized in today's market may be low. New approaches to supply chain finance, where invoices are settled on presentation at an affordable discount rate, may be one of the most effective parts of the overall solution, given that many businesses have 60 to 90 days of revenue tied up in receivables.

Optimizing trading performance

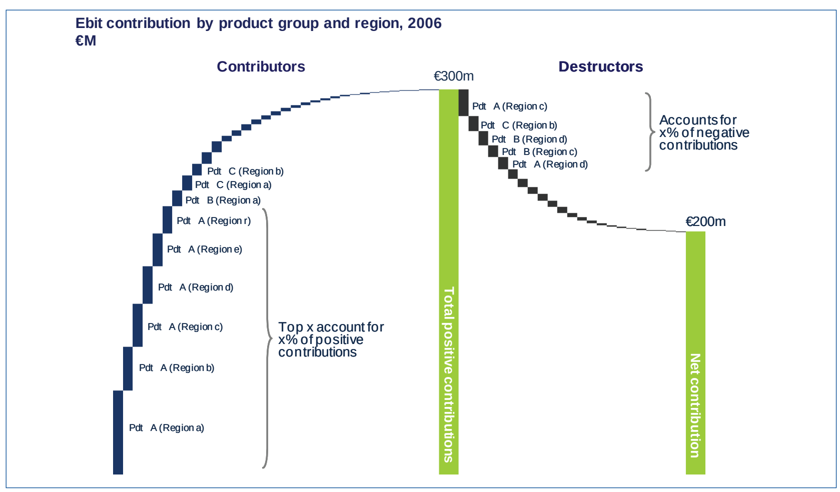
There are a number of levers that businesses can pull, or in many cases are already pulling, that can materially impact business performance in the short term. Optimizing trading performance requires both commercial and operational excellence. Speed, focus and reducing complexity are key themes. It is often as much about deciding what to stop doing because it is not value-adding as it is about what to do that is new or different.

Improving the effectiveness of marketing spend should be a critical focus for any brand-based business. Even before the current economic circumstances, changing media trends and consumer behaviors were driving consumer goods companies to re-evaluate their marketing approach and media mix. New shopping and buying patterns are now also challenging the allocation of marketing investment across brands and channels. It has never been more important for consumer goods companies to spend their marketing money wisely.

Pricing and promotion is one of the most important areas of opportunity. Deloitte research shows that a focus on optimal price-setting and disciplined pricing execution offers the highest potential to improve both top line sales and bottom line profitability. In spite of often brutal price-led competition, both between retailers and in many cases with direct competitors, which has put pressure on prices and margins across the industry, many businesses could do more to win and sustain the price increases they need.

Promotions are important, and promotional intensity will increase in the current economic environment. Clearly, while shoppers like everyday low prices, they are even more influenced by promotions. The winners in maximizing return on this investment will be those that go beyond promotions as simply being a "ticket to play". They will learn from each promotion and apply that learning to future investment activity in ways that add value and reinforce the case for closer collaboration with channel partners. Using shopper insight down to the level of the individual will become increasingly central to the ability to target promotional spend on the right consumers. The challenge for many will be how to reconcile the short-term imperative to indulge the consumer's appetite for promotions with the longer-term objective to protect brand values and avoid commoditization.

In times of plenty, many businesses—especially strong, brand-led businesses—could afford not to focus on the profitability of individual customers and products. But times have clearly changed, and understanding where value is created and where value is destroyed has become critical to more and more businesses. Realistic customer cost-to-serve models are becoming an important business intelligence tool, but they are not yet well established across the industry. Businesses using such models have an important commercial advantage, both in margin management and price negotiation.



Understanding product profitability provides a vital starting point for SKU range simplification and a reduction in business complexity, which is a major driver of cost. It also focuses effort in product value engineering, which is increasingly important in protecting margins. Short-term sourcing optimization—such as fully capturing the benefits of recent commodity price falls—is an important part of this. In the case of some food businesses, for example, procured materials often represent two-thirds of the cost of manufactured goods at the factory gate, and therefore represent a key area of focus.

Improving operational efficiency across the supply chain is also important. If not already in place, this typically includes establishing an effective sales and operations planning (S&OP) process, optimizing the supply network, and establishing the right distribution partnerships. This is also an important foundation for providing outstanding customer service from supplier to retailer, which is integral to the ability to access wider joint business development opportunities.

There are also housekeeping matters that, if not already addressed, should at least be considered as a part of optimizing overall business performance. Many consumer businesses have already addressed cost-efficiency in the back office through consolidation and outsourcing. Most publicly quoted organizations have a duty to release the potential value to their shareholders that this affords. However, clear business partnering models and service-level management frameworks need to be in place to assure quality and value for money from such arrangements. Managing the effective tax rate of the business also presents opportunities to protect cash and increase the capacity to invest.

Positioning for future leadership

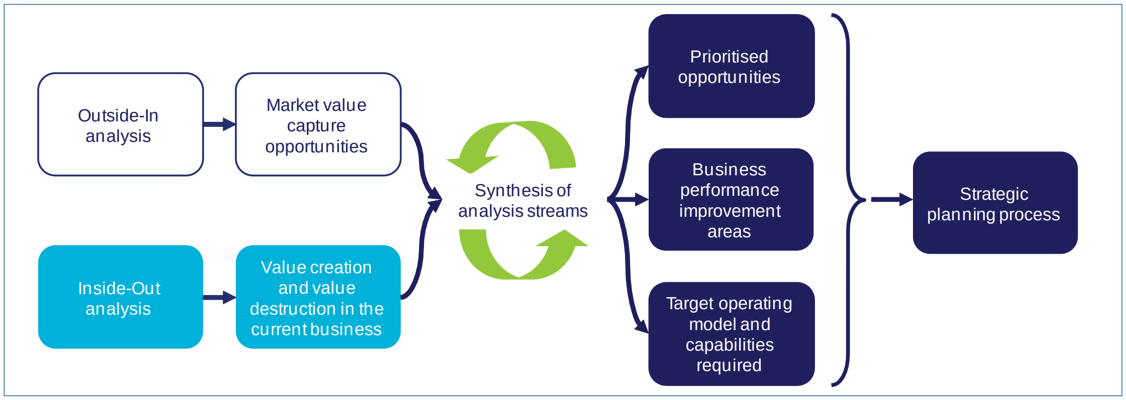
In parallel with pulling the levers that can help protect margins and deliver strong business performance in the short term, businesses that are going to be future leaders need to be laying the foundation for longer term success now. This requires being clear on both where to play and how to win.

With economic confidence declining and individual consumption patterns rapidly changing the market landscape, traditional market segmentation and value quantification models risk irrelevance. At the same time, the resources businesses have available for investment are becoming increasingly constrained. To make the difficult decisions and tradeoffs that will lay the foundation for future success, management will require solid quantitative evidence of value creation potential. Deciding where to play and gaining stakeholder commitment requires robust insights into how available market revenue and value pools are evolving. These insights require high-quality, timely analysis of past, current and anticipated market trends to determine where the business should focus—on which consumer segments, in which geographies and channels, in which types of outlets, and with what products. As shown in the chart below, they also require both an outside-in view of the opportunities based on the changing market landscape, and an inside-out view that informs the ability to exploit those market opportunities profitability. The result is both a clear view of where to play and an agenda for the changes required in the business to play successfully and profitably.

Longer-term, businesses should make granularity of market analysis a core discipline to support strategic thinking and embed revenue and profit pool landscape tracking in their routine management processes.

Based on clear priorities about where to play, many businesses will choose to make changes in their category and geography portfolios. Non-core businesses may be divested. Attractively valued assets that fit the strategy may be acquired, benefiting from the challenges that many other businesses face in today's market. Some businesses will find that existing brand architectures and strategies will need to be refreshed to ensure relevance and resonance in each priority market.

We will see major changes in the way in which businesses reach consumers and shoppers. Traditional brand and product marketing approaches are fast being abandoned in favor of more shopper-centric approaches. This is the result of fragmenting media, where individuals actively choose to pull content rather than being passive receivers



of broadcast messages. It also reflects the growing power and marketing capabilities of the retailer. Success in reaching the future consumer will depend on tightly integrating activity outside the store with that inside the store. This in turn will mean breaking down the traditional barriers between marketing and sales; for example, integrating current and actionable shopper and consumer insights to inform brand, channel and communication strategies. Effective execution, then, requires a strong marketing mix model; an effective digital media strategy; good management information regarding the allocation of marketing resources; excellent marketing sourcing processes; and real management commitment to the alignment of marketing and sales activities. That this issue is becoming more important is borne out by the 2009 CIES Top of Mind survey of food retailers and manufacturers: consumer marketing has risen three places to number eight in a ranking of senior executives' priorities.

Focusing product innovation and portfolio management on changing customer and consumer needs will also be crucial to longer-term success in the industry. In spite of the economic challenges, key consumer trends that were evident eighteen months ago such as convenience, good nutrition and health, packaging reduction, interest in provenance, environmental impact, and ethical sourcing have not gone away. At the same time, affordability, perceived value, and price will become relatively more important shopping and purchase drivers for the foreseeable future than has been the case historically. Some of these shifts to more frugal consumer behaviors may prove much longer lasting than the downturn itself. Those businesses that succeed in bringing new products to market that reconcile these different needs, and at the same time generate a good margin, will win market share and capture value.

Moving to the supply side, the commodity price spike the industry experienced in 2008 in some sectors was a wake-up call for many in the industry, highlighting what occurs when demand and supply come into finer balance. While we are now in a more benign period of commodity pricing from a buyer's perspective, underlying trends such as population growth, rise of the middle class in major developing economies, and climate change are unlikely to go away. As the global economy eventually moves out of recession and demand for commodities and resources accelerate again, supply-side challenges will emerge. Therefore, the coming year will be a good time for many businesses to revisit longer-term sourcing strategies to secure supply at the right quality and cost. More and more businesses will identify needs for greater vertical integration to secure supply and will assess potential partners and suppliers according to criteria such as sustainability of supply, risk profile and climatic exposure, and long-term capacity. Strategies for water and energy use will also become increasingly important to supplier choice.

Building confidence among stakeholders

Perhaps one of the most important things for businesses to do in the current downturn is to build and keep the confidence of their various stakeholders—their shareholders, their customers, their suppliers, their employees, and others. Management needs to focus on leading and motivating the people inside the company through the downturn by setting a clear direction, managing expectations, and communicating regularly. The requirements are very similar with shareholders—explaining strategy, managing expectations and avoiding surprises. It's equally important to keep the confidence of suppliers and customers too, ensuring that they see the business as a stable and reliable business partner, able and willing to work with them in navigating a changing and challenging market. This sounds obvious—and it is to most—but with so many competing demands on the attention of business leaders, it is worth noting.

Concluding thoughts

Given the current state of the global economy, many consumer products industry leaders will have no choice but to focus in the short term around costs, liquidity and even business survival. However, the current economic environment also offers opportunity for companies to reflect on how they are run today and what needs to be different to be prepared for the future.

Business leaders are adapting their businesses quite quickly to this very different economic situation, and many recognize that we are entering a time not only of new challenges but also of new opportunities. The winners ultimately will be those businesses that tackle the issues of liquidity and current trading performance without delay. This will allow early focus on understanding and exploiting the longer-term shifts in the market, enabling businesses to capture share while also getter leaner and fitter as a platform for future leadership and value creation.

For most businesses, this means there is a lot to get done. Ultimately, consumer businesses are successful not by making and selling products, but by anticipating and meeting the needs of their consumers. Businesses will need to be clear about how they will meet changing consumer needs in light of the economic challenges we now face, making the bold decisions that will shape their destiny over the coming years.

Global powers of the consumer products industry: The Top 250

Sales rank (FY07)	Company name	Country	Region	Product sector	FY07 net sales (US$mil)	FY07 net profits (US$mil)	FY07 sales growth
1	Samsung Electronics Co., Ltd.	South Korea	Asia/Pacific	Electronic Products	106,388	8,557	15.3%
2	Hewlett-Packard Company	United States	North America	Electronic Products	104,286	7,264	13.8%
3	Nestle SA	Switzerland	Europe	Food, Drink & Tobacco	89,724	9,495	9.2%
4	The Procter & Gamble Company	United States	North America	Personal & Household Products	83,503	12,075	9.2%
5	Matsushita Electric Industrial Co., Ltd.	Japan	Asia/Pacific	Electronic Products	79,625	2,726	-0.4%
6	Altria Group, Inc.	United States	North America	Food, Drink & Tobacco	73,801	9,786	-27.2%
7	Sony Corporation	Japan	Asia/Pacific	Electronic Products	72,012	3,193	8.4%
8	Nokia Corporation	Finland	Europe	Electronic Products	69,987	9,247	24.2%
9	Toshiba Corporation	Japan	Asia/Pacific	Electronic Products	67,326	1,248	7.8%
10	Dell Inc.	United States	North America	Electronic Products	61,133	2,947	6.5%
11	LG Electronics Inc.	South Korea	Asia/Pacific	Electronic Products	57,701	2,234	15.3%
12	Japan Tobacco Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	56,277	2,144	34.4%
13	Unilever Group	United Kingdom	Europe	Personal & Household Products	55,086	5,669	1.4%
14	PepsiCo, Inc.	United States	North America	Food, Drink & Tobacco	39,474	5,658	12.3%
15	Canon Inc.	Japan	Asia/Pacific	Electronic Products	38,091	4,285	7.8%
16	Kraft Foods, Inc.	United States	North America	Food, Drink & Tobacco	37,241	2,590	8.4%
17	Koninklijke Philips Electronics N.V.	Netherlands	Europe	Electronic Products	36,726	5,720	-0.7%
18	Motorola, Inc.	United States	North America	Electronic Products	36,622	(49)	-14.6%
19	Sharp Corporation	Japan	Asia/Pacific	Electronic Products	30,008	906	9.3%
20	The Coca-Cola Company	United States	North America	Food, Drink & Tobacco	28,857	5,981	19.8%
21	Bridgestone Corporation	Japan	Asia/Pacific	Tires	28,817	1,174	13.3%
22	Tyson Foods, Inc.	United States	North America	Food, Drink & Tobacco	26,900	268	5.2%
23	Imperial Tobacco Group PLC	United Kingdom	Europe	Food, Drink & Tobacco	24,308	1,796	5.7%
24	Apple Inc.	United States	North America	Electronic Products	24,006	3,496	24.3%
25	Christian Dior SA	France	Europe	Fashion Goods	23,638	3,191	7.7%
26	L'Oreal SA	France	Europe	Personal & Household Products	23,388	3,643	8.1%
27	Michelin Group	France	Europe	Tires	23,120	1,058	2.9%
28	Mars, Incorporated	United States	North America	Food, Drink & Tobacco	22,000[e]	n/a	4.8%
29	Fujifilm Holdings Corporation	Japan	Asia/Pacific	Electronic Products	21,513	1,053	2.1%
30	SABMiller plc	United Kingdom	Europe	Food, Drink & Tobacco	21,410	2,288	15.0%
31	Coca-Cola Enterprises Inc	United States	North America	Food, Drink & Tobacco	20,936	711	5.7%
32	British American Tobacco plc	United Kingdom	Europe	Food, Drink & Tobacco	20,054	4,578	2.6%
33	InBev NV	Belgium	Europe	Food, Drink & Tobacco	19,780	4,178	8.4%
34	The Goodyear Tire & Rubber Company	United States	North America	Tires	19,644	672	-3.0%
35	Whirlpool Corporation	United States	North America	Home Furnishings & Equipment	19,408	662	7.3%
36	NIKE, Inc.	United States	North America	Fashion Goods	18,627	1,883	14.1%
37	Kimberly-Clark Corporation	United States	North America	Personal & Household Products	18,266	1,951	9.1%
38	Henkel KGaA	Germany	Europe	Personal & Household Products	17,921	1,290	2.6%

Source: Published company data
e = estimate
n/a = not available

Sales rank (FY07)	Company name	Country	Region	Product sector	FY07 net sales (US$mil)	FY07 net profits (US$mil)	FY07 sales growth
39	Sanyo Electric Co., Ltd.	Japan	Asia/Pacific	Home Furnishings & Equipment	17,716	275	-8.9%
40	Sony Ericsson Mobile Communications AB	United Kingdom	Europe	Electronic Products	17,704	1,576	17.9%
41	Groupe Danone	France	Europe	Food, Drink & Tobacco	17,513	5,946	-9.2%
42	Heineken N.V	Netherlands	Europe	Food, Drink & Tobacco	17,222	1,332	6.2%
43	Altadis, S.A.	Spain	Europe	Food, Drink & Tobacco	17,200	635	0.4%
44	Anheuser-Busch Companies, Inc.	United States	North America	Food, Drink & Tobacco	16,686	2,115	6.2%
45	Lenovo Group Limited	Hong Kong	Asia/Pacific	Electronic Products	16,352	485	12.1%
46	Diageo plc	United Kingdom	Europe	Food, Drink & Tobacco	16,215	3,271	8.1%
47	Cadbury Schweppes plc	United Kingdom	Europe	Food, Drink & Tobacco	15,956	815	7.3%
48	Svenska Cellulosa AB SCA	Sweden	Europe	Personal & Household Products	15,702	1,062	4.4%
49	Haier Group	China	Asia/Pacific	Home Furnishings & Equipment	15,537	n/a	9.8%
50	Electrolux AB	Sweden	Europe	Home Furnishings & Equipment	15,527	434	0.9%
51	Kirin Brewery Company, Limited	Japan	Asia/Pacific	Food, Drink & Tobacco	15,310	664	8.1%
52	Nintendo Co., Ltd.	Japan	Asia/Pacific	Leisure Goods	14,684	2,259	73.2%
53	adidas AG	Germany	Europe	Fashion Goods	14,117	761	2.1%
54	Acer Incorporated	Taiwan	Asia/Pacific	Electronic Products	14,065	395	25.2%
55	Colgate-Palmolive Company	United States	North America	Personal & Household Products	13,790	1,737	12.7%
56	General Mills, Inc.	United States	North America	Food, Drink & Tobacco	13,652	1,295	9.7%
57	The Pepsi Bottling Group, Inc.	United States	North America	Food, Drink & Tobacco	13,591	626	6.8%
58	Fomento Economico Mexicano S.A.B de C.V.	Mexico	Latin America	Food, Drink & Tobacco	13,472	1,093	16.7%
59	Associated British Foods plc	United Kingdom	Europe	Food, Drink & Tobacco	13,355	786	13.4%
60	Sara Lee Corp.	United States	North America	Food, Drink & Tobacco	13,212	(79)	7.6%
61	Groupe Lactalis	France	Europe	Food, Drink & Tobacco	13,159	n/a	28.0%
62	Suntory Group	Japan	Asia/Pacific	Food, Drink & Tobacco	12,706	205	5.7%
63	Asahi Breweries, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	12,445	382	1.2%
64	Maxingvest AG (formerly Tchibo Holding AG)	Germany	Europe	Food, Drink & Tobacco	12,427	1,083	0.3%
65	BSH Bosch und Siemens Hausgerate GmbH	Germany	Europe	Home Furnishings & Equipment	12,087	563	6.1%
66	Seiko Epson Corporation	Japan	Asia/Pacific	Electronic Products	11,834	192	-4.8%
67	Dean Foods Company	United States	North America	Food, Drink & Tobacco	11,822	131	17.1%
68	Kellogg Company	United States	North America	Food, Drink & Tobacco	11,776	1,103	8.0%
69	Masco Corporation	United States	North America	Home Improvement Products	11,770	423	-7.9%
70	ConAgra Foods, Inc.	United States	North America	Food, Drink & Tobacco	11,606	931	-3.5%
71	Kao Corporation	Japan	Asia/Pacific	Personal & Household Products	11,577	594	7.0%
72	Smithfield Foods, Inc.	United States	North America	Food, Drink & Tobacco	11,351	135	-4.7%
73	Dairy Farmers of America	US	North America	Food, Drink & Tobacco	11,100	(109)	40.5%
74	Orkla ASA	Norway	Europe	Food, Drink & Tobacco	10,699	1,446	21.2%
75	Ajinomoto Co., Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	10,682	276	5.0%
76	Dr August Oetker KG	Germany	Europe	Food, Drink & Tobacco	10,622	n/a	8.4%
77	Reckitt Benckiser plc	United Kingdom	Europe	Personal & Household Products	10,548	1,878	7.0%
78	Eastman Kodak Company	United States	North America	Electronic Products	10,301	676	-22.4%
79	H.J. Heinz Company	United States	North America	Food, Drink & Tobacco	10,071	845	11.9%
80	Avon Products, Inc.	United States	North America	Personal & Household Products	9,845	533	13.5%
81	Pernod-Ricard S.A.	France	Europe	Food, Drink & Tobacco	9,690	1,278	2.3%
82	Vion NV	Netherlands	Europe	Food, Drink & Tobacco	9,590	173	-4.7%
83	Nippon Meat Packers	Japan	Asia/Pacific	Food, Drink & Tobacco	9,064	14	5.6%
84	Reynolds American, Inc.	United States	North America	Food, Drink & Tobacco	9,023	1,308	6.0%
85	Land O'Lakes, Inc.	United States	North America	Food, Drink & Tobacco	8,925	165	25.7%

Source: Published company data
e = estimate
n/a = not available

Sales rank (FY07)	Company name	Country	Region	Product sector	FY07 net sales (US$mil)	FY07 net profits (US$mil)	FY07 sales growth
86	Pirelli & C. SpA	Italy	Europe	Tires	8,916	444	34.4%
87	Coca-Cola Hellenic Bottling Company SA	Greece	Europe	Food, Drink & Tobacco	8,858	667	15.1%
88	Arla Foods amba	Denmark	Europe	Food, Drink & Tobacco	8,784	173	4.9%
89	Fortune Brands, Inc.	United States	North America	Food, Drink & Tobacco	8,563	787	-2.3%
90	Uni-President Enterprises Corporation	Taiwan	Asia/Pacific	Food, Drink & Tobacco	8,505	458	12.3%
91	Nikon Corporation	Japan	Asia/Pacific	Electronic Products	8,392	663	16.2%
92	Carlsberg A/S	Denmark	Europe	Food, Drink & Tobacco	8,234	478	8.9%
93	Sherwin-Williams Company	United States	North America	Home Improvement Products	8,005	616	2.5%
94	S.C. Johnson & Son, Inc.	United States	North America	Personal & Household Products	8,000[e]	n/a	6.7%
95	Danish Crown Group	Denmark	Europe	Food, Drink & Tobacco	7,921	225	-8.6%
96	The Estee Lauder Companies Inc.	United States	North America	Personal & Household Products	7,911	484	12.4%
97	Campbell Soup Company	United States	North America	Food, Drink & Tobacco	7,867	854	7.1%
98	Pilgrim's Pride Corp.	United States	North America	Food, Drink & Tobacco	7,599	47	45.1%
99	Mohawk Industries, Inc.	United States	North America	Home Improvement Products	7,586	707	-4.0%
100	The Ferrero Group	Italy	Europe	Food, Drink & Tobacco	7,584	n/a	2.5%
101	Beiersdorf AG	Germany	Europe	Personal & Household Products	7,549	606	7.6%
102	Compagnie Financiere Richemont SA	Switzerland	Europe	Fashion Goods	7,514	2,225	9.8%
103	JBS S.A.	Brazil	Latin America	Food, Drink & Tobacco	7,301	(85)	228.7%
104	V.F. Corporation	United States	North America	Fashion Goods	7,141	592	16.3%
105	Alticor Inc.	United States	North America	Personal & Household Products	7,100	n/a	12.7%
106	Royal Friesland Foods NV	Netherlands	Europe	Food, Drink & Tobacco	6,957	273	8.6%
107	Dole Food Company, Inc	United States	North America	Food, Drink & Tobacco	6,931	(54)	12.3%
108	Pioneer Corporation	Japan	Asia/Pacific	Electronic Products	6,782	(158)	-2.5%
109	Grupo Bimbo C.A. de C.V.	Mexico	Latin America	Food, Drink & Tobacco	6,622	359	13.6%
110	Yamazaki Baking Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	6,573	56	3.2%
111	The Black & Decker Corporation	United States	North America	Home Improvement Products	6,563	518	1.8%
112	Newell Rubbermaid Inc.	United States	North America	Personal & Household Products	6,407	467	3.3%
113	Shiseido Company, Limited	Japan	Asia/Pacific	Personal & Household Products	6,352	351	4.2%
114	Mccain Foods Limited	Canada	North America	Food, Drink & Tobacco	6,341[e]	n/a	6.3%
115	Steinhoff International Holdings Limited	South Africa	Africa/Middle East	Home Furnishings & Equipment	6,219	474	31.6%
116	Meiji Dairies Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	6,207	81	0.6%
117	Hormel Foods Corporation	United States	North America	Food, Drink & Tobacco	6,193	302	7.8%
118	Molson Coors Brewing Company	United States	North America	Food, Drink & Tobacco	6,191	513	5.9%
119	Grupo Modelo, S.A. de C.V.	Mexico	Latin America	Food, Drink & Tobacco	6,158	1,399	35.0%
120	Research In Motion Limited	Canada	North America	Electronic Products	6,009	1,294	97.9%
121	Scottish & Newcastle plc	United Kingdom	Europe	Food, Drink & Tobacco	5,981	(210)	-10.2%
122	Mattel, Inc.	United States	North America	Leisure Goods	5,970	600	5.7%
123	Barilla Holding S.p.A.	Italy	Europe	Food, Drink & Tobacco	5,819	99	3.1%
124	Bacardi & Company, Limited	Bermuda	Latin America	Food, Drink & Tobacco	5,546	795	11.7%
125	Campina Melkunie UA	Netherlands	Europe	Food, Drink & Tobacco	5,527	59	11.3%
126	Casio Computer Co., Ltd.	Japan	Asia/Pacific	Electronic Products	5,470	88	0.4%
127	Skandinavisk Tobakskompagni A/S	Denmark	Europe	Food, Drink & Tobacco	5,411	311	4.8%
128	Wm. Wrigley Jr. Company	United States	North America	Food, Drink & Tobacco	5,389	632	15.0%
129	Parmalat Group	Italy	Europe	Food, Drink & Tobacco	5,296	924	0.5%
130	The Clorox Company	United States	North America	Personal & Household Products	5,273	461	8.8%

Source: Published company data
e = estimate
n/a = not available

Sales rank (FY07)	Company name	Country	Region	Product sector	FY07 net sales (US$mil)	FY07 net profits (US$mil)	FY07 sales growth
131	Kohler Co.	United States	North America	Home Improvement Products	5,230	n/a	4.6%
132	Morinaga Milk Industry Co.,Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	5,153	19	1.5%
133	TCL Corporation	China	Asia/Pacific	Electronic Products	5,143	43	-16.6%
134	Arcelik Anonim Sirketi	Turkey	Africa/Middle East	Home Furnishings & Equipment	5,109	138	-4.8%
135	Gree Electric Appliances, Inc. of Zhuhai	China	Asia/Pacific	Home Furnishings & Equipment	5,005	169	44.3%
136	Lexmark International, Inc.	United States	North America	Electronic Products	4,974	301	-2.6%
137	The Hershey Company	United States	North America	Food, Drink & Tobacco	4,947	214	0.1%
138	Husqvarna AB	Sweden	Europe	Home Improvement Products	4,934	302	13.2%
139	Saputo, Inc.	Canada	North America	Food, Drink & Tobacco	4,911	280	26.4%
140	Maple Leaf Foods Inc.	Canada	North America	Food, Drink & Tobacco	4,874	203	-11.6%
141	The Yokohama Rubber Company Limited	Japan	Asia/Pacific	Tires	4,842	189	10.9%
142	Sumitomo Rubber Industries Ltd.	Japan	Asia/Pacific	Tires	4,822	184	6.2%
143	Yamaha Corporation	Japan	Asia/Pacific	Leisure Goods	4,818	353	-0.3%
144	Indesit Company S.p.A.	Italy	Europe	Home Furnishings & Equipment	4,712	144	5.8%
145	The Swatch Group Ltd.	Switzerland	Europe	Fashion Goods	4,710	847	17.1%
146	Nippon Suisan Kaisha, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	4,688	86	-3.4%
147	Bongrain SA	France	Europe	Food, Drink & Tobacco	4,687	231	2.4%
148	Humana Milchunion Unternehmensgruppe	Germany	Europe	Food, Drink & Tobacco	4,677	n/a	19.0%
149	Polo Ralph Lauren Corporation	United States	North America	Fashion Goods	4,671	422	15.1%
150	Chiquita Brands International, Inc.	United States	North America	Food, Drink & Tobacco	4,663	(49)	3.6%
151	Jarden Corporation	United States	North America	Personal & Household Products	4,660	28	21.2%
152	Liz Claiborne, Inc.	United States	North America	Fashion Goods	4,577	(373)	-8.4%
153	SVA (Group) Co., Ltd.	China	Asia/Pacific	Electronic Products	4,552	n/a	0.6%
154	Itoham Foods Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	4,548	39	2.7%
155	Groupe Terrena	France	Europe	Food, Drink & Tobacco	4,539	37	8.3%
156	Sadia S.A.	Brazil	Latin America	Food, Drink & Tobacco	4,520	434	28.2%
157	Premier Foods plc	United Kingdom	Europe	Food, Drink & Tobacco	4,499	(127)	134.3%
158	The Stanley Works	United States	North America	Home Improvement Products	4,484	337	11.6%
159	PepsiAmericas, Inc.	United States	North America	Food, Drink & Tobacco	4,480	212	12.8%
160	Hanesbrands Inc	United States	North America	Fashion Goods	4,475	126	1.6%
161	Hallmark Cards, Inc.	United States	North America	Leisure Goods	4,400	n/a	7.3%
162	Red Bull GmbH	Austria	Europe	Food, Drink & Tobacco	4,400[e]	n/a	28.3%
163	GuangDong Midea Electric Appliances Co., Ltd.	China	Asia/Pacific	Home Furnishings & Equipment	4,384	157	57.3%
164	Perdue Farms Incorporated	United States	North America	Food, Drink & Tobacco	4,300[e]	n/a	28.4%
165	Levi Strauss & Co.	United States	North America	Fashion Goods	4,266	460	3.9%
166	Charoen Pokphand Foods Public Company Limited	Thailand	Asia/Pacific	Food, Drink & Tobacco	4,214	45	7.9%
167	Miele & Cie. KG	Germany	Europe	Home Furnishings & Equipment	4,132	n/a	2.6%
168	Sony Bmg Music Entertainment	United States	North America	Electronic Products	4,118	n/a	-27.9%
169	Harman International Industries, Inc.	United States	North America	Electronic Products	4,113	107	15.8%
170	B & C Tönnies Holding GmbH und Company KG	Germany	Europe	Food, Drink & Tobacco	4,112[e]	n/a	9.0%
171	Nichirei Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	4,070	86	1.3%
172	Fenaco	Switzerland	Europe	Food, Drink & Tobacco	4,067	53	2.7%
173	Namco Bandai Holdings Inc.	Japan	Asia/Pacific	Leisure Goods	4,043	293	0.3%
174	Groupe ONA	Morocco	Africa/Middle East	Food, Drink & Tobacco	4,041	187	13.8%
175	Essilor International S.A.	France	Europe	Personal & Household Products	3,986	508	8.1%

Source: Published company data
e = estimate
n/a = not available

Sales rank (FY07)	Company name	Country	Region	Product sector	FY07 net sales (US$mil)	FY07 net profits (US$mil)	FY07 sales growth
176	Lorillard, Inc. (formerly Carolina Group)	United States	North America	Food, Drink & Tobacco	3,969	898	5.7%
177	Q.P. Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	3,964	69	2.6%
178	SEB SA	France	Europe	Home Furnishings & Equipment	3,933	196	8.2%
179	Foster's Group Limited	Australia	Asia/Pacific	Food, Drink & Tobacco	3,920	105	-4.0%
180	Hankook Tire Co., Ltd.	South Korea	Asia/Pacific	Tires	3,873	172	13.0%
181	Agrokor d.d.	Croatia	Europe	Food, Drink & Tobacco	3,871	85	36.5%
182	Hasbro, Inc.	United States	North America	Leisure Goods	3,838	333	21.8%
183	Sapporo Holdings Limited	Japan	Asia/Pacific	Food, Drink & Tobacco	3,817	47	3.2%
184	Jones Apparel Group, Inc.	United States	North America	Fashion Goods	3,793	311	-18.8%
185	Nisshin Seifun Group Inc.	Japan	Asia/Pacific	Food, Drink & Tobacco	3,792	115	3.3%
186	Constellation Brands, Inc.	United States	North America	Food, Drink & Tobacco	3,773	(613)	-27.7%
187	Del Monte Foods Company	United States	North America	Food, Drink & Tobacco	3,737	133	9.4%
188	The Lotte Group	Japan	Asia/Pacific	Food, Drink & Tobacco	3,725	n/a	-5.4%
189	Ebro Puleva S.A.	Spain	Europe	Food, Drink & Tobacco	3,680	127	9.6%
190	Electronic Arts Inc.	United States	North America	Leisure Goods	3,665	(454)	18.6%
191	RPM International Inc.	United States	North America	Home Improvement Products	3,644	48	9.1%
192	ITC Limited	India	Asia/Pacific	Food, Drink & Tobacco	3,641	791	13.9%
193	Kikkoman Corporation	Japan	Asia/Pacific	Food, Drink & Tobacco	3,634	113	5.4%
194	Vestel Elektronik Sanayi ve Ticaret A.S.	Turkey	Africa/Middle East	Electronic Products	3,570	24	-11.5%
195	Meiji Seika Kaisha, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	3,553	57	2.8%
196	Armstrong World Industries	United States	North America	Home Improvement Products	3,550	145	3.6%
197	D Swarovski & Co	Austria	Europe	Fashion Goods	3,513	n/a	8.1%
198	Coty, Inc.	United States	North America	Personal & Household Products	3,500[e]	n/a	6.1%
199	Coca-Cola West Holdings Company, Limited	Japan	Asia/Pacific	Food, Drink & Tobacco	3,481	80	24.9%
200	Goldas Kuyumculuk Sanayi A.S.	Turkey	Africa/Middle East	Fashion Goods	3,463	12	42.5%
201	SanDisk Corporation	United States	North America	Electronic Products	3,446	224	17.8%
202	Ashley Furniture Industries, Inc.	United States	North America	Home Furnishings & Equipment	3,430[e]	n/a	9.9%
203	Perdigão S.A.	Brazil	Latin America	Food, Drink & Tobacco	3,425	168	27.3%
204	Nissin Food Products Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	3,384	118	7.6%
205	San Miguel Corporation	Philippines	Asia/Pacific	Food, Drink & Tobacco	3,379	188	-38.0%
206	Energizer Holdings, Inc.	United States	North America	Personal & Household Products	3,365	321	9.4%
207	Cremonini S.p.A.	Italy	Europe	Food, Drink & Tobacco	3,352	35	5.8%
208	CJ CheilJedang Corporation	South Korea	Asia/Pacific	Food, Drink & Tobacco	3,324[e]	59	16.9%
209	The Schwan Food Company	United States	North America	Food, Drink & Tobacco	3,300[e]	n/a	-5.7%
210	Coca-Cola Amatil Limited	Australia	Asia/Pacific	Food, Drink & Tobacco	3,299	261	-9.7%
211	KT&G Corporation	South Korea	Asia/Pacific	Food, Drink & Tobacco	3,290	716	8.2%
212	Brown-Forman Corporation	United States	North America	Food, Drink & Tobacco	3,282	440	17.0%
213	Gruma S.A. de C.V.	Mexico	Latin America	Food, Drink & Tobacco	3,281	218	16.8%
214	Puma AG Rudolf Dassler Sport	Germany	Europe	Fashion Goods	3,253	372	0.2%
215	Pactiv Corporation	United States	North America	Personal & Household Products	3,253	247	11.5%
216	Tingyi (Cayman Islands) Holding Corp.	Hong Kong	Asia/Pacific	Food, Drink & Tobacco	3,215	281	37.9%
217	Techtronic Industries Co. Ltd.	Hong Kong	Asia/Pacific	Home Improvement Products	3,176	17	13.5%
218	JELD-WEN, Inc.	United States	North America	Home Improvement Products	3,160[e]	n/a	0.0%
219	Dairy Crest Group plc	United Kingdom	Europe	Food, Drink & Tobacco	3,151	110	19.9%
220	E. & J. Gallo Winery	United States	North America	Food, Drink & Tobacco	3,150[e]	n/a	16.7%

Source: Published company data
e = estimate
n/a = not available

Sales rank (FY07)	Company name	Country	Region	Product sector	FY07 net sales (US$mil)	FY07 net profits (US$mil)	FY07 sales growth
221	World Co Ltd	Japan	Asia/Pacific	Fashion Goods	3,146	50	7.5%
222	Thai Beverage Public Company Limited	Thailand	Asia/Pacific	Food, Drink & Tobacco	3,143	325	2.8%
223	Nordmilch AG	Germany	Europe	Food, Drink & Tobacco	3,137	8	21.4%
224	Toyo Tire & Rubber Co., Ltd.	Japan	Asia/Pacific	Tires	3,137	55	11.5%
225	PT Gudang Garam Tbk	Indonesia	Asia/Pacific	Food, Drink & Tobacco	3,097	159	6.9%
226	Fraser and Neave Limited	Singapore	Asia/Pacific	Food, Drink & Tobacco	3,091	325	25.0%
227	PT Indofood Sukses Makmur Tbk.	Indonesia	Asia/Pacific	Food, Drink & Tobacco	3,064	150	27.0%
228	Sichuan Changhong Electric Co. Ltd	China	Asia/Pacific	Electronic Products	3,035	58	22.9%
229	Hunter Douglas N.V.	Netherlands	Europe	Home Furnishings & Equipment	3,028	310	15.1%
230	Sodiaal International S.A.	France	Europe	Food, Drink & Tobacco	3,016	29	10.0%
231	Makita Corporation	Japan	Asia/Pacific	Home Improvement Products	3,008	404	22.4%
232	La Coop Federee	Canada	North America	Food, Drink & Tobacco	2,996	21	3.5%
233	Unicharm Corporation	Japan	Asia/Pacific	Personal & Household Products	2,958	171	11.6%
234	Citizen Watch Co., Ltd.	Japan	Asia/Pacific	Fashion Goods	2,956	108	0.1%
235	Videocon Industries Limited	India	Asia/Pacific	Electronic Products	2,955	163	0.0%
236	Bakkavör Group hf.	Iceland	Europe	Food, Drink & Tobacco	2,945	95	20.7%
237	Valentino Fashion Group S.p.A.	Italy	Europe	Fashion Goods	2,942	n/a	9.3%
238	Cooper Tire & Rubber Company	United States	North America	Tires	2,933	120	9.6%
239	Ito En, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,917	90	5.8%
240	McCormick & Company, Inc.	United States	North America	Food, Drink & Tobacco	2,916	231	7.4%
241	Lion Corporation	Japan	Asia/Pacific	Personal & Household Products	2,905	47	3.4%
242	Irish Dairy Board Co-operative Ltd.	Ireland	Europe	Food, Drink & Tobacco	2,894	471	1.8%
243	The Scotts Miracle-Gro Company	United States	North America	Home Improvement Products	2,872	113	6.5%
244	Ruchi Soya Industries Ltd.	India	Asia/Pacific	Food, Drink & Tobacco	2,870	41	28.8%
245	Inventec Appliances Corp.	Taiwan	Asia/Pacific	Electronic Products	2,820	99	-11.9%
246	Interstate Bakeries Corp.	United States	North America	Food, Drink & Tobacco	2,798[e]	(143)[e]	-4.1%
247	Yakult Honsha Co., Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,786	183	16.2%
248	Toyo Suisan Kaisha, Ltd.	Japan	Asia/Pacific	Food, Drink & Tobacco	2,763	110	-2.1%
249	Yves Rocher SA	France	Europe	Personal & Household Products	2,741[e]	n/a	-2.3%
250	Socopa S.A.	France	Europe	Food, Drink & Tobacco	2,741	n/a	1.9%

Source: Published company data
e = estimate
n/a = not available

Top 250 consumer products companies alphabetical listing

Acer Incorporated	54
Adidas AG	53
Agrokor d.d.	181
Ajinomoto Co., Inc.	75
Altadis, S.A.	43
Alticor Inc.	105
Altria Group, Inc.	6
Anheuser-Busch Companies, Inc.	44
Apple Inc.	24
Arcelik Anonim Sirketi	134
Arla Foods amba	88
Armstrong World Industries	196
Asahi Breweries, Ltd.	63
Ashley Furniture Industries, Inc.	202
Associated British Foods plc	59
Avon Products, Inc.	80
B & C Tönnies Holding GmbH und Company KG	170
Bacardi & Company, Limited	124
Bakkavör Group hf.	236
Barilla Holding S.p.A.	123
Beiersdorf AG	101
Black & Decker Corporation	111
Bongrain SA	147
Bridgestone Corporation	21
British American Tobacco plc	32
Brown-Forman Corporation	212
BSH Bosch und Siemens Hausgerate GmbH	65
Cadbury Schweppes plc	47
Campbell Soup Company	97
Campina Melkunie UA	125
Canon Inc.	15
Carlsberg A/S	92
Casio Computer Co., Ltd.	126
Charoen Pokphand Foods Public Company Limited	166
Chiquita Brands International, Inc.	150
Christian Dior SA	25
Citizen Watch Co., Ltd.	234
CJ CheilJedang Corporation	208
Clorox Company	130
Coca-Cola Amatil Limited	210
Coca-Cola Company	20
Coca-Cola Enterprises Inc	31
Coca-Cola Hellenic Bottling Company SA	87
Coca-Cola West Holdings Company, Limited	199
Colgate-Palmolive Company	55
Compagnie Financiere Richemont SA	102
ConAgra Foods, Inc.	70
Constellation Brands, Inc.	186
Cooper Tire & Rubber Company	238
Coty, Inc.	198
Cremonini S.p.A.	207
D Swarovski & Co	197
Dairy Crest Group plc	219
Dairy Farmers of America	73
Danish Crown Group	95
Dean Foods Company	67
Del Monte Foods Company	187
Dell Inc.	10
Diageo plc	46
Dole Food Company, Inc	107
Dr August Oetker KG	76
E. & J. Gallo Winery	220
Eastman Kodak Company	78
Ebro Puleva S.A.	189
Electrolux AB	50
Electronic Arts Inc.	190
Energizer Holdings, Inc.	206
Essilor International S.A.	175
Estee Lauder Companies Inc.	96
Fenaco	172
Ferrero Group	100
Fomento Economico Mexicano S.A.B de C.V.	58
Fortune Brands, Inc.	89
Foster's Group Limited	179
Fraser and Neave Limited	226
Fujifilm Holdings Corporation	29
General Mills, Inc.	56
Goodyear Tire & Rubber Company	34
Goldas Kuyumculuk Sanayi A.S.	200
Gree Electric Appliances, Inc. of Zhuhai	135
Groupe Danone	41
Groupe Lactalis	61
Groupe ONA	174
Groupe Terrena	155
Gruma S.A. de C.V.	213
Grupo Bimbo C.A. de C.V.	109
Grupo Modelo, S.A. de C.V.	119
GuangDong Midea Electric Appliances Co., Ltd.	163
H.J. Heinz Company	79
Haier Group	49
Hallmark Cards, Inc.	161
Hanesbrands Inc	160
Hankook Tire Co., Ltd.	180
Harman International Industries, Inc.	169
Hasbro, Inc.	182
Heineken N.V	42
Henkel KGaA	38
Hershey Company	137
Hewlett-Packard Company	2
Hormel Foods Corporation	117
Humana Milchunion Unternehmensgruppe	148
Hunter Douglas N.V.	229
Husqvarna AB	138
Imperial Tobacco Group PLC	23
InBev NV	33
Indesit Company S.p.A.	144
Interstate Bakeries Corp.	246
Inventec Appliances Corp.	245
Irish Dairy Board Co-operative Ltd.	242
ITC Limited	192
Ito En, Ltd.	239
Itoham Foods Inc.	154
Japan Tobacco Inc.	12
Jarden Corporation	151
JBS S.A.	103
JELD-WEN, Inc.	218
Jones Apparel Group, Inc.	184
Kao Corporation	71
Kellogg Company	68
Kikkoman Corporation	193
Kimberly-Clark Corporation	37
Kirin Brewery Company, Limited	51
Kohler Co.	131
Koninklijke Philips Electronics N.V.	17
Kraft Foods, Inc.	16
KT&G Corporation	211
La Coop Federee	232
Land O'Lakes, Inc.	85
Lenovo Group Limited	45
Levi Strauss & Co.	165
Lexmark International, Inc.	136
LG Electronics Inc.	11
Lion Corporation	241
Liz Claiborne, Inc.	152
L'Oreal SA	26
Lorillard, Inc. (formerly Carolina Group)	176
Lotte Group	188
Makita Corporation	231
Maple Leaf Foods Inc.	140
Mars, Incorporated	28
Masco Corporation	69
Matsushita Electric Industrial Co., Ltd	5
Mattel, Inc.	122
Maxingvest AG (formerly Tchibo Holding AG)	64
Mccain Foods Limited	114
McCormick & Company, Inc.	240
Meiji Dairies Corporation	116
Meiji Seika Kaisha, Ltd.	195
Michelin Group	27
Miele & Cie. KG	167
Mohawk Industries, Inc.	99
Molson Coors Brewing Company	118
Morinaga Milk Industry Co.,Ltd.	132
Motorola, Inc.	18
Namco Bandai Holdings Inc.	173
Nestle SA	3
Newell Rubbermaid Inc.	112
Nichirei Corporation	171
NIKE, Inc.	36
Nikon Corporation	91
Nintendo Co., Ltd.	52
Nippon Meat Packers	83
Nippon Suisan Kaisha, Ltd.	146
Nisshin Seifun Group Inc.	185
Nissin Food Products Co., Ltd.	204
Nokia Corporation	8
Nordmilch AG	223
Orkla ASA	74
Pactiv Corporation	215
Parmalat Group	129
PepsiAmericas, Inc.	159
Pepsi Bottling Group, Inc.	57
PepsiCo, Inc.	14
Perdigão S.A.	203
Perdue Farms Incorporated	164
Pernod-Ricard S.A.	81
Pilgrim's Pride Corp.	98
Pioneer Corporation	108
Pirelli & C. SpA	86
Polo Ralph Lauren Corporation	149
Premier Foods plc	157
Procter & Gamble Company	4
PT Gudang Garam Tbk	225
PT Indofood Sukses Makmur Tbk.	227
Puma AG Rudolf Dassler Sport	214
Q.P. Corporation	177
Reckitt Benckiser plc	77
Red Bull GmbH	162
Research In Motion Limited	120
Reynolds American, Inc.	84
Royal Friesland Foods NV	106
RPM International Inc.	191
Ruchi Soya Industries Ltd.	244
S.C. Johnson & Son, Inc.	94
SABMiller plc	30
Sadia S.A.	156
Samsung Electronics Co., Ltd.	1
San Miguel Corporation	205
SanDisk Corporation	201
Sanyo Electric Co., Ltd.	39
Sapporo Holdings Limited	183
Saputo, Inc.	139
Sara Lee Corp.	60
Scottish & Newcastle plc	121
Schwan Food Company	209
Scotts Miracle-Gro Company	243
SEB SA	178
Seiko Epson Corporation	66
Sharp Corporation	19
Sherwin-Williams Company	93
Shiseido Company, Limited	113
Sichuan Changhong Electric Co. Ltd	228
Skandinavisk Tobakskompagni A/S	127
Smithfield Foods, Inc.	72
Socopa S.A.	250
Sodiaal International S.A.	230
Sony Bmg Music Entertainment	168
Sony Corporation	7
Sony Ericsson Mobile Communications AB	40
Stanley Works	158
Steinhoff International Holdings Limited	115
Sumitomo Rubber Industries Ltd.	142
Suntory Group	62
SVA (Group) Co., Ltd.	153
Swatch Group Ltd.	145
Svenska Cellulosa AB SCA	48
TCL Corporation	133
Techtronic Industries Co. Ltd.	217
Thai Beverage Public Company Limited	222
Tingyi (Cayman Islands) Holding Corp.	216
Toshiba Corporation	9
Toyo Suisan Kaisha, Ltd.	248
Toyo Tire & Rubber Co., Ltd.	224
Tyson Foods, Inc.	22
Unicharm Corporation	233
Unilever Group	13
Uni-President Enterprises Corporation	90
V.F. Corporation	104
Valentino Fashion Group S.p.A.	237
Vestel Elektronik Sanayi ve Ticaret A.S.	194
Videocon Industries Limited	235
Vion NV	82
Whirlpool Corporation	35
Wm. Wrigley Jr. Company	128
World Co Ltd	221
Yakult Honsha Co., Ltd.	247
Yamaha Corporation	143
Yamazaki Baking Co., Ltd.	110
Yokohama Rubber Company Limited	141
Yves Rocher SA	249

The Top 250 highlights

2007 marks another solid year for consumer products industry, but trouble looms

The consumer products industry faces troubled times as the business climate continues to deteriorate amid the global economic crisis. Yet, ahead of the looming storm clouds, 2007 proved to be another solid year for the industry. On a global level, the economy was still growing nicely in 2007 and it was only in early 2008 did the unraveling U.S. financial crisis begin to spill over into Western Europe. The impact was not felt in the Asia/Pacific region until mid-2008. As a result, consumer spending remained fairly robust in most of the world throughout fiscal 2007, the financial period covered in this report.

Total sales for the Top 250 consumer products companies reached nearly $3 trillion in 2007, up from US$2.67 trillion for 2006's Top 250. For 2007's Top 250 companies, year-over-year composite growth was 10.6 percent. Factoring out the effects of currency movements in 2007, the increase was a still-healthy 7.2 percent at constant exchange rates. Over one-third of the Top 250 (88 companies) enjoyed double-digit growth in 2007, with average sales volume for the group reaching nearly US$12 billion. Indeed, to rank among this year's Top 250 consumer products powerhouses required fiscal 2007 sales of at least US$2.74 billion, up from US$2.36 billion in 2006.

The vast majority of Top 250 consumer products companies were also profitable in fiscal 2007. Of the 223 companies that disclosed their profit/loss figures, 210 reported a net profit. However, 42 of these companies, or 20 percent, eked out a return on sales of just 2 percent or less. As a group, these 223 companies generated a weighted average, or composite, net profit margin of 7.6 percent. For comparison purposes, the average net profit margin was 6.2 percent in 2007, up marginally from 6 percent in the 2006 Global Powers report. For 2007, the higher composite profit margin compared with the average profit margin means that, on balance, the larger Top 250 companies were significantly more profitable than the smaller Top 250 companies.

But the news wasn't all good in fiscal 2007. Forty companies, or about one in six, experienced flat or declining sales. A disproportionate number of these were manufacturers of electronic products, an industry suffering from product commoditization and falling prices. Manufacturers of personal and household products, however, were least likely to report a sales decline in 2007. It should be noted that in some cases sales declines do not reflect a lack of organic growth but rather that companies successfully divested parts of their business in order to focus on core operations.

Data analysis methodology

This report uses sales-weighted composites rather than simple arithmetic averages as the primary measure for understanding group financial results. Therefore, results of larger companies contribute more to the composite than do results of smaller companies. Because the data have been converted to U.S. dollars for ranking purposes and to facilitate comparison among groups, composite growth rates also have been adjusted to correct for currency movement. While these composite results generally behave in a similar fashion to arithmetic averages, they provide better representative values for benchmarking purposes.

Composites and averages for each group are based only on companies with data. Not all data elements were available for all companies.

It should also be noted that the financial information used for each company in a given year is accurate as of the date the financial report was originally issued. Although a company may have restated prior-year results to reflect a change in its operations or as a result of an accounting change, such restatements are not reflected in this data. This study is not an accounting report. It is intended to provide an accurate reflection of market dynamics and their impact on the structure of the consumer products industry over a period of time.

As a result of these factors, growth rates for individual companies may not correspond to other published results.

Top 10 lose ground

The economic concentration of the ten largest companies slipped in 2007 compared with 2006. The Top 10 had combined sales of $808 billion in fiscal 2007, an increase of 5.2 percent over their 2006 total. But at 7.2 percent, the Top 250 as a whole grew sales fully two percentage points faster than the Top 10. As a result, the Top 10 accounted for 27 percent of Top 250 sales in 2007, down from 28.1 percent in 2006.

Although the names on the leader board remain the same as the year before, there has been a considerable shakeup in order. Samsung's innovative spirit, which contributed to robust sales growth of 15.3 percent in 2007, moved the electronics company to the top of the list from third place in 2006. Altria Group, number one last year, has fallen to sixth place, having sold its Kraft Foods division in March 2007 (as a separate company, Kraft ranks sixteenth on the current Top 250 list). In March 2008, Altria also spun off the Philip Morris International tobacco business, which will drop the company well out of the Top 10 in the future.

Hewlett-Packard maintained its second place ranking among the leader group, while Nestlé, the only other food, drink, and tobacco company besides Altria among the Top 10, moved up one place to occupy the number three spot. The acquisition of Gerber Products in September 2007 has cemented Nestlé's position as the world's largest food company.

P&G, the largest supplier of personal and household products around the globe, also ascended the ranks from sixth place to fourth, overtaking consumer electronics manufacturer Matsushita. P&G's continued growth can be attributed to its core strengths, which the company describes as "consumer understanding, brand-building, innovation, go-to-market capability, and scale."

Not surprisingly, the Top 10 list is dominated by electronics companies, with the remaining four placeholders all electronics giants: Sony, Nokia, Toshiba, and Dell. That is because total sales figures for these companies include significant sales to businesses as well as consumers.

Although the Top 10's 2007 composite growth rate compares unfavorably with the Top 250 as a whole, the leader board posted a higher composite profit margin (8.2% versus 7.6%), which also translated into considerably better return on assets (9.0% versus 7.5%).

Global Top 10 Consumer Products Companies, 2007

FY07 Sales Rank	Company Name	Country	Product Sector	FY07 Net Sales (US$mil)	FY07 Net Sales Growth*	FY07 Net Profit Margin**	FY07 Return on Assets**
1	Samsung Electronics	South Korea	Electronic Products	106,388	15.3%	8.0%	8.5%
2	Hewlett-Packard	United States	Electronic Products	104,286	13.8%	7.0%	8.2%
3	Nestle SA	Switzerland	Food, Drink & Tobacco	89,724	9.2%	10.6%	9.9%
4	Procter & Gamble	United States	Personal & Household Products	83,503	9.2%	14.5%	8.4%
5	Matsushita	Japan	Electronic Products	79,625	-0.4%	3.4%	4.2%
6	Altria	United States	Food, Drink & Tobacco	73,801	-27.2%	13.3%	17.1%
7	Sony	Japan	Electronic Products	72,012	8.4%	4.4%	2.9%
8	Nokia	Finland	Electronic Products	69,987	24.2%	13.2%	17.9%
9	Toshiba	Japan	Electronic Products	67,326	7.8%	1.9%	2.4%
10	Dell	United States	Electronic Products	61,133	6.5%	4.8%	10.7%
			TOP 10	807,786	5.2%	8.2%	9.0%
			TOP 250	2,995,392	7.2%	7.6%	7.5%
			Economic Concentration of Top 10	27.0%			

Source: Published company data

* Top 10 and Top 250 sales growth figures are sales-weighted, currency-adjusted composites

** Top 10 and Top 250 figures are sales-weighted composites

U.S. share of Top 250 shrinks as country heads into recession

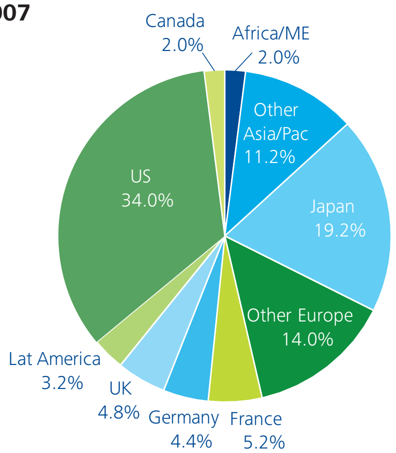
Performance by region/country, 2007

Region/ country	# Cos.	Average Size (US$mil)	FY07 Net Sales Growth*	FY07 Net Profit Margin**	FY07 Return on Assets**
Africa/ME	5	$4,481	11.9%	3.7%	3.7%
Asia/Pac	76	$12,361	9.4%	4.6%	5.0%
Japan	48	$13,383	7.9%	4.0%	4.3%
Europe	71	$12,345	7.9%	10.5%	9.2%
France	13	$10,473	5.2%	13.7%	9.0%
Germany	11	$8,549	5.1%	6.6%	7.6%
UK	12	$17,356	7.9%	10.8%	8.8%
Lat America	8	$6,290	30.7%	8.7%	8.3%
N America	90	$12,297	4.1%	7.9%	8.0%
US	85	$12,725	3.8%	7.9%	8.0%
Top 250	250	$11,982	7.2%	7.6%	7.5%

Source: Published company data
* Sales-weighted, currency-adjusted composite growth rates
** Sales-weighted composites

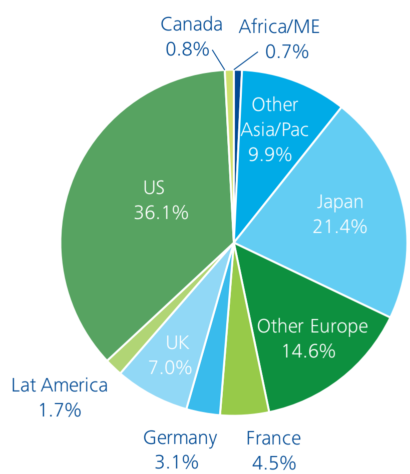
The Top 250 is a geographically diverse group, representing 36 countries around the globe. Although U.S.-based companies continue to dominate the list, the U.S. share shrank in 2007 as the country headed into recession. There were 85 U.S. companies among the Top 250 in 2007, down from 90 in 2006. This led to a declining U.S. share of Top 250 sales, which decreased more than two percentage points from 2006. Composite sales growth for U.S. companies was only about half that for the Top 250 overall—at 3.8 percent versus 7.2 percent—and the lowest of the "Big Five" economies. Despite weak growth, profitability did remain fairly strong

Share of top 250 companies by country/region, 2007



European companies, as a group, saw sales rise 7.9 percent in 2007, more than twice the rate of their U.S. counterparts. They also posted healthy composite profits equal to 10.5 percent of sales. French companies led the way with a 13.7 percent net profit margin, followed by UK companies at 10.8 percent. Five of the 10 French companies that disclosed their profit/loss figures enjoyed double-digit profit margins in 2007. In addition to healthy profits, UK-based companies are also noteworthy for their size. The average UK company generated sales of more than US$17 billion in 2007, nearly 50 percent bigger than the average Top 250 company.

Share of top 250 sales by country/region, 2007



Latin American companies saw 2007 composite sales soar 30.7 percent. The result was skewed somewhat by JBS S.A., Latin America's largest beef processor, whose 229 percent growth rate resulted from the July 2007 acquisition of Swift & Company, the world's third-largest processor of fresh beef and pork products. Nevertheless, all eight Latin American Top 250 companies boasted double-digit sales growth in 2007, a noteworthy achievement.

Companies from the Africa/Middle East and Asia/Pacific regions, particularly those based outside Japan, continued to enjoy strong growth in 2007. However, these companies reported the slimmest profit margins and lowest return on assets. Many of the Asian companies operate in the low-margin electronics business, providing one explanation for their sub-par profitability. Africa/Middle East companies are the smallest with average sales of $4.5 billion, which is considerably less than half the size of the average Top 250 company.

Top consumer products companies by region

Representing a wide range of product sectors, the European Top 10 comprises a diverse group of companies. Although the group is dominated by the British (four companies) and French (three companies), the largest remains Switzerland's Nestlé (ranked third among the Top 250). Compared with 2006, there are no changes in Europe's Top 10 companies and only a slight change in the order, with Michelin dropping from sixth to eighth.

The 10 largest North American companies are all U.S.-based, ranging from Hewlett-Packard (ranked number two on the Top 250) to Apple (at 24). P&G, the second-largest North American consumer products company, is the only one not operating in the food, drink and tobacco or electronic products sectors. Kraft Foods and Apple debuted among the region's Top 10 in 2007, displacing Mars and Goodyear.

Top 10 European consumer products companies, 2007

Company name	Europe rank	Top 250 rank	Sector	Country	FY07 net sales (US$mil)
Nestlé	1	3	Food, Drink & Tobacco	Switzerland	89,724
Nokia	2	8	Electronic Products	Finland	69,987
Unilever	3	13	Personal & Household Products	United Kingdom	55,086
Philips	4	17	Electronic Products	Netherlands	36,726
Imperial Tobacco	5	23	Food, Drink & Tobacco	United Kingdom	24,308
Christian Dior	6	25	Fashion Goods	France	23,638
L'Oreal	7	26	Personal & Household Products	France	23,388
Michelin	8	27	Tires	France	23,120
SABMiller	9	30	Food, Drink & Tobacco	United Kingdom	21,410
BAT	10	32	Food, Drink & Tobacco	United Kingdom	20,054

Top 10 North American consumer products companies, 2007

Company name	North Am rank	Top 250 rank	Sector	Country	FY07 net sales (US$mil)
Hewlett-Packard	1	2	Electronic Products	United States	104,286
Procter & Gamble	2	4	Personal & Household Products	United States	83,503
Altria	3	6	Food, Drink & Tobacco	United States	73,801
Dell	4	10	Electronic Products	United States	61,133
PepsiCo	5	14	Food, Drink & Tobacco	United States	39,474
Kraft	6	16	Food, Drink & Tobacco	United States	37,241
Motorola	7	18	Electronic Products	United States	36,622
Coca-Cola	8	20	Food, Drink & Tobacco	United States	28,857
Tyson	9	22	Food, Drink & Tobacco	United States	26,900
Apple	10	24	Electronic Products	United States	24,006

Top 10 Asia/Pacific consumer products companies, 2007

Company name	Asia/Pac rank	Top 250 rank	Sector	Country	FY07 net sales (US$mil)
Samsung	1	1	Electronic Products	South Korea	106,388
Matsushita	2	5	Electronic Products	Japan	79,625
Sony	3	7	Electronic Products	Japan	72,012
Toshiba	4	9	Electronic Products	Japan	67,326
LG	5	11	Electronic Products	South Korea	57,701
Japan Tobacco	6	12	Food, Drink & Tobacco	Japan	56,277
Canon	7	15	Electronic Products	Japan	38,091
Sharp	8	19	Electronic Products	Japan	30,008
Bridgestone	9	21	Tires	Japan	28,817
Fujifilm	10	29	Electronic Products	Japan	21,513

Source: Published company data

The Top 10 Asia/Pacific companies remain the same and in the same order as 2006. This group is represented by eight Japanese companies and two based in South Korea. Japan Tobacco and Bridgestone are the only two companies on this list that are not electronics manufacturers.

Top Latin American consumer products companies, 2007

Company name	Latin Am rank	Top 250 rank	Sector	Country	FY07 net sales (US$mil)
FEMSA	1	58	Food, Drink & Tobacco	Mexico	13,472
JBS	2	103	Food, Drink & Tobacco	Brazil	7,301
Grupo Bimbo	3	109	Food, Drink & Tobacco	Mexico	6,622
Grupo Modelo	4	119	Food, Drink & Tobacco	Mexico	6,158
Bacardi	5	124	Food, Drink & Tobacco	Bermuda	5,546
Sadia	6	156	Food, Drink & Tobacco	Brazil	4,520
Perdigão	7	203	Food, Drink & Tobacco	Brazil	3,425
Gruma	8	213	Food, Drink & Tobacco	Mexico	3,281

Latin America has eight companies among the Top 250, two more than in 2006. Sadia, one of Brazil's largest poultry and pork processors, was a newcomer to the Top 250. Brazil's JBS also joined, entering at second place after acquiring U.S.-based Swift & Company. All eight Latin American companies represent the food, drink, and tobacco sector as either food processors or beverage makers.

Africa/Middle East remained the smallest region, with five companies among the Top 250. Consistent with 2006, the top two are home furnishings and equipment manufacturers: Steinhoff International, based in South Africa; and Arçelik, a Turkish appliance manufacturer. A decision by South Africa's Tiger Brands to divest its pharmaceuticals group removed it from the current Top 250. It was replaced on the list by Goldas, a jewelry manufacturer based in Turkey.

Top Africa/ME consumer products companies, 2007

Company name	Africa/ME rank	Top 250 rank	Sector	Country	FY07 net sales (US$mil)
Steinhoff International	1	115	Home Furnishings & Equipment	South Africa	6,219
Arcelik	2	134	Home Furnishings & Equipment	Turkey	5,109
Groupe ONA	3	174	Food, Drink & Tobacco	Morocco	4,041
Vestel	4	194	Electronic Products	Turkey	3,570
Goldas	5	200	Fashion Goods	Turkey	3,463

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
- Leisure goods
- Personal & household products
- Tires

Food, drink, and tobacco's share of Top 250 grows

Performance by product sector, 2007

Product Sector	# Cos.	Average Size (US$mil)	FY07 Net Sales Growth*	FY07 Net Profit Margin**	FY07 Return on Assets**
Electronic Products	33	$28,517	8.2%	6.3%	7.1%
Fashion Goods	17	$6,871	7.3%	10.0%	8.9%
Food, Drink & Tobacco	132	$9,638	6.3%	8.1%	7.6%
Home Furnishings & Equipt.	14	$8,588	6.8%	3.6%	4.7%
Home Improvement Products	13	$5,229	2.6%	6.1%	6.5%
Leisure Goods	7	$5,917	24.1%	9.1%	8.8%
Personal & Hshld. Products	25	$13,423	7.2%	10.9%	9.1%
Tires	9	$11,123	8.1%	4.1%	4.0%
Top 250	250	$11,982	7.2%	7.6%	7.5%

Source: Published company data
* Sales-weighted, currency-adjusted composite growth rates
** Sales-weighted composites

Food, drink, and tobacco was by far the largest product group in 2007, accounting for over half of all Top 250 companies. It also was the only sector whose share of Top 250 companies and Top 250 sales grew compared with 2006 results. In 2007, the food, drink, and tobacco sector's company count increased by 10—for a total of 132—comprising 84 food processing companies, 36 manufacturers of alcoholic and/or non-alcoholic beverages, 1 company in the food and drinks business, and 11 tobacco companies. That said, in 2007, this huge sector reported composite sales growth below that for the Top 250 overall, at 6.3 percent versus 7.2 percent. Profitability, however, was a healthy 8.1 percent of sales, ahead of the Top 250's 7.6 percent composite net profit margin.

Electronic products companies are by far the largest, as their sales include products and services targeting both businesses and consumers. Companies in this sector averaged US$28.5 billion in sales in 2007, compared with US$12.0 billion for the average Top 250 company. But while the average size of electronic products companies grew, the number of companies in this sector fell from 37 in 2006 to 33 in 2007, resulting in a loss of Top 250 share.

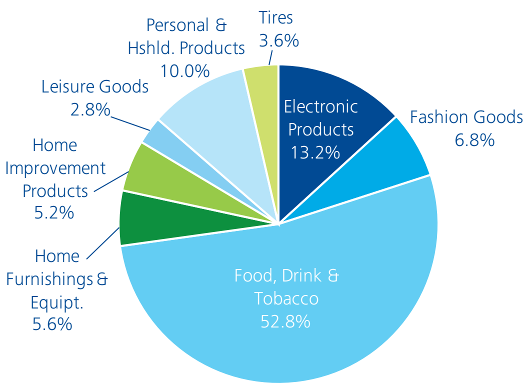
The leisure goods sector enjoyed the strongest sales growth in 2007, as it did in 2006, with Nintendo continuing to set a furious pace. At 24.1 percent, this sector's composite sales growth rate was almost three times that for electronic products companies, the next fastest-growing sector. With the exception of Electronic

Arts, Inc., the leisure goods group also brought sales dollars to the bottom line, with a composite net profit margin of 9.1 percent in 2007.

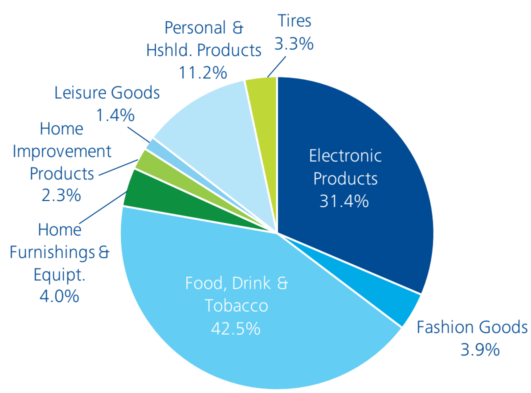
The personal and household products and fashion goods sectors posted even better profitability, at 10.9 percent and 10.0 percent, respectively. In terms of sales, personal and household products (represented by 25 companies) and fashion goods (17 companies) grew on a par with the Top 250 overall.

The two homegoods sectors lagged most of the other groups on both sales and profitability measures. Growth for the home improvement group was considerably lower than home furnishings and equipment companies, while the reverse was true with regard to profitability. Composite sales grew just 2.6 percent for home improvement companies in 2007, well below any other sector. The home furnishings and equipment group's 3.6 percent composite net profit margin was the worst among all the product groups.

Share of top 250 companies by product sector, 2007



Share of top 250 sales by product sector, 2007



Top consumer products companies by product sector

The list of top companies did not change significantly for most of the eight product sectors. The 10 largest electronic products companies look very much the same as the group's 2006 list, except that Philips assumed tenth place, displacing Motorola, whose 2007 sales dropped 14.6 percent. Samsung is now the largest electronics company, moving HP to the number two position. There also was a shift in the order of several other companies in this sector's Top 10, but the names remained the same.

Top 10 electronic products companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Samsung	1	1	South Korea	Asia/Pacific	106,388
Hewlett-Packard	2	2	United States	North America	104,286
Matsushita	3	5	Japan	Asia/Pacific	79,625
Sony	4	7	Japan	Asia/Pacific	72,012
Nokia	5	8	Finland	Europe	69,987
Toshiba	6	9	Japan	Asia/Pacific	67,326
Dell	7	10	United States	North America	61,133
LG	8	11	South Korea	Asia/Pacific	57,701
Canon	9	15	Japan	Asia/Pacific	38,091
Philips	10	17	Netherlands	Europe	36,726

Top 10 food, drink & tobacco companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Nestle	1	3	Switzerland	Europe	89,724
Altria	2	6	United States	North America	73,801
Japan Tobacco	3	12	Japan	Asia/Pacific	56,277
PepsiCo	4	14	United States	North America	39,474
Kraft	5	16	United States	North America	37,241
Coca-Cola	6	20	United States	North America	28,857
Tyson	7	22	United States	North America	26,900
Imperial Tobacco	8	23	United Kingdom	Europe	24,308
Mars	9	28	United States	North America	22,000e
SABMiller	10	30	United Kingdom	Europe	21,410

The food, drink and tobacco group also gained one new Top 10 company in 2007, with Kraft Foods, the former Altria subsidiary, entering the list at number five. As a result, Altria moved to second place, and Nestle became the new sector leader. Also of note, Coca-Cola Enterprises slipped to eleventh place from ninth in 2006. Although there is some geographic conformity, in that six of this group's companies are U.S.-based, the Top 10 are pretty much evenly split across sub-sectors with four food processors, three drinks manufacturers, and three makers of tobacco products .

Top 10 personal & household products companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Procter & Gamble	1	4	United States	North America	83,503
Unilever	2	13	United Kingdom	Europe	55,086
L'Oreal	3	26	France	Europe	23,388
Kimberly-Clark	4	37	United States	North America	18,266
Henkel	5	38	Germany	Europe	17,921
SCA	6	48	Sweden	Europe	15,702
Colgate-Palmolive	7	55	United States	North America	13,790
Kao	8	71	Japan	Asia/Pacific	11,577
Reckitt Benckiser	9	77	United Kingdom	Europe	10,548
Avon	10	80	United States	North America	9,845

There were no changes in the companies or their order among the personal and household products Top 10. P&G remains the highest-ranking company in this sector, followed by Unilever. Europe and North America dominate the list, representing nine of the Top 10 companies.

Top 10 fashion goods companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Christian Dior	1	25	France	Europe	23,638
NIKE	2	36	United States	North America	18,627
adidas	3	53	Germany	Europe	14,117
Richemont	4	102	Switzerland	Europe	7,514
VF	5	104	United States	North America	7,141
Swatch	6	145	Switzerland	Europe	4,710
Polo Ralph Lauren	7	149	United States	North America	4,671
Liz Claiborne	8	152	United States	North America	4,577
Hanesbrands	9	160	United States	North America	4,475
Levi Strauss	10	165	United States	North America	4,266

In the fashion goods sector, the first five companies remain exactly the same as in 2006, with luxury goods provider Christian Dior leading the way. Swatch Group joined the Top 10 in sixth place as a result of 17.1 percent sales growth in 2007. Jones Apparel Group fell out of the Top 10 to eleventh following a sales decline in 2007. There was additional movement in the ranks among the remaining four companies. Six of the Top 10 fashion goods companies are based in North America while four are European.

Top 10 home furnishings & equipment companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Whirlpool	1	35	United States	North America	19,408
Sanyo	2	39	Japan	Asia/Pacific	17,716
Haier	3	49	China	Asia/Pacific	15,537
Electrolux	4	50	Sweden	Europe	15,527
BSH	5	65	Germany	Europe	12,087
Steinhoff International	6	115	South Africa	Africa/Middle East	6,219
Arcelik	7	134	Turkey	Africa/Middle East	5,109
Gree	8	135	China	Asia/Pacific	5,005
Indesit	9	144	Italy	Europe	4,712
Midea	10	163	China	Asia/Pacific	4,384

Household appliance makers dominate the geographically diverse home furnishings and equipment sector, with companies from seven countries representing four of the five geographic regions. Of all the product groups, home furnishings and equipment experienced the biggest Top 10 shakeup. Sanyo, in a tight race with Whirlpool in 2006, fell to number two as Whirlpool assumed the top spot in 2007 and Haier entered the Top 10 at number three. (This year, total sales for the Haier Group were included rather than only the listed company Qingdao Haier Co., Ltd., as was the case in 2006.) Italy's Indesit Company and China's GuangDong Midea Electric Appliances Company are the other new Top 10 companies in this sector. Germany's Miele and France's SEB exited the Top 10, slipping just below the cutoff to eleventh and twelfth place, respectively. Ashley Furniture, the only furniture company among the Top 10 in 2006, is now thirteenth.

The United States dominates the home improvement products arena, accounting for eight of the Top 10 companies. Sweden's Husqvarna and Hong Kong-based TTI, new in the number 10 spot, are the only non-U.S. representatives. JELD-WEN, a leading manufacturer of windows and doors, dropped out of the Top 10 to eleventh in 2007.

Top 10 home improvement products companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Masco	1	69	United States	North America	11,770
Sherwin-Williams	2	93	United States	North America	8,005
Mohawk	3	99	United States	North America	7,586
Black & Decker	4	111	United States	North America	6,563
Kohler	5	131	United States	North America	5,230e
Husqvarna	6	138	Sweden	Europe	4,934
Stanley	7	158	United States	North America	4,484
RPM	8	191	United States	North America	3,644
Armstrong	9	196	United States	North America	3,550
TTI (Techtronic Industries)	10	217	Hong Kong	Asia/Pacific	3,176e

The leisure goods sector has the fewest companies on the Top 250 list, with no changes among the seven companies that comprise this sector. Nintendo extended its lead over number-two ranked Mattel. All companies in this group are based either in Japan (electronic toys and games) or the United States.

Top leisure goods companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Nintendo	1	52	Japan	Asia/Pacific	14,684
Mattel	2	122	United States	North America	5,970
Yamaha	3	143	Japan	Asia/Pacific	4,818
Hallmark	4	161	United States	North America	4,400
Namco Bandai	5	173	Japan	Asia/Pacific	4,043
Hasbro	6	182	United States	North America	3,838
Electronic Arts	7	190	United States	North America	3,665

Asia/Pacific accounted for five of the nine companies comprising the tire category. Japan's Bridgestone was the largest, ranking twenty-first among the Top 250. The only change in this group compared with 2006 was that Yokohama overtook Sumitomo to reach fifth place.

Top tire companies, 2007

Company name	Product sector rank	Top 250 rank	Country	Region	FY07 net sales (US$mil)
Bridgestone	1	21	Japan	Asia/Pacific	28,817
Michelin	2	27	France	Europe	23,120
Goodyear	3	34	United States	North America	19,644
Pirelli	4	86	Italy	Europe	8,916
Yokohama Rubber	5	141	Japan	Asia/Pacific	4,842
Sumitomo Rubber	6	142	Japan	Asia/Pacific	4,822
Hankook Tire	7	180	South Korea	Asia/Pacific	3,873
Toyo Tire & Rubber	8	224	Japan	Asia/Pacific	3,137
Cooper Tire & Rubber	9	238	United States	North America	2,933

Source: Published company data

Acquisitions, innovations propel fastest 50

A review of the fastest-growing consumer products companies in 2007 shows that strong growth also translated into strong profitability. The Fastest 50 grew sales at a composite rate of 29.5 percent in 2007, more than four times faster than the 7.2 percent growth rate for the Top 250 overall. For the 10 fastest-growing companies, composite sales soared 68 percent. By comparison, growth for the Top 10 largest companies was only 5.2 percent.

The two top-ranked growth companies, JBS and Premier Foods, boosted sales primarily through acquisitions. As noted above, JBS bought Swift. Premier Foods acquired RHM in March 2007, creating Britain's biggest food producer. Pilgrim's Pride, Japan Tobacco, Sadia, Acer, and many others also owe their position among the Fastest 50 to merger and acquisition activity.

The third- and fourth-ranked companies among the Fastest 50 tell a different story. Research In Motion (maker of Blackberry wireless devices) and Nintendo are both riding the wave of technology innovation. Red Bull, Apple, Nokia, Electronic Arts, and SanDisk are some of the other Fastest 50 companies whose growth has been driven by innovative new products.

Interestingly, a disproportionate share of the Fastest 50 (31 companies, or 62 percent) operate in the food, drink, and tobacco sector, itself not one of the fastest-growing product groups.

50 fastest growing consumer products companies, 2007

Growth rank	Sales rank	Company name	Country	Product sector	FY07 Net Sales (US$mil)	FY07 Net Sales Growth	FY07 Net Profit Margin
1	103	JBS S.A.	Brazil	Food, Drink & Tobacco	7,301	228.7%	-1.2%
2	157	Premier Foods plc	United Kingdom	Food, Drink & Tobacco	4,499	134.3%	-2.8%
3	120	Research In Motion Limited	Canada	Electronic Products	6,009	97.9%	21.5%
4	52	Nintendo Co., Ltd.	Japan	Leisure Goods	14,684	73.2%	15.4%
5	163	GuangDong Midea Electric Appliances Co., Ltd.	China	Home Furnishings & Equipment	4,384	57.3%	3.6%
6	98	Pilgrim's Pride Corp.	United States	Food, Drink & Tobacco	7,599	45.1%	0.6%
7	135	Gree Electric Appliances, Inc. of Zhuhai	China	Home Furnishings & Equipment	5,005	44.3%	3.4%
8	200	Goldas Kuyumculuk Sanayi A.S.	Turkey	Fashion Goods	3,463	42.5%	0.3%
9	73	Dairy Farmers of America	US	Food, Drink & Tobacco	11,100	40.5%	-1.0%
10	216	Tingyi (Cayman Islands) Holding Corp.	Hong Kong	Food, Drink & Tobacco	3,215	37.9%	8.7%
11	181	Agrokor d.d.	Croatia	Food, Drink & Tobacco	3,871	36.5%	2.2%
12	119	Grupo Modelo, S.A. de C.V.	Mexico	Food, Drink & Tobacco	6,158	35.0%	22.7%
13	12	Japan Tobacco Inc.	Japan	Food, Drink & Tobacco	56,277	34.4%	3.8%
14	86	Pirelli & C. SpA	Italy	Tires	8,916	34.4%	5.0%
15	115	Steinhoff International Holdings Limited	South Africa	Home Furnishings & Equipment	6,219	31.6%	7.6%
16	244	Ruchi Soya Industries Ltd.	India	Food, Drink & Tobacco	2,870	28.8%	1.4%
17	164	Perdue Farms Incorporated	United States	Food, Drink & Tobacco	4,300	28.4%	n/a
18	162	Red Bull GmbH	Austria	Food, Drink & Tobacco	4,400	28.3%	n/a
19	156	Sadia S.A.	Brazil	Food, Drink & Tobacco	4,520	28.2%	9.6%
20	61	Groupe Lactalis	France	Food, Drink & Tobacco	13,159	28.0%	n/a
21	203	Perdigão S.A.	Brazil	Food, Drink & Tobacco	3,425	27.3%	4.9%
22	227	PT Indofood Sukses Makmur Tbk.	Indonesia	Food, Drink & Tobacco	3,064	27.0%	4.9%
23	139	Saputo, Inc.	Canada	Food, Drink & Tobacco	4,911	26.4%	5.7%
24	85	Land O'Lakes, Inc.	United States	Food, Drink & Tobacco	8,925	25.7%	1.9%
25	54	Acer Incorporated	Taiwan	Electronic Products	14,065	25.2%	2.8%
26	226	Fraser and Neave Limited	Singapore	Food, Drink & Tobacco	3,091	25.0%	10.5%
27	199	Coca-Cola West Holdings Company, Limited	Japan	Food, Drink & Tobacco	3,481	24.9%	2.3%
28	24	Apple Inc.	United States	Electronic Products	24,006	24.3%	14.6%
29	8	Nokia Corporation	Finland	Electronic Products	69,987	24.2%	13.2%
30	228	Sichuan Changhong Electric Co. Ltd	China	Electronic Products	3,035	22.9%	1.9%
31	231	Makita Corporation	Japan	Home Improvement Products	3,008	22.4%	13.4%
32	182	Hasbro, Inc.	United States	Leisure Goods	3,838	21.8%	8.7%
33	223	Nordmilch AG	Germany	Food, Drink & Tobacco	3,137	21.4%	0.3%
34	74	Orkla ASA	Norway	Food, Drink & Tobacco	10,699	21.2%	13.5%
35	151	Jarden Corporation	United States	Personal & Household Products	4,660	21.2%	0.6%
36	236	Bakkavör Group hf.	Iceland	Food, Drink & Tobacco	2,945	20.7%	3.2%
37	219	Dairy Crest Group plc	United Kingdom	Food, Drink & Tobacco	3,151	19.9%	3.5%
38	20	The Coca-Cola Company	United States	Food, Drink & Tobacco	28,857	19.8%	20.7%
39	148	Humana Milchunion Unternehmensgruppe	Germany	Food, Drink & Tobacco	4,677	19.0%	n/a
40	190	Electronic Arts Inc.	United States	Leisure Goods	3,665	18.6%	-12.4%
41	40	Sony Ericsson Mobile Communications AB	United Kingdom	Electronic Products	17,704	17.9%	8.9%
42	201	SanDisk Corporation	United States	Electronic Products	3,446	17.8%	6.5%

Growth rank	Sales rank	Company name	Country	Product sector	FY07 Net Sales (US$mil)	FY07 Net Sales Growth	FY07 Net Profit Margin
43	145	The Swatch Group Ltd.	Switzerland	Fashion Goods	4,710	17.1%	18.0%
44	67	Dean Foods Company	United States	Food, Drink & Tobacco	11,822	17.1%	1.1%
45	212	Brown-Forman Corporation	United States	Food, Drink & Tobacco	3,282	17.0%	13.4%
46	208	CJ CheilJedang Corporation	South Korea	Food, Drink & Tobacco	3,324	16.9%	1.8%
47	213	Gruma S.A. de C.V.	Mexico	Food, Drink & Tobacco	3,281	16.8%	6.6%
48	58	Fomento Economico Mexicano S.A.B de C.V.	Mexico	Food, Drink & Tobacco	13,472	16.7%	8.1%
49	220	E. & J. Gallo Winery	United States	Food, Drink & Tobacco	3,150	16.7%	n/a
50	104	V.F. Corporation	United States	Fashion Goods	7,141	16.3%	8.3%
				Fastest 50*		**29.5%**	**8.5%**
				Top 250*		**7.2%**	**7.6%**
				Top 10 Fastest*		**68.0%**	**5.8%**
				Top 10 Largest*		**5.2%**	**8.2%**

Source: Published company data

* Group growth rates are sales-weighted, currency-adjusted composites; Group profit margins are sales-weighted composites

Consumer products industry invests in social responsibility

The vast majority of companies in the consumer products industry are focused on social responsibility and sustainability. That is the finding from new research conducted for this *Global Powers report.* This is not surprising given the complexity of global supply chains and growing product safety concerns that have come to light in recent years.

To quantify the extent to which corporate social responsibility (CSR) is being addressed by the world's largest consumer products companies, each organization's corporate website was examined to see if it contained a CSR or similarly named section, or if the company had published a 2007 CSR report or sustainability audit. If not, the company's fiscal 2007 annual report (if available) was reviewed to determine if CSR issues were prominently addressed

Overall, 217, or 87 percent, of the Top 250 consumer products companies addressed CSR issues in one or more of these ways. This compares favorably with the retail industry, where only 164 companies, or 66 percent, of Top 250 retailers in Deloitte's 2009 Global Powers of Retailing reported a CSR agenda.

Looking at the results by region, there was relatively little variation among consumer products companies, with 80-plus percent of companies in all regions reporting on CSR issues. By comparison, the Top 250 retailers showed considerably more variability, with over three-quarters of European retailers focused on CSR versus just over half of North American retailers.

Corporate social responsibility in the consumer products industry, 2007

	% of Companies Reporting on CSR Issues
Top 250	86.8%
By Region (% of Top 250):	
Africa/Middle East	80.0%
Asia/Pacific	86.8%
Europe	84.5%
Latin America	100.0%
North America	87.8%
By Product Sector (% of Top 250):	
Electronic Products	84.8%
Fashion Goods	82.4%
Food, Drink & Tobacco	86.4%
Home Furnishings & Equipment	85.7%
Home Improvement Products	76.9%
Leisure Goods	85.7%
Personal & Household Products	96.0%
Tires	100.0%
By Issue (% of 217 CSR-Reporting Companies):	
Environment	90.3%
Social/Economic	80.6%
Product Safety/Quality	70.0%

Source: Company websites and annual reports

Results were a bit more diverse by product sector. All nine of the tire companies addressed CSR issues, followed closely by makers of personal and household products, where 96 percent addressed the topic in some way. Manufacturers of home improvement products showed the lowest level of CSR reporting at 77 percent.

Companies' CSR information was also studied to determine if three specific areas of interest were addressed. Environment/sustainability was the most widely covered issue, with 90 percent of the 217 CSR-reporting companies discussing their efforts in this area. Next were social/economic issues, such as fair trade, working conditions, and other human rights issues; 81 percent of the companies covered one or more of these topics. Product safety/quality issues were addressed by 70 percent of the companies. With regard to order of importance, these findings are consistent with the retail industry results. However, retailers reported an overall lower level of focus on all three of these issues compared with the consumer products industry.

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 2007 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. We have excluded contract manufacturers—organizations that make products under contract for other companies—and included only the companies whose brands are on the final products. We also have excluded 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 2007 net sales, which may include sales of commercial and industrial products as well as consumer products. Our fiscal 2007 definition encompasses fiscal years ended through June 2008.

A number of sources were consulted to develop the Top 250 list including Hoovers, Factiva, OneSource, Amadeus, and Forbes Largest Private Companies list. The principal data sources for financial information were annual reports, SEC filings, and information found in companies' press releases, fact sheets, or websites. If company-issued information was not available, other public-domain sources were used, including trade journal estimates, industry analyst reports, and various business information databases.

In order to provide a common base from which to rank the companies, net sales for non-U.S. companies were converted to U.S. 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 U.S. dollars. Individual company growth rates and other financial ratios, however, were calculated in the company's local currency.

Q ratio and future prospects

This report focuses on ranking the world's largest consumer product suppliers by revenue. Yet the size of a company, useful information though it is, doesn't tell us anything about its future prospects. Large size merely demonstrates that a company has performed well in the past and has achieved critical scale. The same can be said about the market capitalization of a publicly traded consumer products company: examined alone, it says something about past performance—even its quite recent performance—but does not necessarily say much about its future.

But examining financial information to draw inferences about future performance can be useful to a limited extent by employing the Q ratio. Past readers of this report will recall that analyzing the Q ratio of consumer product companies can help reveal how financial markets view the future prospects of the world's biggest publicly traded consumer product companies. In particular, the Q ratio can indicate whether companies are strong in such areas as brand, differentiation, and innovation.

What is the Q ratio?

The Q ratio is the ratio of a publicly traded company's market capitalization to the value of its tangible assets. If this ratio is greater than one, it means that the financial markets are valuing a company's non-tangible assets such as brand equity, differentiation, innovation, customer experience, market dominance, customer loyalty, and skillful execution. The higher the Q ratio, the greater share of a company's value stems from such non-tangibles. A Q ratio of less than one, on the other hand, indicates a failure to generate value on the basis of non-tangible assets. It indicates that the financial markets view a consumer product company's strategy as unable to generate a sufficient return on physical assets. Indeed, it suggests an arbitrage opportunity. That is, if a company's Q ratio is less than one, theoretically it could be purchased through equity markets and the tangible assets sold at a profit.

Why is the Q ratio useful?

Why should we care about the Q ratio? The answer is that, in recent years, one of the biggest challenges facing any consumer products company has been commoditization. That is, consumers are increasingly viewing these companies and their products as undifferentiated from one another except on the basis of price. This attitude causes intense price competition and tends to drive down margins. Only the lowest cost leaders in any product segment can compete primarily on the basis of price. All others must do something else. The antidote to commoditization, therefore, is clear differentiation through better customer experience and innovation. In addition, such differentiation must be well communicated to consumers through strong branding. Consequently, a high Q ratio indicates that the financial markets believe a company is doing the right things to succeed in the current business environment. A Q ratio below one may indicate that the financial markets believe a company is failing to use its physical assets in a profitable manner.

There are several caveats, however. First, some companies, or types of companies, are more asset intensive than others, and this fact can distort a Q ratio. Therefore, the Q ratio should be taken with a grain of salt. Second, the recent steep drop in equity prices around the world stemming from the global financial crisis means that Q ratios are unusually low. Indeed, as indicated in our tables, many companies now have Q ratios below one—some far below one. This is quite different than last year's numbers. Still, the value of the Q ratio is not simply the absolute number but the difference between companies or groups of companies.

What the numbers show

This year, the Q ratio was calculated for 194 consumer product companies compared to 190 companies last year. The composite Q ratio (calculated by taking the sum of all companies' market capitalization and dividing by the sum of all companies' asset values) is 0.800. Last year, the figure was 1.51—reflecting the steep decline in equity prices globally. Calculations for each company were based on asset data from the most recent financial statements and market capitalization (share price times number of shares) as of January 2009.

Here are some of the highlights of our analysis:

- Not surprisingly, the companies with the highest Q ratios include those with products that have especially strong brand names. In addition, companies with the most innovative products that, in turn, have developed strong brand names, have high Q ratios as well. For example, Research In Motion, maker of the popular Blackberry, has the highest Q ratio of any company on the list. Also high on the list are Nintendo, maker of the Wii, and Apple, maker of the iPod and iPhone.
- The countries with the highest composite Q ratios are Canada, Switzerland, the United Kingdom, and the United States. On a regional basis, North America and Europe have relatively high Q ratios while the Asia Pacific region and Africa/Middle East have especially low Q ratios, with some individual exceptions.
- Companies with high market capitalizations have, on average, higher Q ratios than much smaller companies. This may reflect the fact that, having achieved high market value, a company has already achieved a high degree of brand equity and, thus, has the tools to continually innovate new products. That is not to say that smaller companies don't have the opportunity to achieve great things, however.
- Composite Q ratios for consumer product companies were also evaluated based on their dominant merchandise category, with leisure goods receiving the highest ratio. These companies produce toys and games for entertainment—clearly an area that, when successful, generates huge brand equity. Also high on the list are companies that produce personal and household products as well as companies that make food, drink, and tobacco products. By contrast, companies that make products related to home or automobile purchases have especially low Q ratios this year, a reflection of the extreme weakness of the housing market in several key countries, especially the United States.

Composite Q Ratio

Region	Q ratio
North America	1.013
Europe	0.845
Latin America	0.681
Asia Pac	0.516
Africa/ME	0.207

Country	Q ratio
Canada	2.928
Switzerland	1.303
UK	1.079
USA	0.992
Germany	0.905
Mexico	0.735
Hong Kong	0.685
France	0.633
Brazil	0.547
Japan	0.516
Netherlands	0.456
South Korea	0.449
China	0.440
Taiwan	0.392
Sweden	0.269
Italy	0.228
Turkey	0.064

Industry	Q ratio
Leisure goods	1.869
Personal and household products	1.247
Food drink & tobacco	0.905
Fashion goods	0.584
Electronic products	0.565
Home improvement products	0.494
Tires	0.271
Home furnishing and equipment	0.254

Market Cap Size	Q ratio
Top 10	1.481
Bottom 10	0.013

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