



Disrupted consumer market

Responses to changing risk profiles and challenges from new business models

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Changing consumer market landscape

The consumer industry is not facing disruption – it has already been disrupted. Game-changing technologies have revolutionised supply chains and customer touchpoints, and more informed and sceptical consumers are holding retailers to increasingly higher standards. A company's success in achieving customer centricity or loyalty is no longer a differentiator, but a determinant of survival.



The China market has seen particularly strong disruption, with the Chinese consumer having leap-frogged willingly and aggressively into the digital age. Chinese consumers have great spending power, are tech-savvy and seek out the highest quality. Multinationals in this market, both existing and new entrants, must therefore expect to compete in a dynamic and fast-paced environment.

At the same time, start-ups with new business models are creating innovative ways to reach and capture customers, challenging established companies and brands to adapt or perish. For their part, consumers continue to raise the bar in their expectations of value and convenience, while seeking products in line with their views on health, wellness and sustainability. All of these disruptions are being pushed forward at high speed by advancing technology that changes the landscape of how and where consumers purchase – ultimately leaving companies to feel like they are playing a constant game of catch-up.

Adapting to a changing consumer landscape requires more than integrating sales channels and coordinating customer touchpoints. As consumer expectations continue to rise, multiple and flexible sales channels and a comprehensive customer experience strategy are quickly becoming crucial. The most successful consumer companies are already looking beyond the seamless integration of their sales channels and are focused on the integration of their entire ecosystems, from traditional core operations such as supply chain management and store operations, to e-commerce, mobile commerce (m-commerce) and advanced data & analytics (D&A) capabilities, with their customers at the very centre.

Preparing for challenges by strengthening risk management and internal controls

Given all the disruptions seen in the market, companies must strengthen their core operations by making sure there are strong risk management and internal controls in place around these operations.

Four key focus areas are significantly impacting the risk profile of consumer market companies in the disrupted environment. These call for a more robust risk and control framework:



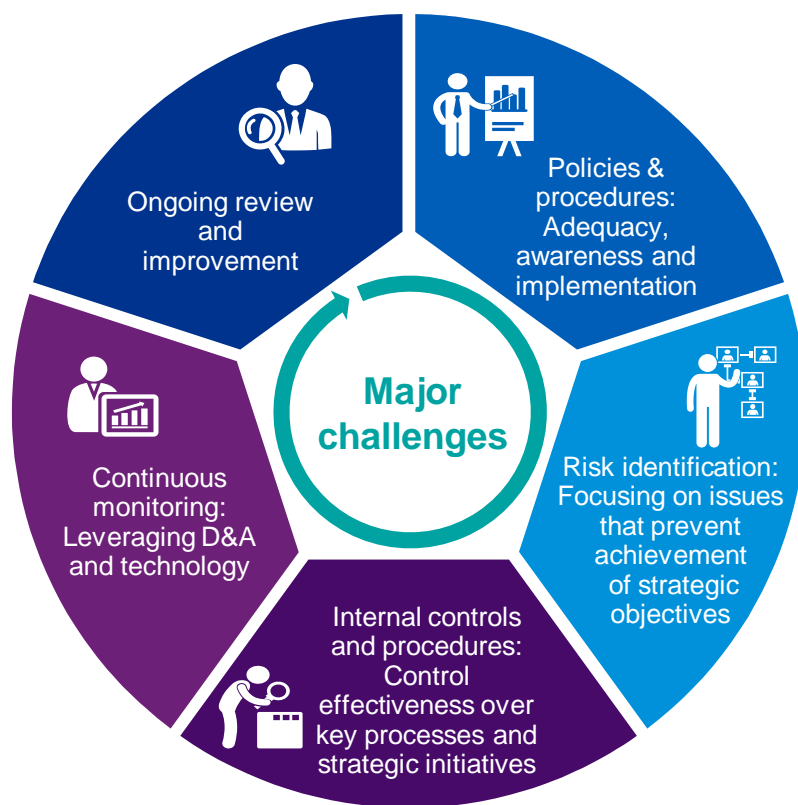
Do you have the right risk management capabilities and controls in place to mitigate the main risks?



How KPMG can help

Fixing the basics: Risk profiling and internal control review of key processes

KPMG has vast experience with consumer market companies and internal control capabilities, as summarised on the right. By strengthening risk management and internal controls, consumer market companies are better positioned to address emerging challenges.



Key focus areas	Assessing risks and implementing the right controls
e-/m-Commerce & omni-business	<ul style="list-style-type: none"> • Do you know all the risks that hinder your e-/m-commerce strategy? • Is your e-strategy being implemented and followed across the organisation? • Do you have the right KPIs and the capability to monitor key KPIs continuously, applying the latest D&A technology? • Do you have the tools to keep track of your customers' loyalty and satisfaction to anticipate changing behaviour and avoid the risk of losing customers to competitors?
Physical store operations	<ul style="list-style-type: none"> • Are your processes supporting seamless customer experience and a consistent brand experience, online and offline? • Are your internal control measures keeping pace with the emerging risks from advanced technology applications in stores, such as artificial intelligence and new payment methods/systems? • How do you tackle traditional store operational risks, such as inventory shrinkage, under the new, disrupted environment?
Demand planning and marketing strategy	<ul style="list-style-type: none"> • What are the risks that prevent you from achieving your sales and marketing objectives, and what controls are in place to mitigate these risks? • Are your internal control procedures around your sales forecast and marketing activities effective to cope with the disruptions seen in consumer markets? Are you leveraging your data analytics effectively? • How often are demand forecasts and market trends being analysed and challenged to cope with consistently changing consumer behaviours, particularly of millennials?
Supply chain and inventory management	<ul style="list-style-type: none"> • Have you reviewed your supply chain and inventory risk exposure in the new business environment? • Are your internal controls effective in supporting flawless executions of your e-/m-commerce and physical store strategy? • Are your third-party logistics providers reliable? Have you established and followed robust selection and performance evaluation procedures to cope with the increasing need to rely on third parties to execute your e-commerce strategy?

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