



PREDICTIVE  
ANALYTICS  
INTEGRATORS

**CANBACK'S EXPERTISE IN  
FOOD AND BEVERAGE**

April 2018

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## Introduction to Canback

Perspective on the food and beverage market

Food and beverage expertise

Case studies



*Founded by Dr. Staffan Canback, we are an elite management consulting firm anchored in predictive analytics and market knowledge.*

*Canback serves clients through five practices: Strategy, M&A Due Diligence, Sources of Growth, Corporate Finance, and Organizational Performance.*

*We operate globally with the world's largest companies as clients. This has taken us to 87 countries since our founding in 2004.*

*We also offer analytic services with the Canback Global Income Distribution Database (C-GIDD) as our cardinal product.*

*Canback is a subsidiary of The Economist Group since 2015.*



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Canback's diagonal determines whether a country is reaching its potential, given its income and population. Falling below the line indicates that the potential has not been fully exploited

**CANBACK  
DIAGONAL**

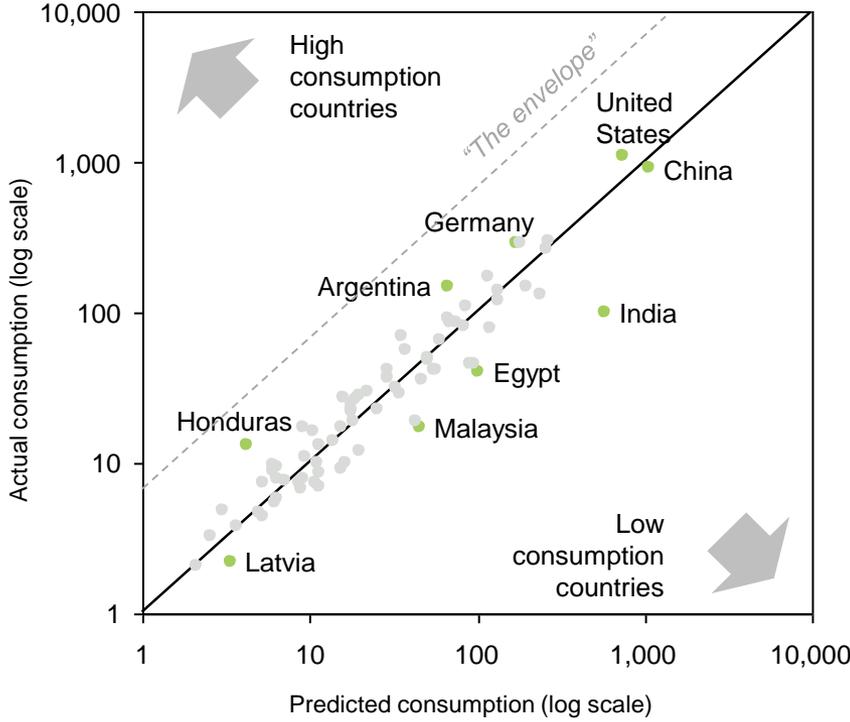
$$\beta_1(\text{Income per capita}) + \beta_2(\text{Population})$$

Based on a regression of the 62 standard Canback countries

**The envelope** - the maximum consumption given the size of a population, and its average income. As countries approach the envelope it becomes increasingly difficult (but not impossible) to achieve growth above population and income

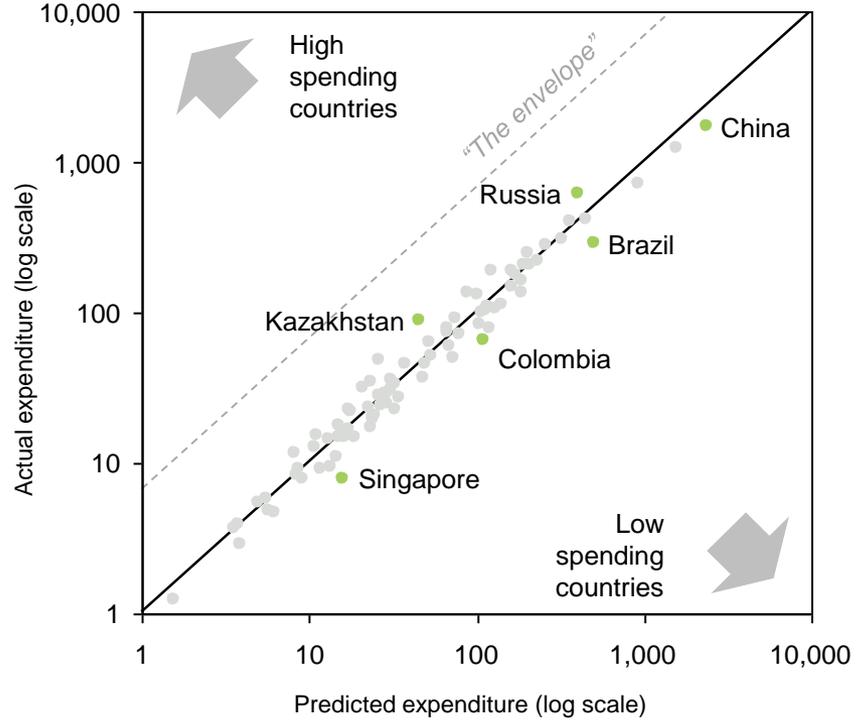
**SOFT DRINKS\* CONSUMPTION AS A FUNCTION OF POPULATION AND INCOME**

2014, million L



**FOOD EXPENDITURE\*\* AS A FUNCTION OF POPULATION AND INCOME**

2014, billion constant 2005 \$PPP



\* Soft drinks include CSDs, bottled water, fruit beverages, energy drinks, sports drinks, and ready-to-drink tea and coffee

\*\* Expenditure on food for consumption at home

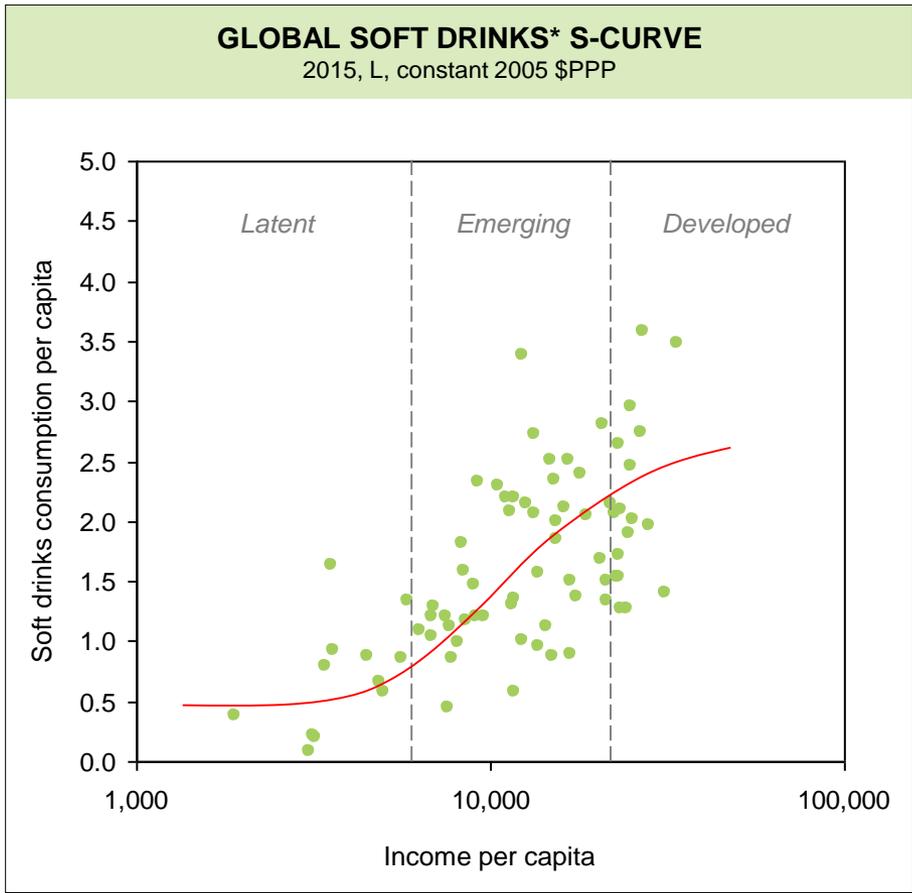
Source: USDA; C-GIDD; Canback analysis



# The global s-curve allows Canback to segment markets and predict future demand growth using historical market level data, integrated with macroeconomic indicators

## CANBACK GLOBAL S-CURVES

The relationship between market development and income per capita can result in s-curves, which are useful to segment markets, and identify inflection points for demand. The s-curve is segmented into three phases: **latent** – the initial phase of flat demand; **emerging** – a period of demand takeoff; and **developed** – when the market has matured and demand has plateaued



**LATENT**

Latent soft drinks markets are markets that haven't yet reached the point at which consumption rapidly accelerates (\$PPP 6,000)

**EMERGING**

Emerging countries have passed the average income "take-off" point, and are now experiencing rapid growth in soft drink consumption

**DEVELOPED**

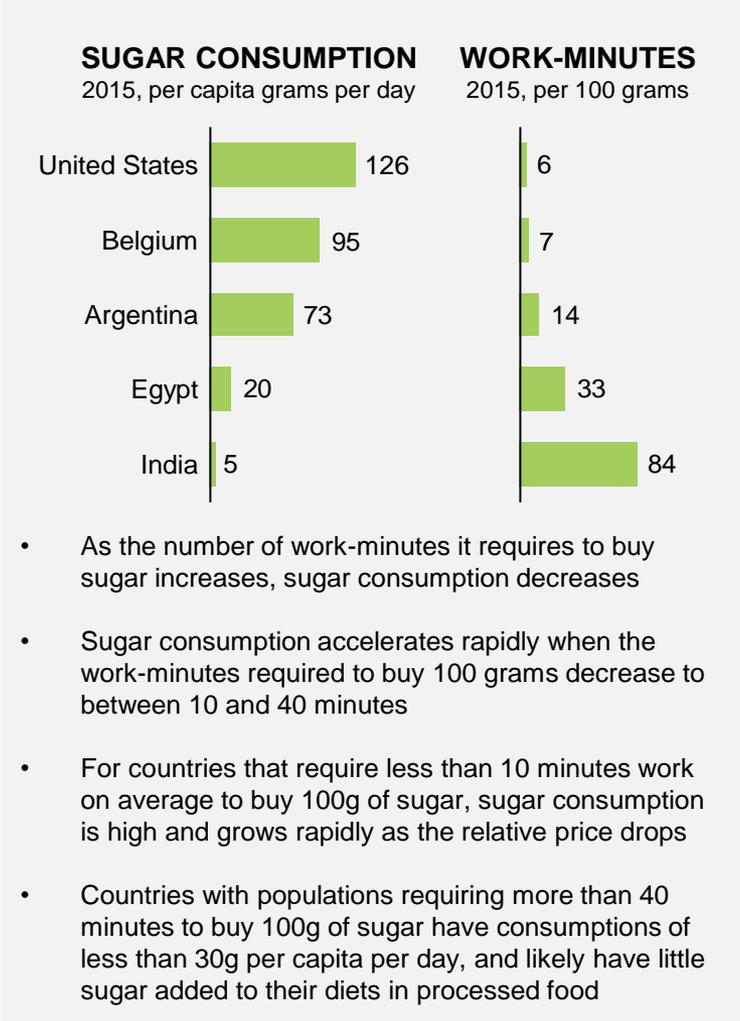
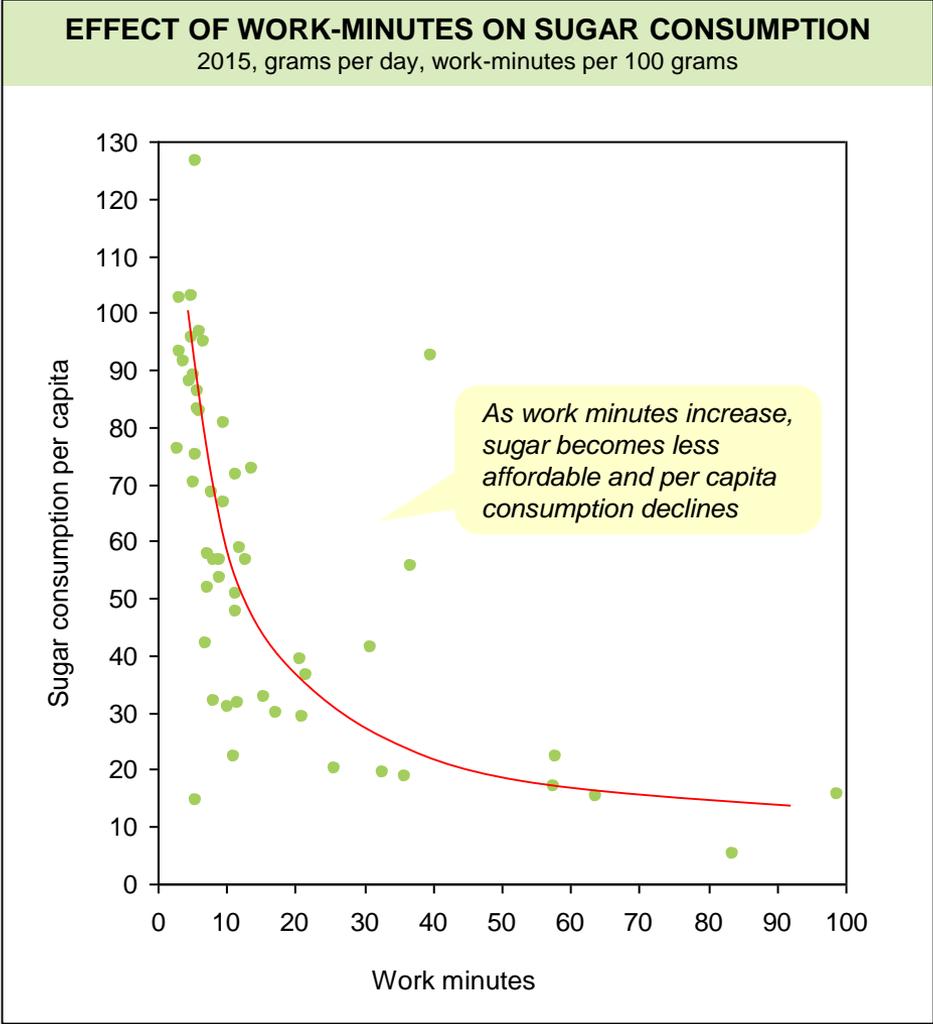
Developed markets have incomes greater than \$PPP 23,000, and are seeing decreased growth in the soft drinks sector

As countries become wealthier they pass the "take-off" point, and see accelerating growth in soft drink consumption. This continues until the market matures, and the growth in demand slows

\* Soft drinks include CSDs, bottled water, fruit beverages, energy drinks, sports drinks, and ready-to-drink tea and coffee  
Source: C-GIDD; Canback analysis



# Work-minute calculations allow for cross-country comparisons of affordability, and give insight into the global effects of pricing



Note: 100g of sugar is 0.42 cups in imperial units  
Source: EIU; C-GIDD; Canback analysis



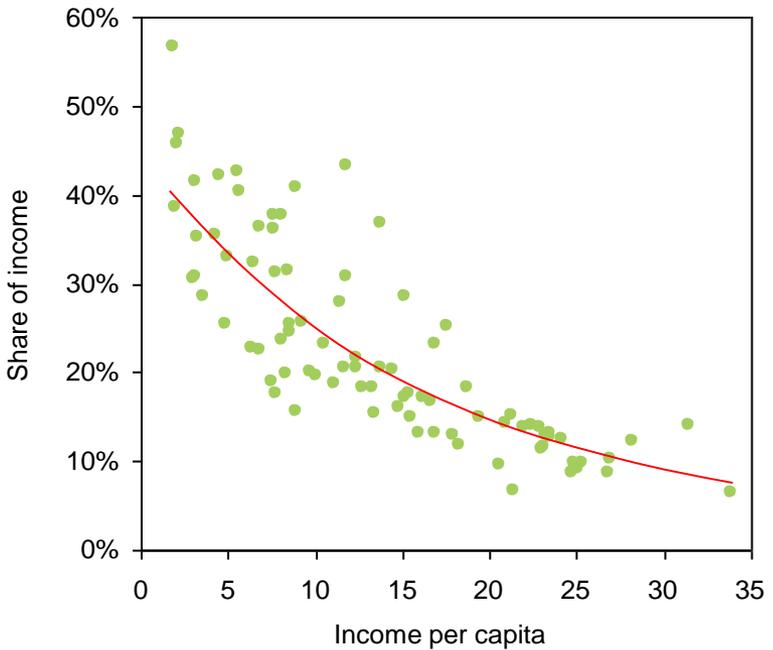
Engel curves investigate the relationship between wealth and expenditure. In the case of food, as populations become wealthier, they spend a lower proportion of their income on at-home dining

# ENGEL CURVES

An **Engel curve** describes how household expenditure on a particular good or service varies with household income. It is named after the German statistician Ernst Engel, who was the first to investigate this relationship between goods expenditure and income systematically in 1857

### GLOBAL FOOD EXPENDITURE\* AS A SHARE OF INCOME

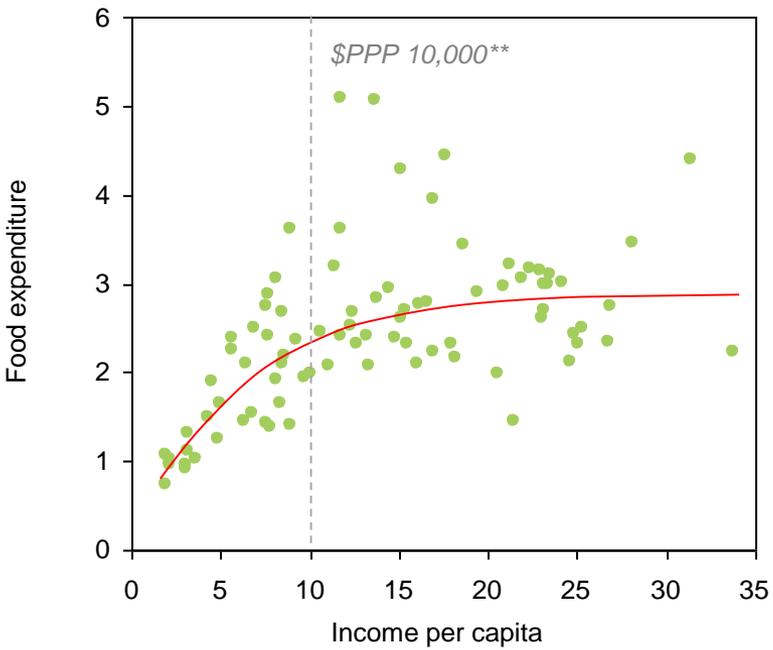
2014, '000 constant 2005 \$PPP



As income increases, people spend a lower proportion on food for at-home consumption. This suggests an increasing prevalence of dining out and a limit to at-home premiumization

### GLOBAL FOOD EXPENDITURE\* PER YEAR

2014, '000 constant 2005 \$PPP

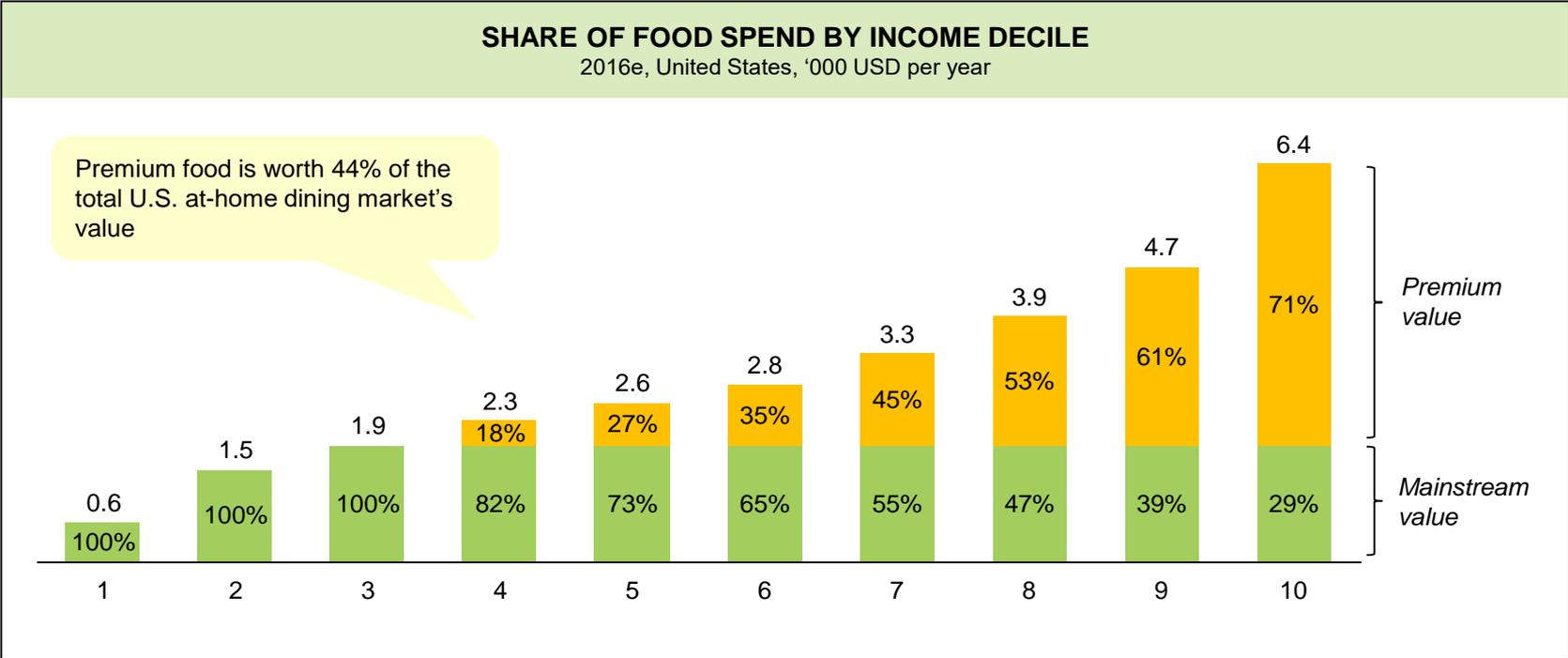


The growth rate of the amount of money that people spend on food for at-home consumption significantly decreases once the average wealth of the population exceeds \$PPP 10,000\*\*

\* Food expenditure is defined here as the amount of money spent on food for consumption at home  
\*\* Measured in constant 2005 \$PPP  
Source: USDA; C-GIDD; Canback analysis



Although consumers may spend a lower proportion of their income on food as they become wealthier, absolute expenditure can increase as their consumption premiumizes



### OBSERVATIONS

- 44% of value in the U.S. at-home dining market is made up of premium food spending
- Consumers in the highest income decile could cut their expenditure on at-home dining to a third of its current size, while maintaining nutritional value
- As incomes rise, premium at-home dining expenditure will grow its share of the total

Note: For 2016e calculations, 2014 ratios of spending were applied to 2016 incomes and populations  
Source: USDA; C-GIDD; Canback analysis



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Canback has maintained strong partnerships with clients in the food and beverage industries through the years, with the success of initial projects leading to ongoing collaborations

### FOOD AND BEVERAGE PROJECT EXAMPLES

|   | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|
| Cheese market sizing and entry strategy             | █    |      |      |      |      |      |      |      |      |      |      |      |
| Brazilian cereal bar market assessment              |      | █    |      |      |      |      |      |      |      |      |      |      |
| Snack bar portfolio optimization                    |      | █    |      |      |      |      |      |      |      |      |      |      |
| Brazilian cheese market forecast                    |      | █    | █    |      |      |      |      |      |      |      |      |      |
| Brand strategy in the United States                 |      |      |      | █    |      |      |      |      |      |      |      |      |
| Powdered beverage market segmentation               |      |      |      |      |      |      | █    |      |      |      |      |      |
| Competitive analysis across three countries         |      |      |      |      |      |      | █    |      |      |      |      |      |
| City segmentation for snack categories              |      |      |      |      |      |      |      |      | █    |      | █    |      |
| Soft drinks consumption driver analysis             |      |      |      |      |      |      |      |      | █    |      |      |      |
| Global segmentation for soft drinks                 |      |      |      |      |      |      |      |      |      | █    |      |      |
| Pricing optimization and simulation for soft drinks |      |      |      |      |      |      |      |      |      | █    |      | █    |
| Deep dive into the Chinese soft drinks market       |      |      |      |      |      |      |      |      |      |      |      | █    |



### FOOD AND BEVERAGE PROJECT TYPES

| Project type                           | Key questions  | Examples   |
|--|--|--|
| <b>SOURCES OF GROWTH<sup>SM</sup></b>  | <i>Strategic projects, with market deep dives. What are the growth opportunities, and how large are they?</i>                            | <ul style="list-style-type: none"> <li>Executed growth strategy projects for the powdered beverage units of multiple multinational food and beverage companies, focusing on the United States and India</li> </ul>   |
| <b>Pricing and commercial strategy</b> | <i>Strategic projects with a focus on execution and pricing. How can each step of the value chain be optimized?</i>                      | <ul style="list-style-type: none"> <li>Optimized the snack bar portfolio for a global food company in Argentina, Mexico, and Brazil</li> <li>Created a commercial response to the growth of retailer brands in United States' grocery retail for a multinational food retailer</li> </ul>        |
| <b>Predictive modeling</b>             | <i>Size markets and predict growth with the use of cutting edge statistics and analytics. How large will the market be in 10 years?</i>  | <ul style="list-style-type: none"> <li>Sized the opportunities and created entry strategies for a large FMCG company regarding the Chinese and Russian cheese markets</li> <li>Built weekly demand model across 16 soft drinks categories for multinational food and beverage company</li> </ul> |
| <b>Consumer segmentation</b>           | <i>Understanding why consumers prefer certain categories and brands. What is motivating consumption habits and how will that change?</i> | <ul style="list-style-type: none"> <li>Segmented soft drinks consumption and potential for one of the world's largest soft drinks manufacturers</li> <li>Carried out a global, city-level segmentation for a multinational snacks producer</li> </ul>  |



Sources of Growth projects explore opportunities across the value chain. In each engagement, Canback teams dare to think big and encourage senior executives to do the same



“Beyond the analytics, **what you do is dare to think big**. When you say we are actually capable of doing 10 times the volume we budget, we have to stop and think. Good consultants challenge management and have the imagination to think big.”

– Senior executive of USD 300 million company

**STRATEGIC SOURCES OF GROWTH FRAMEWORK AND EXAMPLES**



The list above is not exhaustive. The seven categories outlined above are a starting point, but Canback customizes areas for growth by market

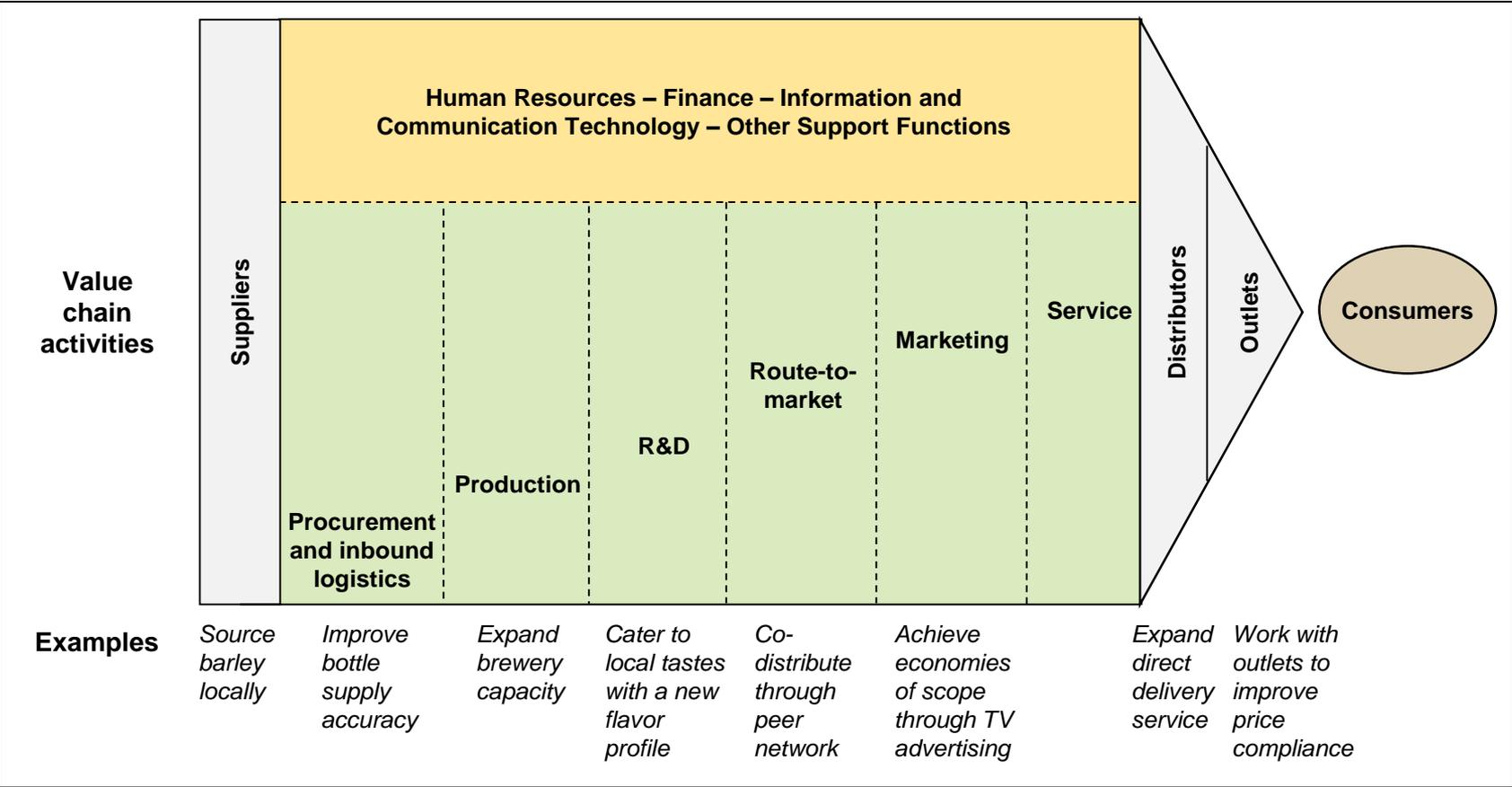


Commercial strategy projects seek to maximize market potential by optimizing each aspect of the value chain, or to focus on individual points including pricing, portfolio, or route-to-market strategy

**COMMERCIAL STRATEGY DEVELOPMENT**

In the commercial strategy, we identify commercial improvement opportunities to capture market potential in areas including:

- Pricing
- Product portfolio
- Sales and marketing
- Route-to-market
- Channel strategy





Canback is a trusted partner in predictive modeling, allowing clients to make more accurate demand predictions

Sources of growth

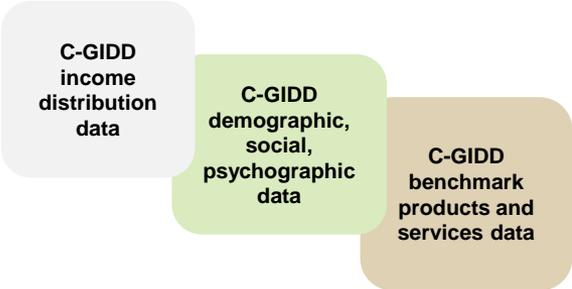
Pricing and commercial strategy

Predictive modeling

Consumer segmentation

### CANBACK'S PREDICTIVE MODELING EXPERTISE

#### Canback Global Income Distribution Database (C-GIDD)



The cornerstone of Canback's predictive modeling capabilities, C-GIDD, is the world's only database with GDP, population, household income and spending data, and forecasts covering:

- 210+ countries
- 690+ subdivisions
- 990+ cities, other urban, and rural areas

And with the flexibility to align seamlessly with outside data sources, unlocking actionable market strategies

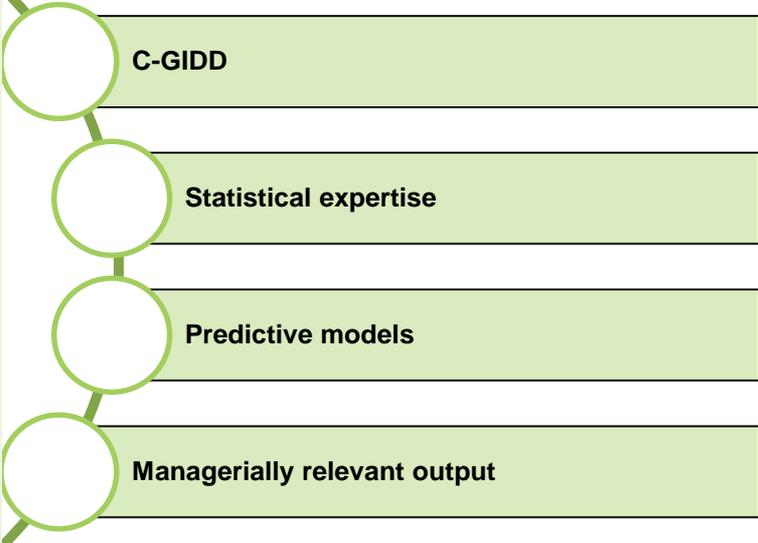
Most of our strategically-focused products are accompanied by a predictive model, and we have done a variety of "pure modeling" projects

We build models for a variety of different purposes:

- 10-year horizon predictive models for M&A due diligence valuation projects
- Short term (1-3 year) models with highly granular, monthly outputs for internal commercial planning efforts
- Very long term-horizon models (10-20 years) showing the ultimate market potential and overall trend of the market

We employ a variety of statistical and other modeling techniques, which depend on the goal of the model

#### Our predictive modeling process leverages our core competencies:

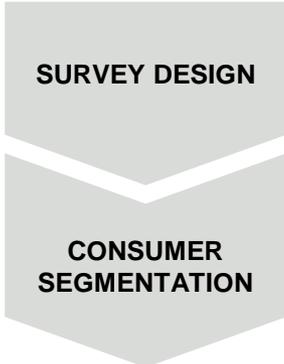




Canback’s approach combines proprietary socioeconomic data and state-of-the-art methods in survey design, consumer segmentation, and segment dynamic modeling

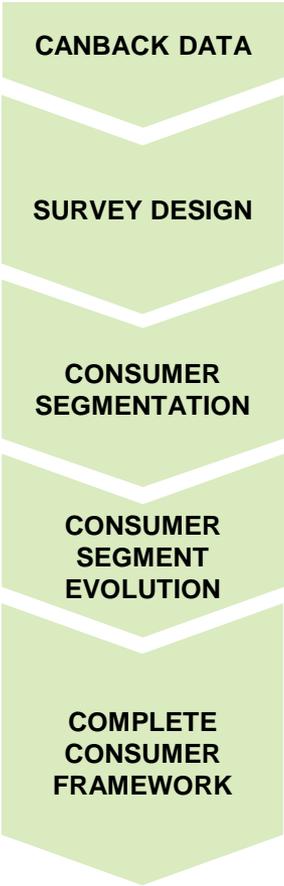


**TRADITIONAL SEGMENTATION APPROACH**



- Survey questions designed:
- Traditional macroeconomic and demographic indicators
  - Consumer insights
- Segment consumer into groups based on k-means clustering that are useful for:
- Developing marketing and sales strategies
  - Tracking

**CANBACK’S SEGMENT DYNAMIC MODEL APPROACH**



- Income and socio-economic level data from C-GIDD
- Surveys developed through conversations with clients, and with their feedback
  - Survey questions based on global experience
  - Consideration of consumer values and selection
- Segmentation into client-relevant groups
  - Analysis using robust statistical methods, including but not limited to k-means clustering
- Ability to predict the evolution of consumers based on combined Canback and client data
  - Projections based on statistical methods that determine the most relevant predictors
- Canback provides a transparent consumer segmentation, with features including:
- Robust survey design, collecting all important data
  - External variables that reflect managerial insight and statistically-backed analyses
  - Consumer segmentation today, and into the future

**OBJECTIVE**

Canback approaches segmentation both in terms of the current situation and how segments will grow, so that insights provide the best return for the client. Our model lets clients understand what is driving segmentation, and take into account both consumer values and selection preference



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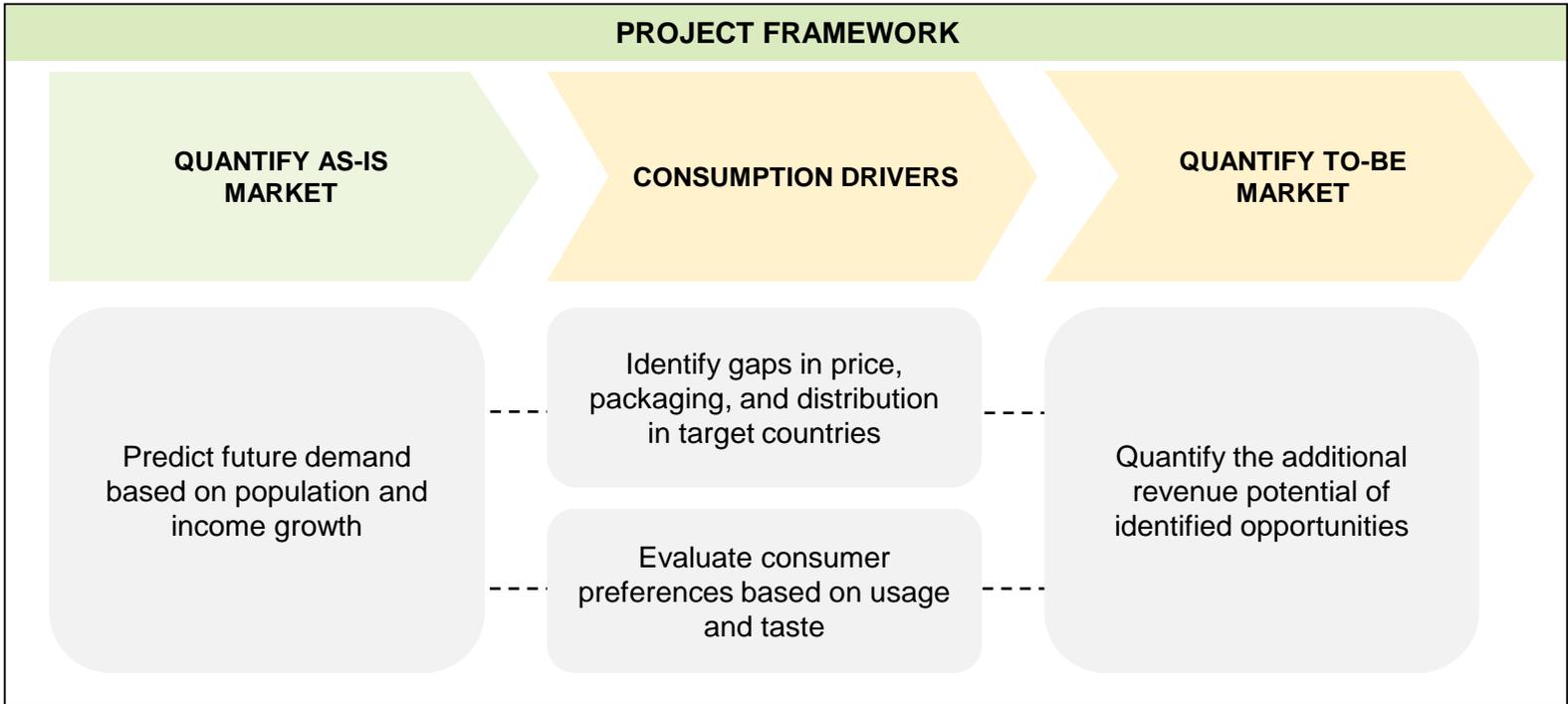
Case studies

- Consumer segmentation for the powdered beverage market
- Counter-private label strategy development in the U.S.
- Global beverage sources of growth
- Demand forecasting for cheese in China
- Argentina snack bar portfolio optimization

Canback has completed consumer segmentation projects all over the world. A powdered beverages engagement identified and quantified the opportunities for growth in low consumption markets for a major food and beverage client

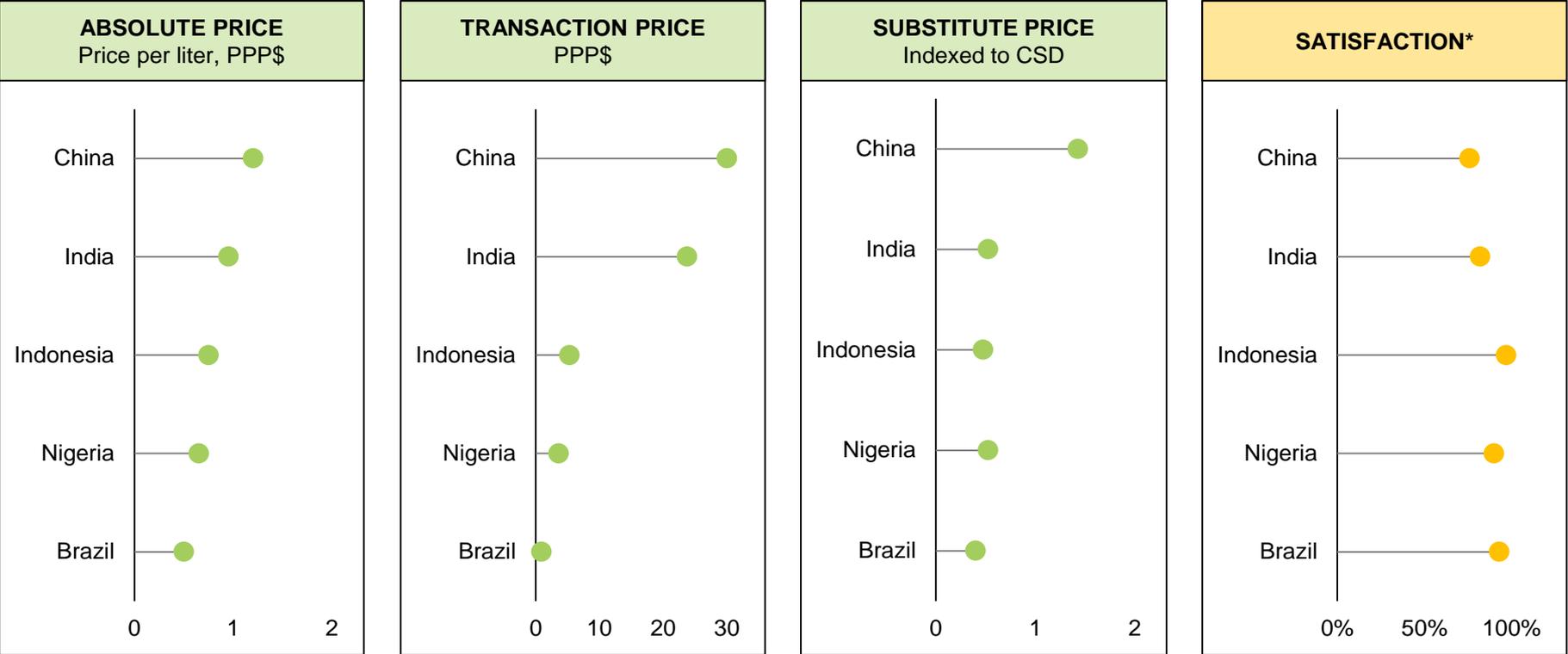


| CONSUMER SEGMENTATION FOR THE POWDERED BEVERAGE MARKET  |  |  |   |
|---|--|--|---|
| Client  | Key question   | Major considerations   | Outcome   |
| Multinational confectionary, food, and beverage company | The powdered beverage category is underdeveloped. Is there a way to unlock the potential from low consumption countries? | <ul style="list-style-type: none"> <li>Is the market size limited in these countries?</li> <li>How big could the markets be, and what will it take to develop them?</li> </ul> | Canback identified over USD 1 billion of revenue opportunities in low consumption countries |





To better understand why powdered beverage consumption is low in some countries, the Canback team evaluated relevant consumption drivers, such as price and flavor



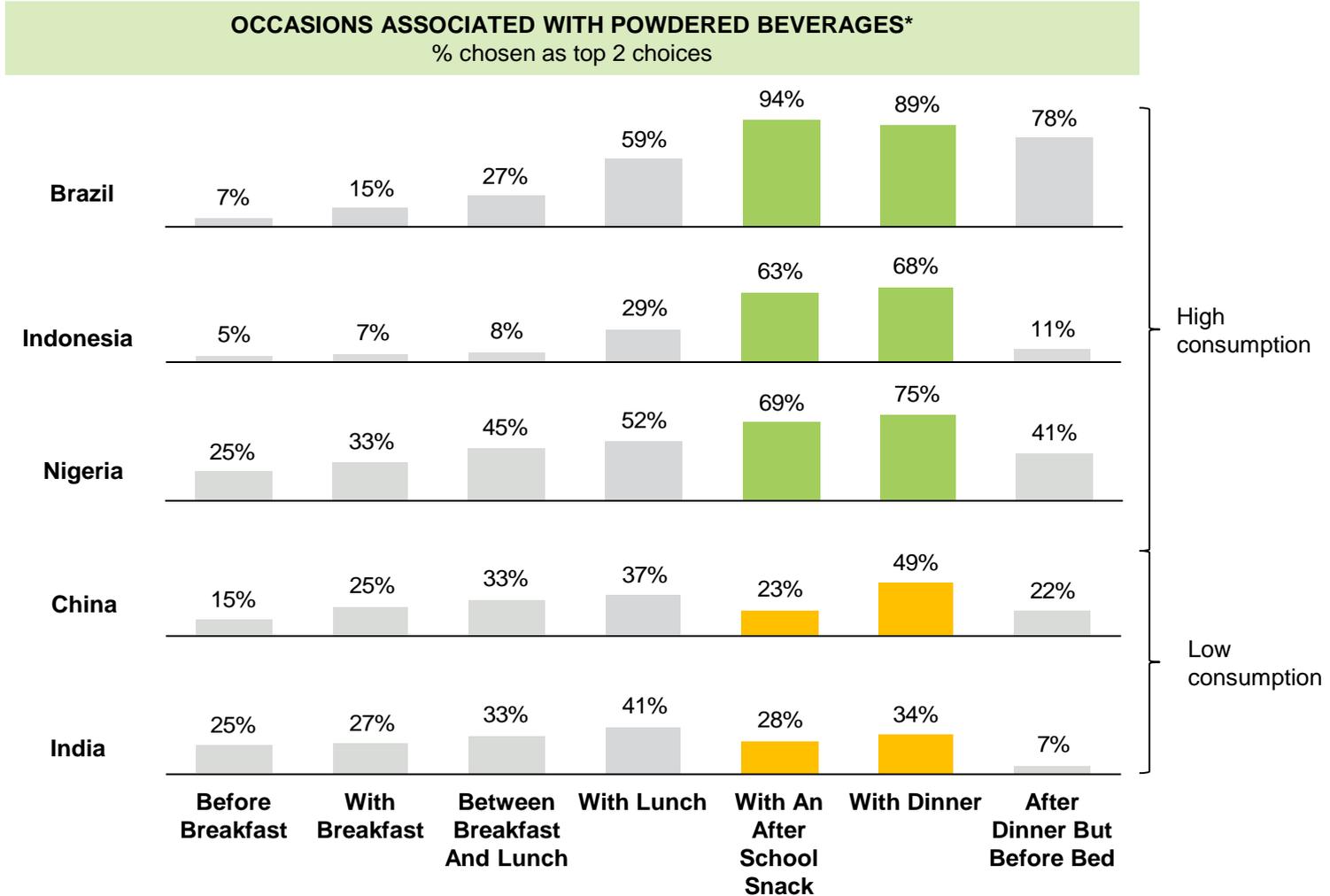
**OBSERVATIONS**

- Powdered beverages in the low consumption countries, China and India, have significantly higher transaction prices than in high consumption countries. This is driven by pack size variation, with the average pack size in China being 14 times that of the average pack size in Brazil
- Flavor variety drives consumer satisfaction, with consumers in the low consumption markets having the highest share of unsatisfied consumers

\* % satisfied in response to the question: How satisfied are you with the available variety of fruit flavored powdered beverages?  
All figures are illustrative



Canback also analyzed consumer surveys, which were critical to understanding how occasions impacted consumption



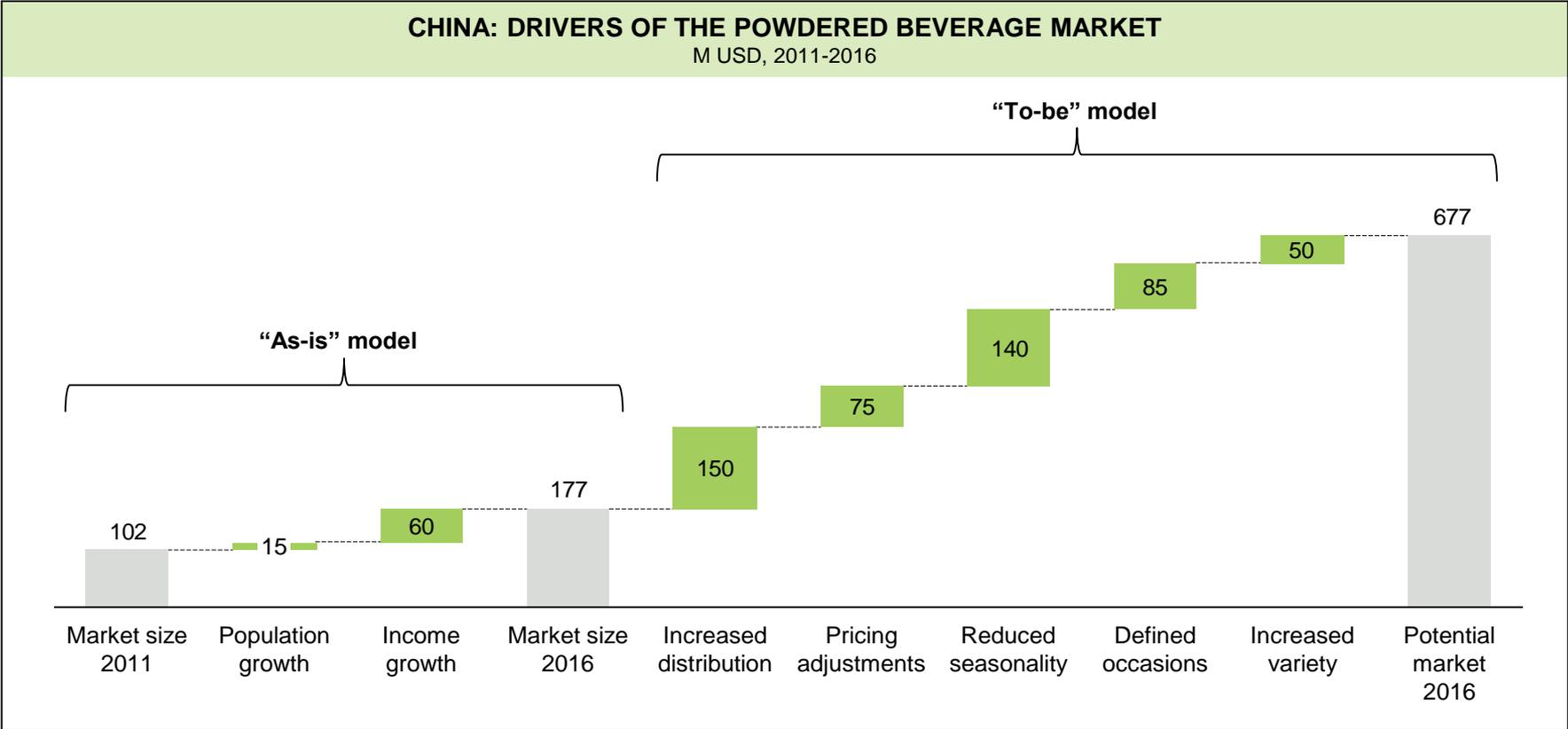
In high consumption countries, powdered beverages are associated heavily with dinner or with an after school snack, while in the low-consumption markets occasions are not as well defined

\*In response to the question: Would you consider serving a fruit flavored powdered beverage in the following occasions?

All figures are illustrative



After analyzing each of the consumption drivers, their potential values were quantified and added to the “as-is” model to create a “to-be” forecast of potential market demand



| Increased distribution  | Pricing adjustments   | Reduced seasonality   | Defined occasions  | Increased variety  |
|---|---|---|--|--|
| Adjusting pack sizes and optimizing distribution would widen the addressable population | Price reduction, through the use of smaller pack sizes, would allow the product to be more affordable | In the low consumption markets, sales show extreme seasonality. Reducing this effect would reduce inefficiency and increase value | Creating well defined consumer occasions would contribute to consistent use and increase sales | Flavor variety drives consumer satisfaction and demand. A wider variety base would lead to increased consumption |

All figures are illustrative



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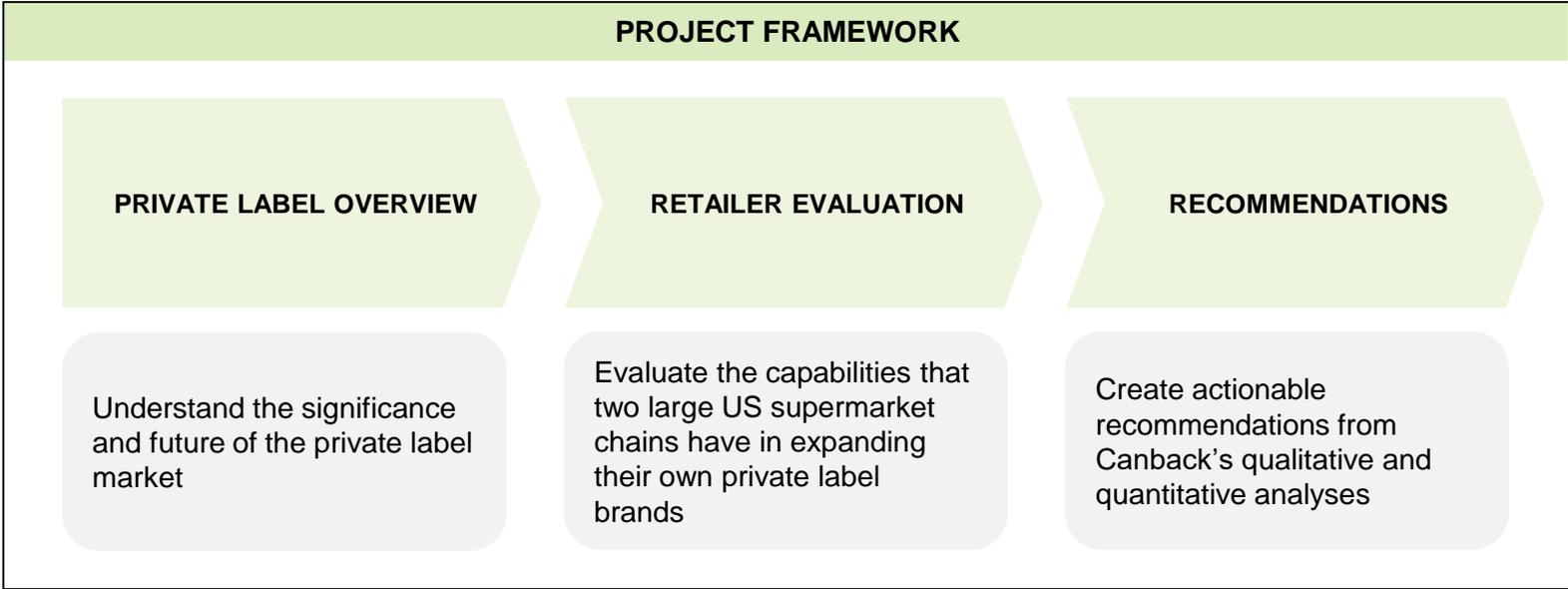
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Canback provided an analysis of the growing private label market in grocery stores in the United States, recommending store specific strategies to strengthen the client's competitive position

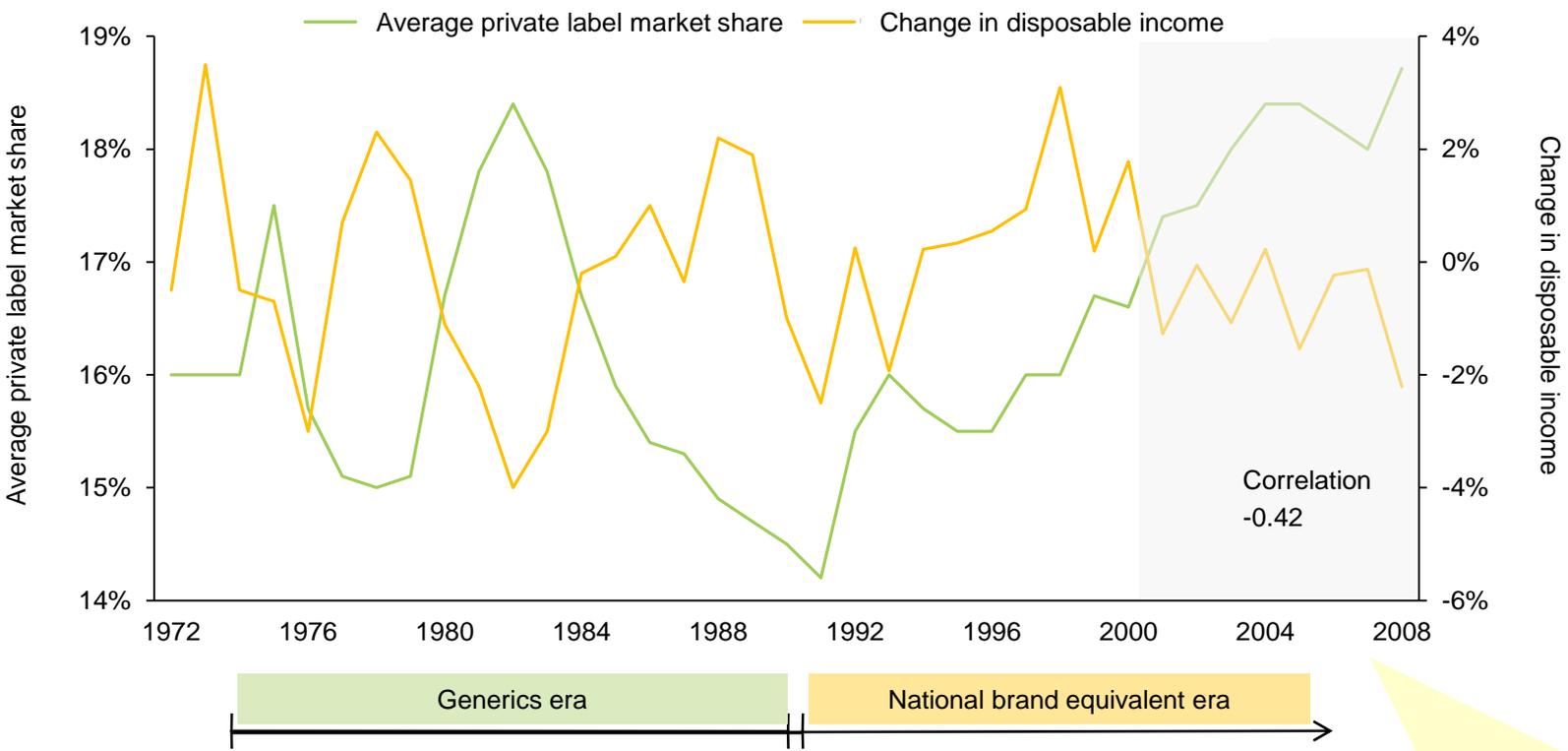
| PRIVATE LABEL STRATEGY DEVELOPMENT |  |  |  |
|------------------------------------|--|--|--|
| Client                             | Key question   | Major considerations   | Outcome  |
| Multinational food company         | What is the proper response to the continued growth in private labels' market share? | <ul style="list-style-type: none"><li>Private label sales will continue to grow and can improve in quality</li><li>Head on competition is not the only viable option</li></ul> | Canback assessed the relationship between the client's brands and private label brands, and presented a targeted strategy for the client |





Private labels are slowly gaining market share, growing solidly during recessions and not yielding share during times of market growth

### PRIVATE LABEL BRAND SHARE OVER TIME

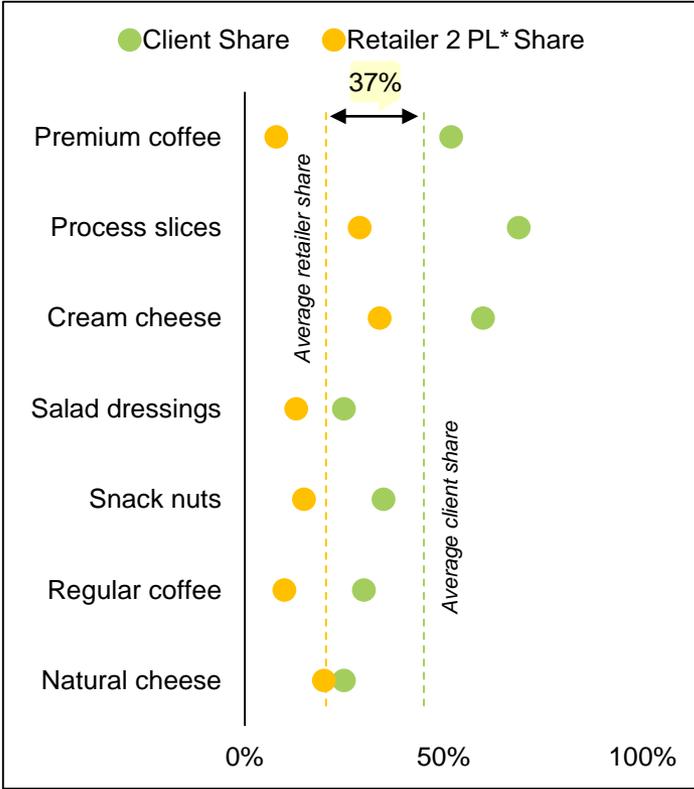
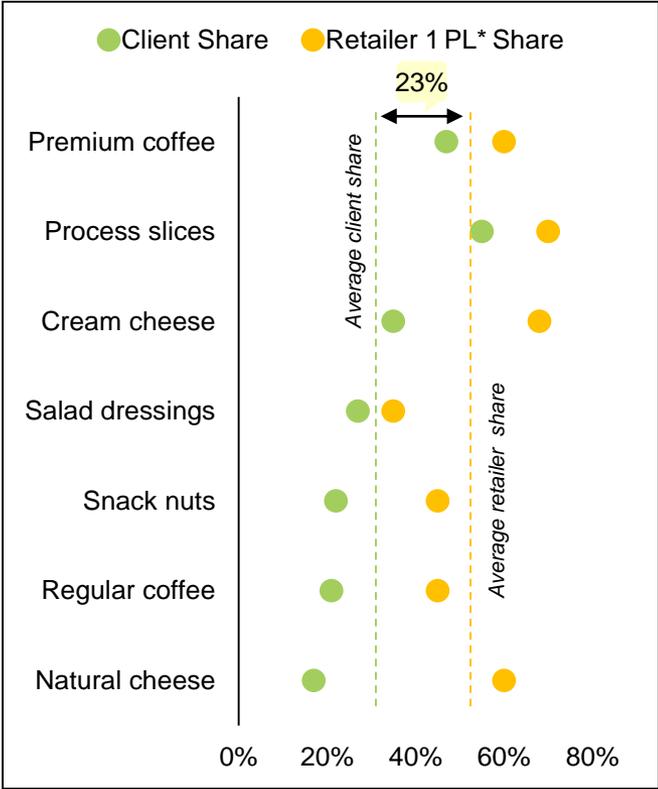


Private label market share and disposable income are negatively correlated, where a decrease in disposable income leads to an increase in average private label market share



Retailer 1 has a significant number of private label brands, giving it a large market share in its stores. Retailer 2 has fewer private label brands, allowing the client to hold a higher share

**CLIENT RELATIVE SHARE VS STORE PRIVATE LABEL SHARE**



Retailer 1 has over 14,000 private label brand SKUs, whereas Retailer 2 only has 3,000 private label brand SKUs. This allows the client to have a much stronger position and market share in Retailer 2, and a generally weaker position in Retailer 1

All figures are illustrative  
\* "PL" stands for "private label"



Canback used its consumer and brand findings to produce several actionable recommendations

| RECOMMENDATION   | EXAMPLE  |
|--|--|
| <b>Strengthen enterprise-to-enterprise links</b>   | The client has managed its relationship with Retailer 1 inconsistently; individual relationships are sometimes strong, but the institutional relationship is weak. The key to improving this is discipline in execution, with a focus on sale-oriented solutions                         |
| <b>Develop store specific strategies that are aligned with the retailer's priorities</b> | Group stores and neighborhoods by suburban, urban affluent, and urban blue collar segments; these correspond well with Retailer 1's store types. Consumer behavior differs widely between segments, meaning that micro-strategies have the potential to be successful                    |
| <b>Compete on analytics</b>  | Develop new P&L for customer teams that measure full account profitability, not only sales profits -- sales profits or gross margin have little to do with underlying profitability and lead to incorrect resource allocation decisions, while the costs of running FLP accounts are low |
| <b>Rebalance product portfolios and focus on sustainable winners</b>                     | Drive the "quality of shelving" initiative to expand the client's prime shelving space at the store – quality is more important than quantity, and the product portfolio should be streamlined down to the most sustainable SKUs   |



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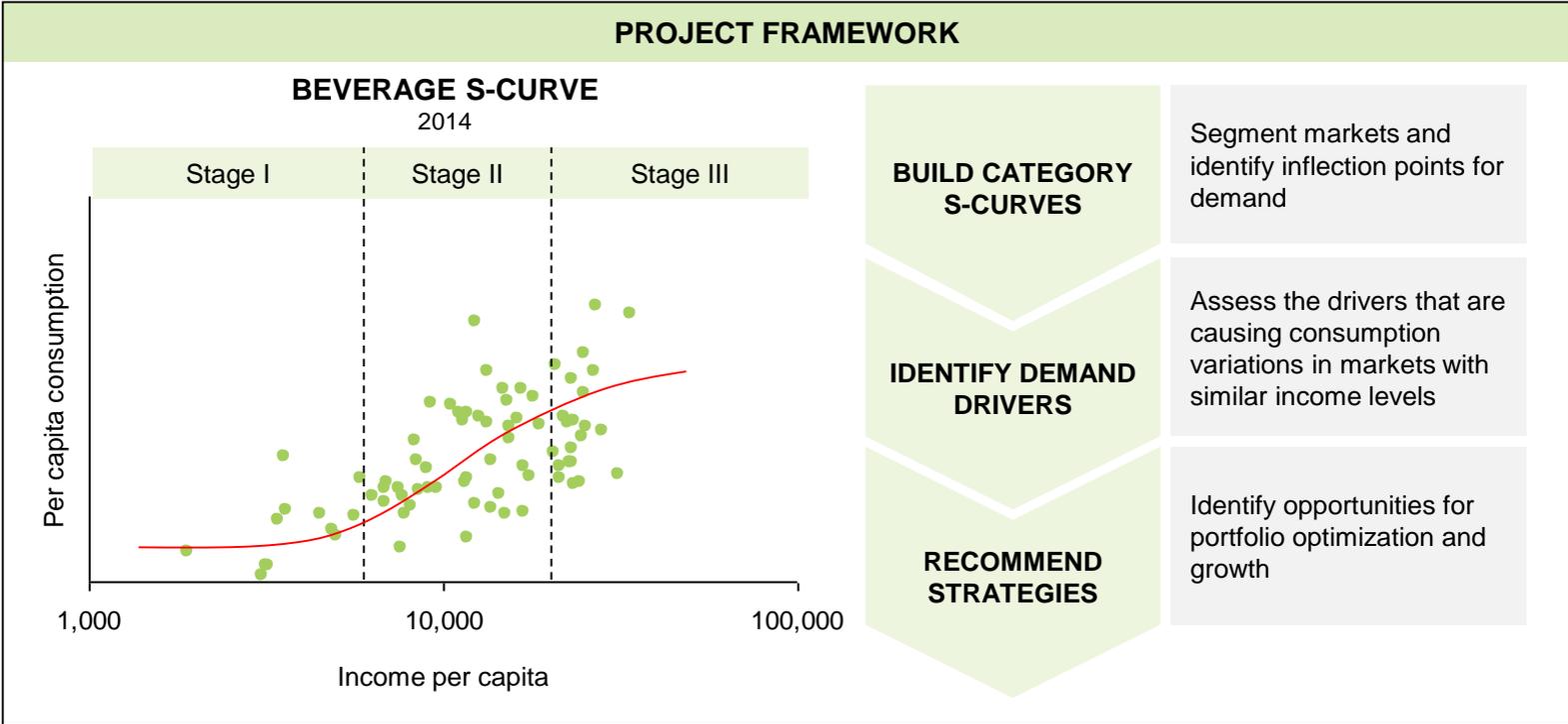
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Canback has used s-curves in projects to uncover new opportunities for growth in emerging and developed markets

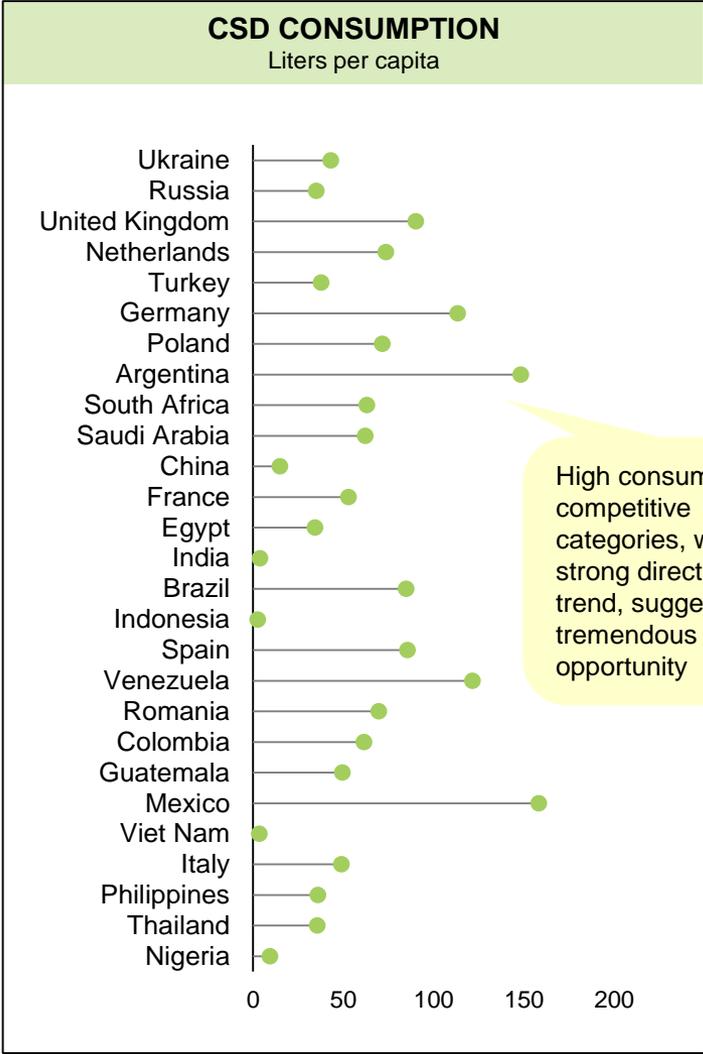
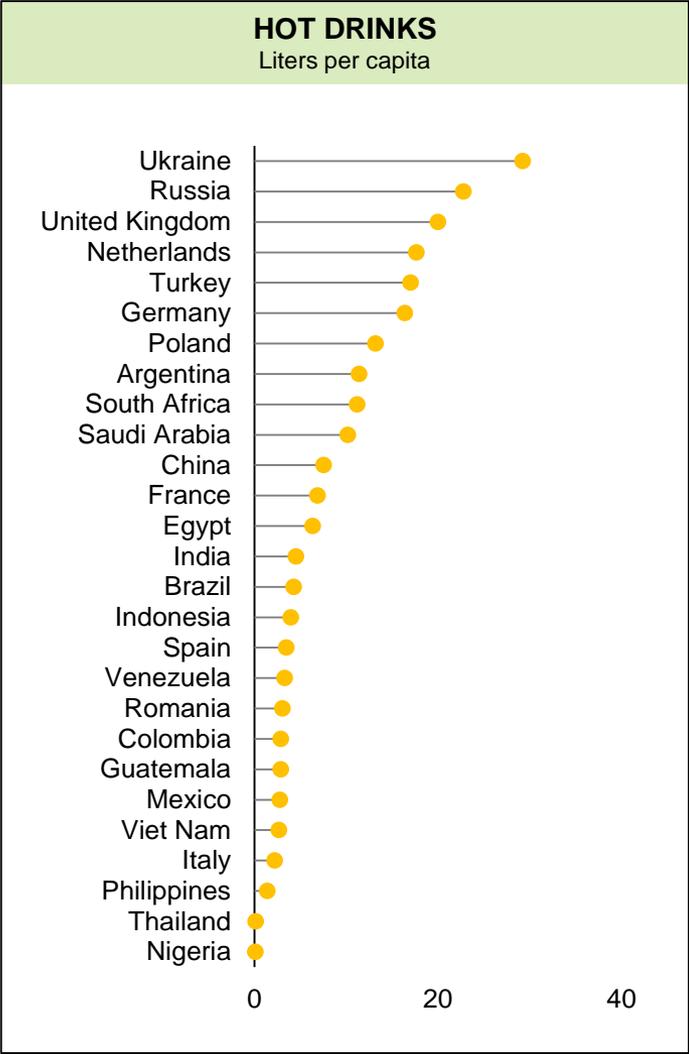
| GLOBAL BEVERAGE SOURCES OF GROWTH |   |  |   |
|-----------------------------------|---|--|---|
| Client                            | Key question  | Major considerations   | Outcome   |
| Global food and beverage company  | What are the opportunities to optimize the current snack portfolio and uncover new growth priorities? | <ul style="list-style-type: none"> <li>• Category pricing</li> <li>• Geographic strategy</li> <li>• Portfolio expansion</li> </ul> | Canback identified new category expansion opportunities and provided recommendations that optimized the client's portfolio by geography |



Note: Each dot on the s-curve represents one country. Figure is illustrative



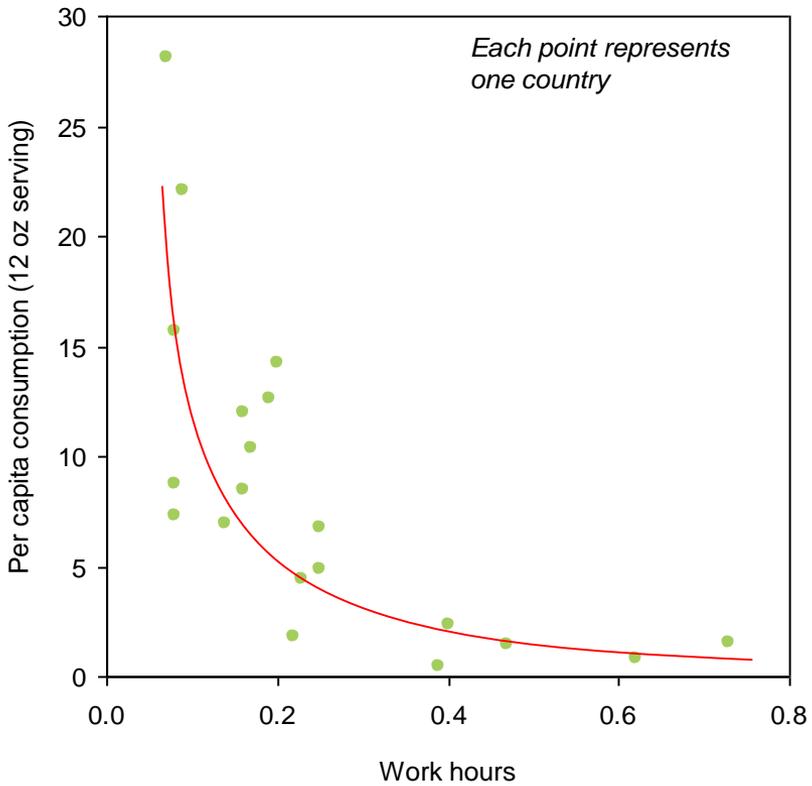
Beverage preferences vary by country, leading to opportunities to source growth from competitive categories





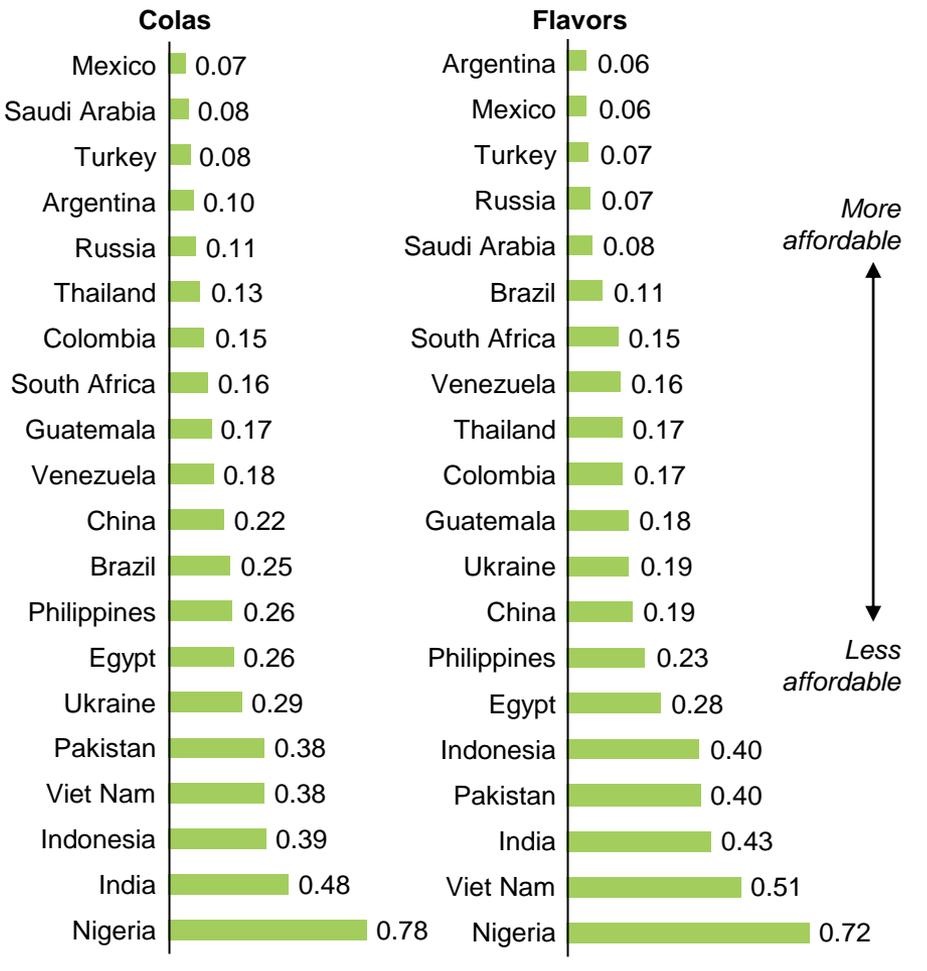
Affordability is a key demand driver in beverage markets, and will remain an important driver for growth

### AFFORDABILITY CURVE FOR CSDS



Affordability is defined as the number of hours of work required to purchase 1 serving (12 oz) of CSD. On a global scale, it is rare to see significant per capita consumption if the work effort is more than 0.3 hours

### HOURS OF WORK REQUIRED TO BUY 12OZ SERVING OF CSD

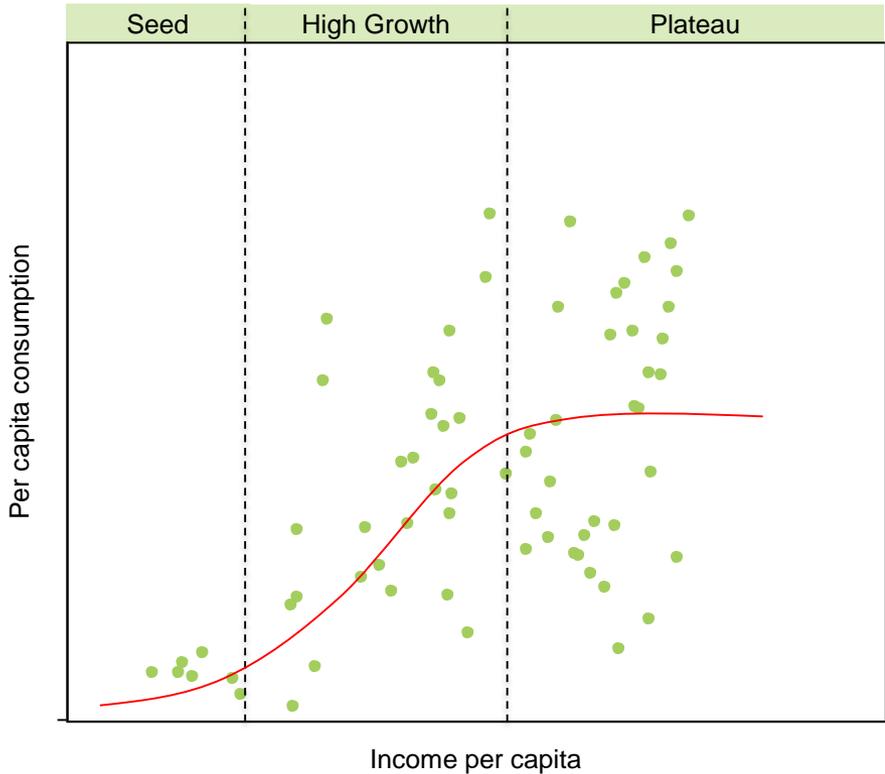




Looking ahead, the S-curve can help inform when to seed a category, when to secure it, and when there is an expectation that demand will plateau at a high level

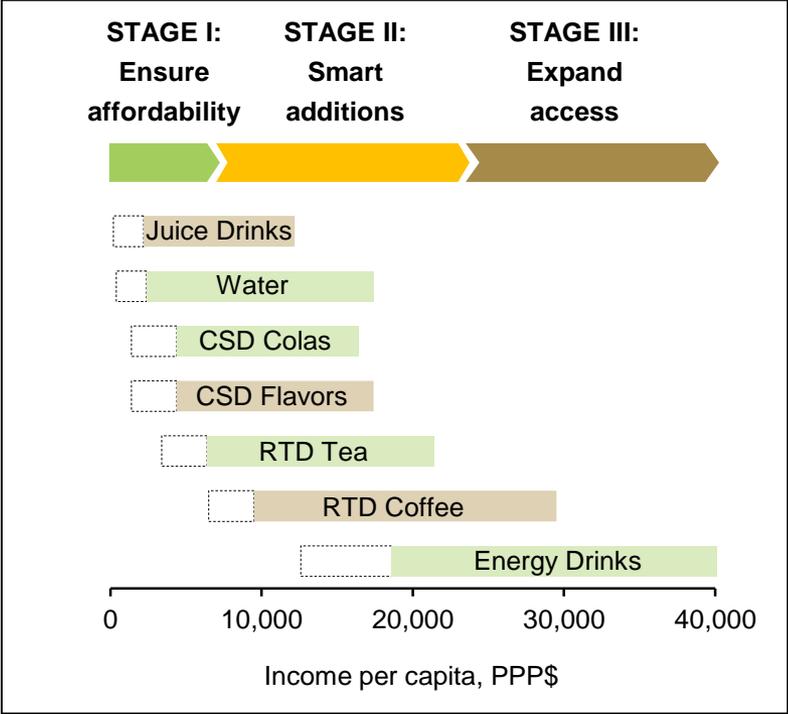
**A market-category strategy can be identified by leveraging the s-curve**

**CSD S-CURVE**



*Note: x-axis scale is logarithmic. Each dot represents one country*

**MARKET-CATEGORY STRATEGY**



**Seeding stage**      **High growth stage**

     **Presence**      **No presence**



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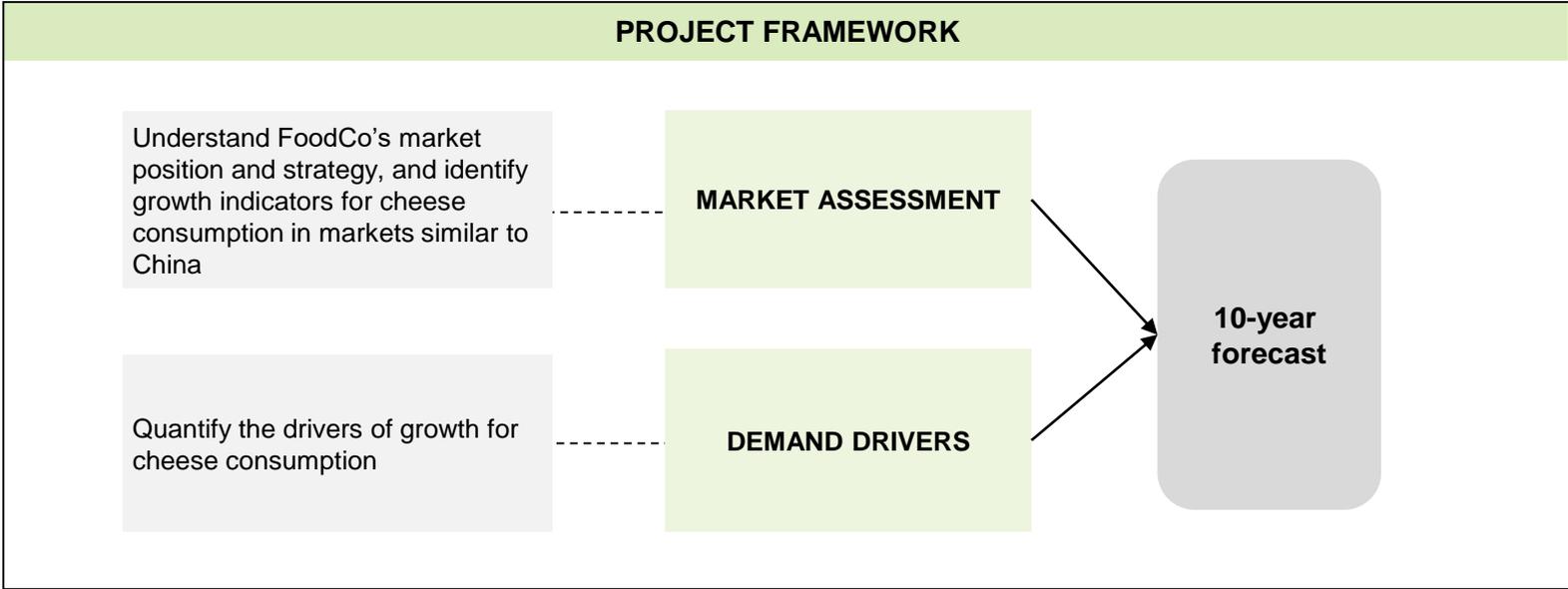
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Canback teams have completed predictive modeling projects in both affluent and emerging markets. An engagement in China identified USD 500 million in hidden value

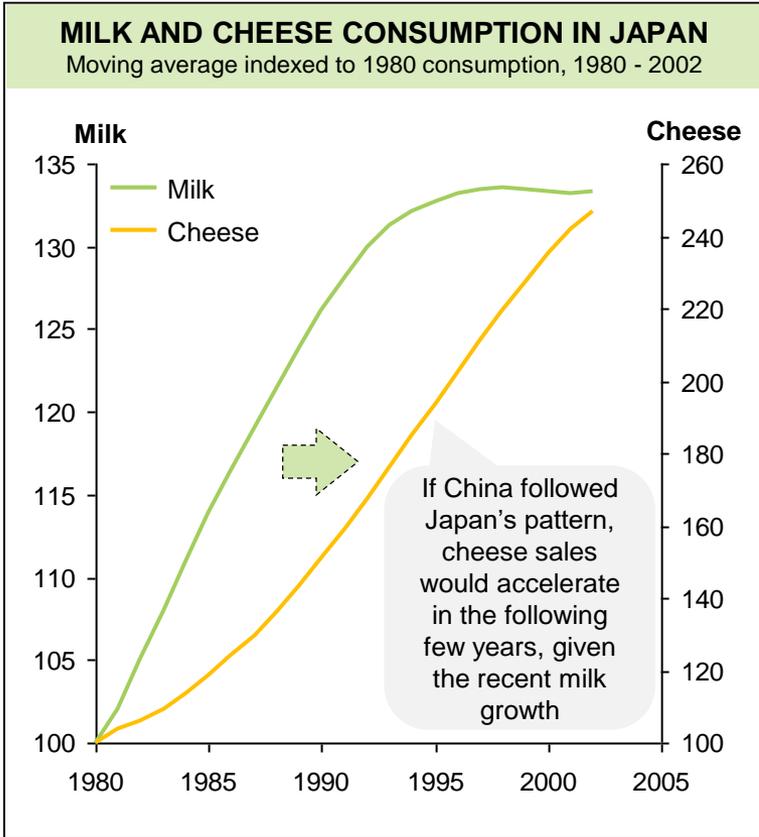
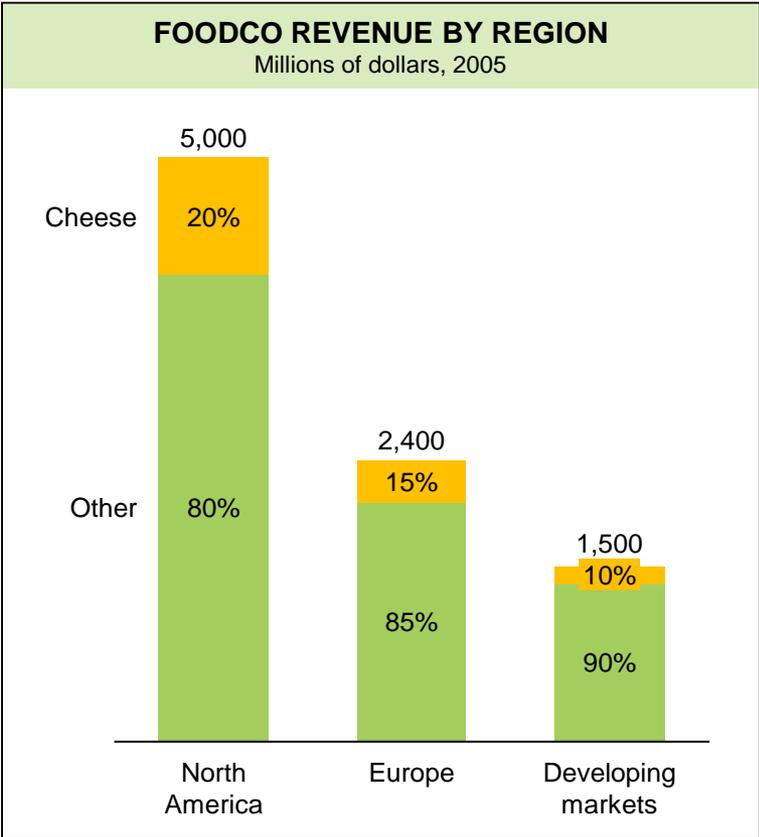
| DEMAND FORECASTING FOR CHEESE IN CHINA                               |   |   |  |
|--|---|---|--|
| Client   | Key question  | Major considerations  | Outcome  |
| FoodCo, a large FMCG company, with 18% of revenue coming from cheese | Is China going to become a large cheese consumer by 2015? | <ul style="list-style-type: none"><li>• Launch strategy</li><li>• Regional differences</li><li>• Expert opinions</li><li>• Key growth drivers</li></ul> | Canback found a USD 500 million ten-year opportunity that experts had not recognized, and identified the three key regions where nearly all growth would occur |





Canback examined FoodCo's market position and strategy, and investigated cheese consumption trends in similar markets

### MARKET ASSESSMENT



Countries with a similar dairy heritage had seen consumers trade up dairy products from milk to cheese. As dairy consumption grew and cheese prices became more affordable, growth in cheese consumption accelerated



After studying the market and recognizing the importance of affordability and availability, Canback chose to use the Golder-Tellis model as the framework to size the market

### APPROACH TO DEMAND DRIVER ANALYSIS

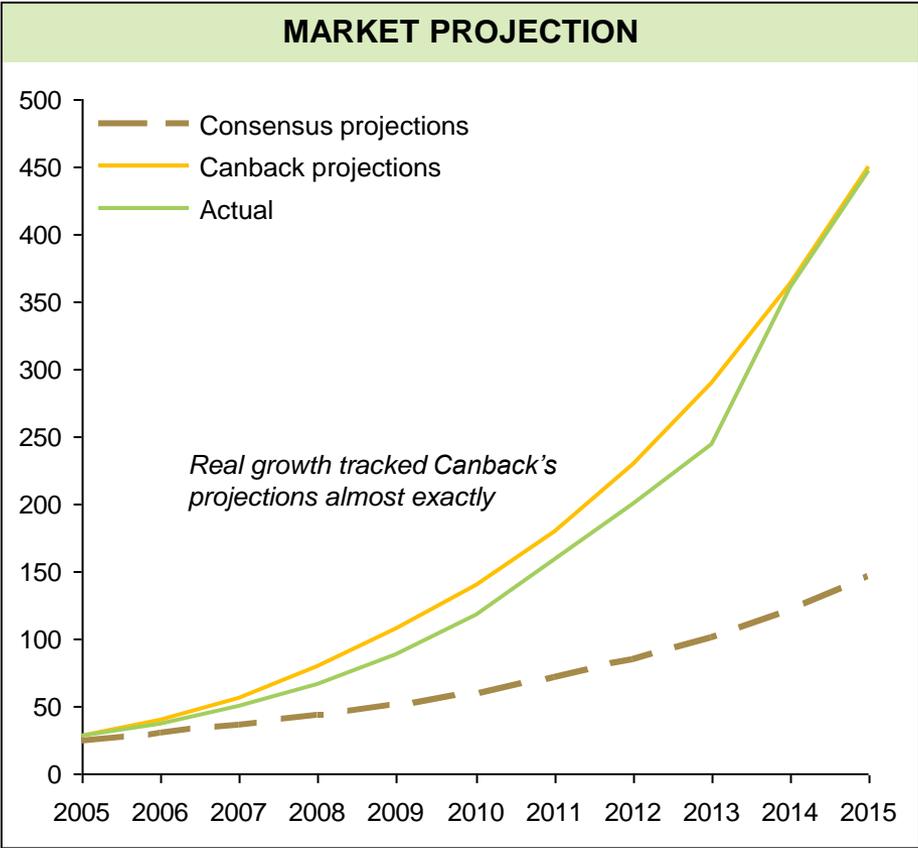
The Golder-Tellis model was applied to determine the cheese opportunity in China. Golder-Tellis is a statistical model that defines affordability and availability as the key determinants of demand, and allows for extensions, such as marketing and consumer behavior, to increase relevancy to the category. Modeling is combined with additional analysis that confirms the importance of the model's metrics

| MODEL INPUTS                                | METRIC                                    | MODEL OUTPUT  |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
|---|---|---|---|---------|-----------|--|--|-------------------------------------|------|--------|--------|--------|----------------------|-------------|-------|------|------|--------------------|-------|-------|-------|-------------------------|-----------------|------|-------|-------|------------|----------------------|------|-------|------|------|--------------------|--|------|------|------|----------------------------|------|--------|---------|---------|----------------------|--|-------|-------|-------|--------------------|--|-----|-----|-----|
| INCOME                                      | Disposable income per capita              | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th colspan="3" style="text-align: center;">Projected</th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">2005</th> <th style="text-align: center;">2010</th> <th style="text-align: center;">2015</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Volume (000s tonnes)</td> <td>High growth</td> <td style="text-align: center;">5.2</td> <td style="text-align: center;">25.4</td> <td style="text-align: center;">82.1</td> </tr> <tr> <td>Mid growth</td> <td style="text-align: center;">5.2</td> <td style="text-align: center;">24.1</td> <td style="text-align: center;">76.0</td> </tr> <tr> <td rowspan="2">Annual growth from 2005</td> <td>High growth</td> <td colspan="2"></td> <td style="text-align: center;">37.5%</td> </tr> <tr> <td>Mid growth</td> <td colspan="2"></td> <td style="text-align: center;">31.8%</td> </tr> </tbody> </table>   |   |         | Projected |  |  |                                     |      | 2005   | 2010   | 2015   | Volume (000s tonnes) | High growth | 5.2   | 25.4 | 82.1 | Mid growth         | 5.2   | 24.1  | 76.0  | Annual growth from 2005 | High growth     |      |       | 37.5% | Mid growth |                      |      | 31.8% |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
|   |   |   | Projected                                   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
|   |   | 2005  | 2010  | 2015    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Volume (000s tonnes)                        | High growth                               | 5.2   | 25.4  | 82.1    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
|   | Mid growth                                | 5.2   | 24.1  | 76.0    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Annual growth from 2005                     | High growth                               |   |   | 37.5%   |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
|   | Mid growth                                |   |   | 31.8%   |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| PRICE                                       | Average price per kg                      | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: left;"><i><b>GOLDER TELLIS BASE MODEL</b></i></th> </tr> </thead> <tbody> <tr> <td>Disposable income per capita - High</td> <td style="text-align: center;">2.10</td> <td style="text-align: center;">26,061</td> <td style="text-align: center;">41,796</td> <td style="text-align: center;">62,140</td> </tr> <tr> <td style="padding-left: 20px;">% change</td> <td></td> <td style="text-align: center;">15.3%</td> <td style="text-align: center;">9.9%</td> <td style="text-align: center;">8.6%</td> </tr> <tr> <td>Price (real price)</td> <td style="text-align: center;">-1.78</td> <td style="text-align: center;">11.09</td> <td style="text-align: center;">10.64</td> <td style="text-align: center;">11.07</td> </tr> <tr> <td style="padding-left: 20px;">% change</td> <td></td> <td style="text-align: center;">-2.7%</td> <td style="text-align: center;">1.1%</td> <td style="text-align: center;">2.1%</td> </tr> <tr> <td>Population (MM)</td> <td style="text-align: center;">1.00</td> <td style="text-align: center;">88.7</td> <td style="text-align: center;">94.1</td> <td style="text-align: center;">99.9</td> </tr> <tr> <td style="padding-left: 20px;">% change</td> <td></td> <td style="text-align: center;">1.2%</td> <td style="text-align: center;">1.3%</td> <td style="text-align: center;">1.3%</td> </tr> <tr> <td>Modern format Supermarkets</td> <td style="text-align: center;">0.40</td> <td style="text-align: center;">4,722</td> <td style="text-align: center;">9,252</td> <td style="text-align: center;">15,589</td> </tr> <tr> <td style="padding-left: 20px;">% change</td> <td></td> <td style="text-align: center;">21.3%</td> <td style="text-align: center;">13.8%</td> <td style="text-align: center;">10.6%</td> </tr> </tbody> </table>   | <i><b>GOLDER TELLIS BASE MODEL</b></i>      |         |           |  |  | Disposable income per capita - High | 2.10 | 26,061 | 41,796 | 62,140 | % change             |             | 15.3% | 9.9% | 8.6% | Price (real price) | -1.78 | 11.09 | 10.64 | 11.07                   | % change        |      | -2.7% | 1.1%  | 2.1%       | Population (MM)      | 1.00 | 88.7  | 94.1 | 99.9 | % change           |  | 1.2% | 1.3% | 1.3% | Modern format Supermarkets | 0.40 | 4,722  | 9,252   | 15,589  | % change             |  | 21.3% | 13.8% | 10.6% |                    |  |     |     |     |
| <i><b>GOLDER TELLIS BASE MODEL</b></i>      |   |   |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Disposable income per capita - High         | 2.10                                      | 26,061  | 41,796                                      | 62,140  |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| % change                                    |   | 15.3%   | 9.9%  | 8.6%    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Price (real price)                          | -1.78                                     | 11.09   | 10.64                                       | 11.07   |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| % change                                    |   | -2.7%   | 1.1%  | 2.1%    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Population (MM)                             | 1.00                                      | 88.7  | 94.1  | 99.9    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| % change                                    |   | 1.2%  | 1.3%  | 1.3%    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Modern format Supermarkets                  | 0.40                                      | 4,722   | 9,252                                       | 15,589  |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| % change                                    |   | 21.3%   | 13.8%                                       | 10.6%   |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| POPULATION                                  | Milk consumption per capita               | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: left;"><i><b>ADDITIONAL CONSUMER VARIABLES</b></i></th> </tr> </thead> <tbody> <tr> <td>Fast food development</td> <td style="text-align: center;">0.29</td> <td style="text-align: center;">665.52</td> <td style="text-align: center;">1,072</td> <td style="text-align: center;">1,726</td> </tr> <tr> <td style="padding-left: 20px;">Base case - % change</td> <td></td> <td style="text-align: center;">10%</td> <td style="text-align: center;">9%</td> <td style="text-align: center;">9%</td> </tr> <tr> <td style="padding-left: 20px;">Assumed - % change</td> <td></td> <td style="text-align: center;">10%</td> <td style="text-align: center;">14%</td> <td style="text-align: center;">14%</td> </tr> <tr> <td>Dairy sentiment</td> <td style="text-align: center;">1.03</td> <td style="text-align: center;">20.9</td> <td style="text-align: center;">40.2</td> <td style="text-align: center;">64.8</td> </tr> <tr> <td style="padding-left: 20px;">Base case - % change</td> <td></td> <td style="text-align: center;">14%</td> <td style="text-align: center;">9%</td> <td style="text-align: center;">9%</td> </tr> <tr> <td style="padding-left: 20px;">Assumed - % change</td> <td></td> <td style="text-align: center;">14%</td> <td style="text-align: center;">9%</td> <td style="text-align: center;">9%</td> </tr> <tr> <td>International influence</td> <td style="text-align: center;">0.52</td> <td style="text-align: center;">49,722</td> <td style="text-align: center;">123,725</td> <td style="text-align: center;">307,867</td> </tr> <tr> <td style="padding-left: 20px;">Base case - % change</td> <td></td> <td style="text-align: center;">25%</td> <td style="text-align: center;">19%</td> <td style="text-align: center;">19%</td> </tr> <tr> <td style="padding-left: 20px;">Assumed - % change</td> <td></td> <td style="text-align: center;">25%</td> <td style="text-align: center;">19%</td> <td style="text-align: center;">19%</td> </tr> </tbody> </table> | <i><b>ADDITIONAL CONSUMER VARIABLES</b></i> |         |           |  |  | Fast food development               | 0.29 | 665.52 | 1,072  | 1,726  | Base case - % change |             | 10%   | 9%   | 9%   | Assumed - % change |       | 10%   | 14%   | 14%                     | Dairy sentiment | 1.03 | 20.9  | 40.2  | 64.8       | Base case - % change |      | 14%   | 9%   | 9%   | Assumed - % change |  | 14%  | 9%   | 9%   | International influence    | 0.52 | 49,722 | 123,725 | 307,867 | Base case - % change |  | 25%   | 19%   | 19%   | Assumed - % change |  | 25% | 19% | 19% |
| <i><b>ADDITIONAL CONSUMER VARIABLES</b></i> |   |   |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Fast food development                       | 0.29                                      | 665.52  | 1,072                                       | 1,726   |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Base case - % change                        |   | 10%   | 9%  | 9%      |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Assumed - % change                          |   | 10%   | 14%   | 14%     |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Dairy sentiment                             | 1.03                                      | 20.9  | 40.2  | 64.8    |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
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| Assumed - % change                          |   | 14%   | 9%  | 9%      |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| International influence                     | 0.52                                      | 49,722  | 123,725                                     | 307,867 |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Base case - % change                        |   | 25%   | 19%   | 19%     |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| Assumed - % change                          |   | 25%   | 19%   | 19%     |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| MARKETING                                   | USDA estimates of marketing effectiveness |   |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| MARKET PRESENCE                             | Number of modern format supermarkets      |   |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| CHEESE SENTIMENT                            | Milk consumption per capita               |   |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |
| WESTERNIZATION OF DIET                      | Number of McDonald's restaurants          |   |   |         |           |  |  |                                     |      |        |        |        |                      |             |       |      |      |                    |       |       |       |                         |                 |      |       |       |            |                      |      |       |      |      |                    |  |      |      |      |                            |      |        |         |         |                      |  |       |       |       |                    |  |     |     |     |

All figures are illustrative



Canback's analysis showed a far greater opportunity than most anticipated. The regional strategy was validated when 90% of growth occurred in the regions that they identified



Consensus projections from global data providers, region-specific data providers, and industry experts put the average forecasted growth in size of the Chinese cheese market from 2005 at 20% per year for the next ten years. Canback's demand driver analysis projected almost 32% growth per year, indicating that by 2015 the market would be more than three times the size that industry experts were anticipating. Real growth tracked Canback's projections almost exactly



Introduction to Canback

Perspective on the food and beverage market

Food and beverage expertise

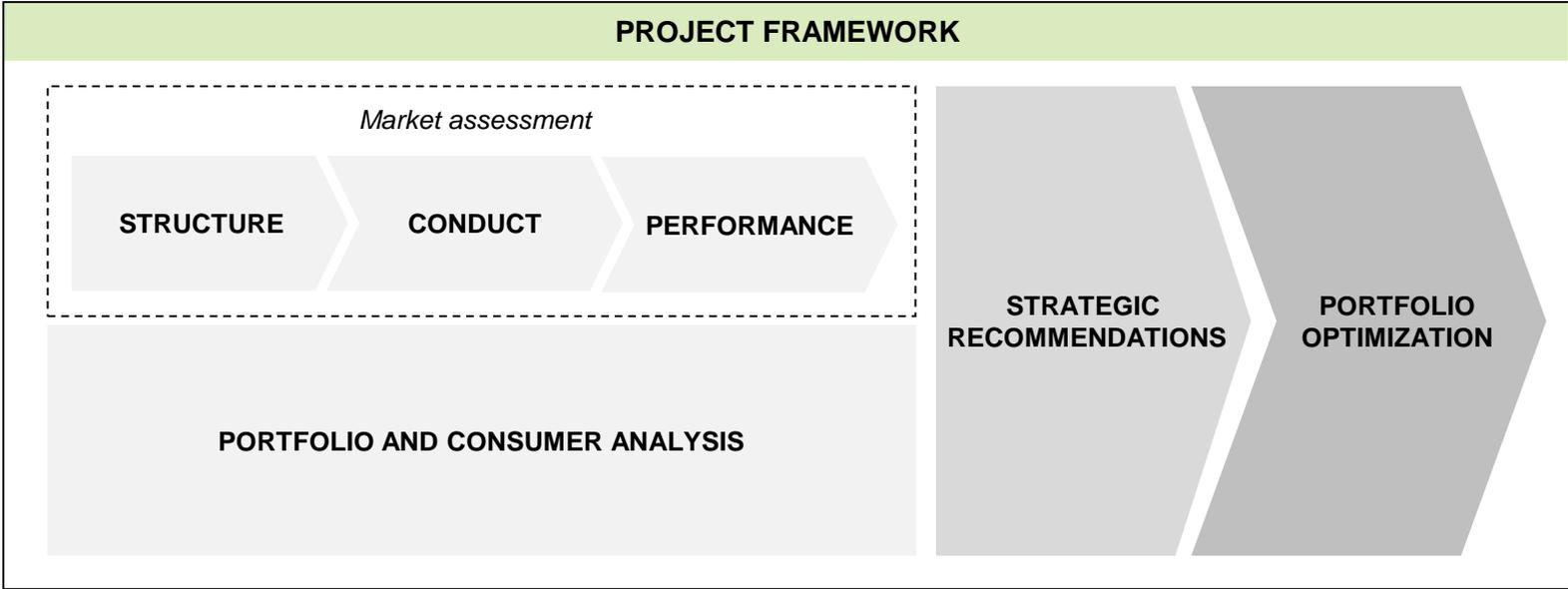
Case studies

- Consumer segmentation for the powdered beverage market
- Counter-private label strategy development in the U.S.
- Global beverage sources of growth
- Demand forecasting for cheese in China
- Argentina snack bar portfolio optimization



Canback teams have completed portfolio optimization projects in both affluent and emerging markets. An engagement in Argentina helped a client to restructure their portfolio for success

| ARGENTINA SNACK BAR PORTFOLIO OPTIMIZATION                                     |   |   |  |
|--|---|---|--|
| Client   | Key question  | Major considerations  | Outcome  |
| SnackCo, a large multinational FMCG company with a strong cereal bar portfolio | What is the optimal product portfolio for capturing the opportunity in Argentina? | <ul style="list-style-type: none"><li>• State of the market</li><li>• Current portfolio</li><li>• Consumer drivers</li><li>• Developing opportunities</li></ul> | Canback delivered strategies that would capture an additional 30% of the market over 5 years |



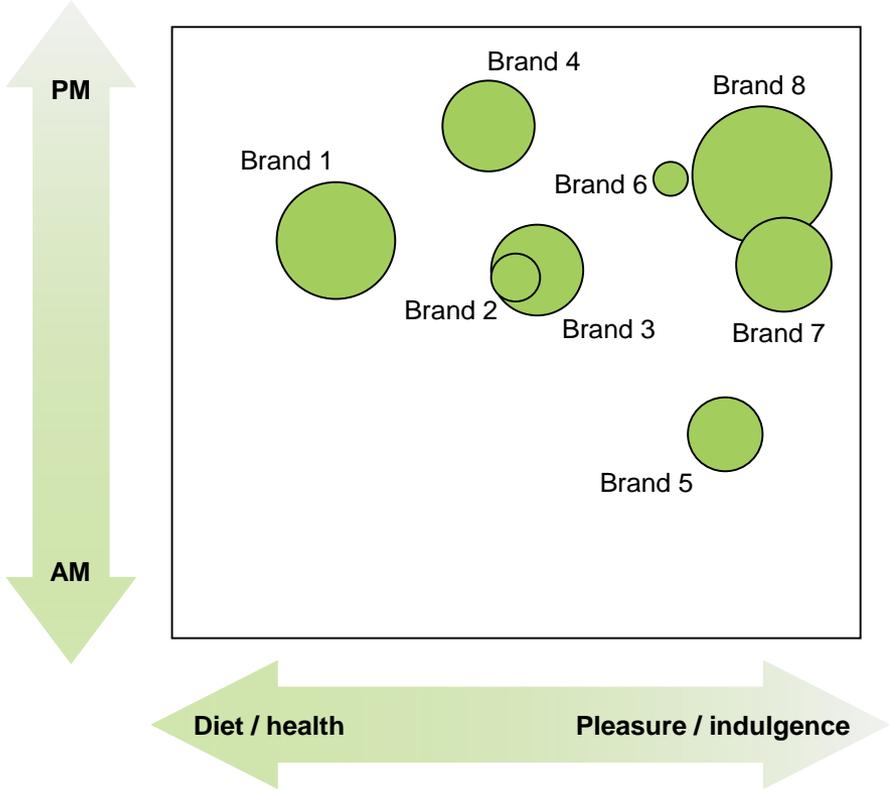




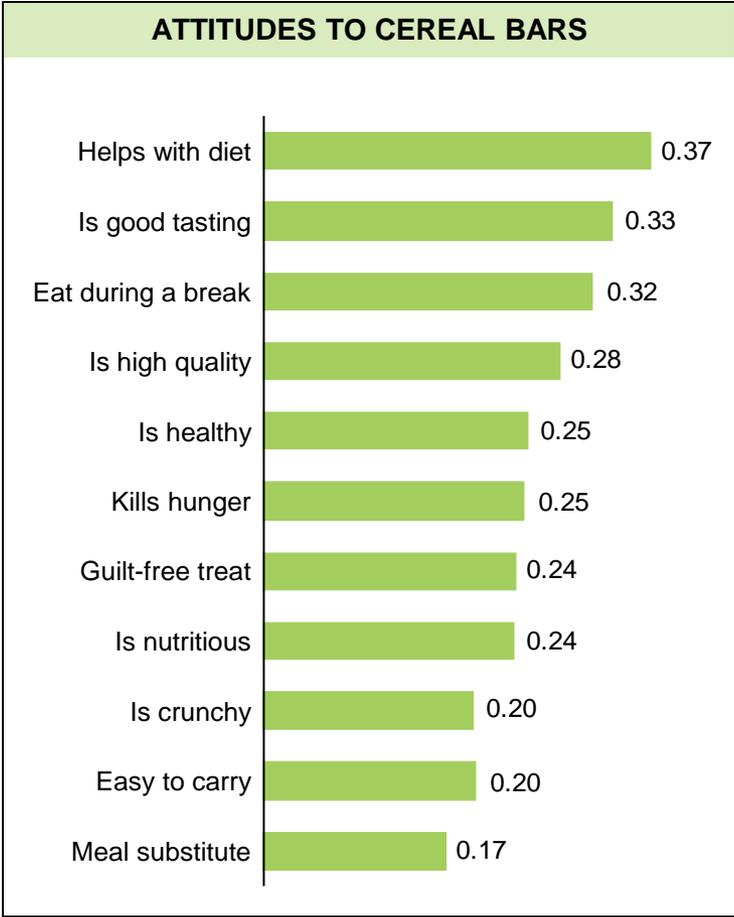
Canback analyzed SnackCo's portfolio, and consumer sentiment around snack bars. The client offered multiple indulgent afternoon snacks, but lacked a healthy product for morning consumption

### PORTFOLIO AND CONSUMER ANALYSIS

#### SNACKCO'S PORTFOLIO STRUCTURE



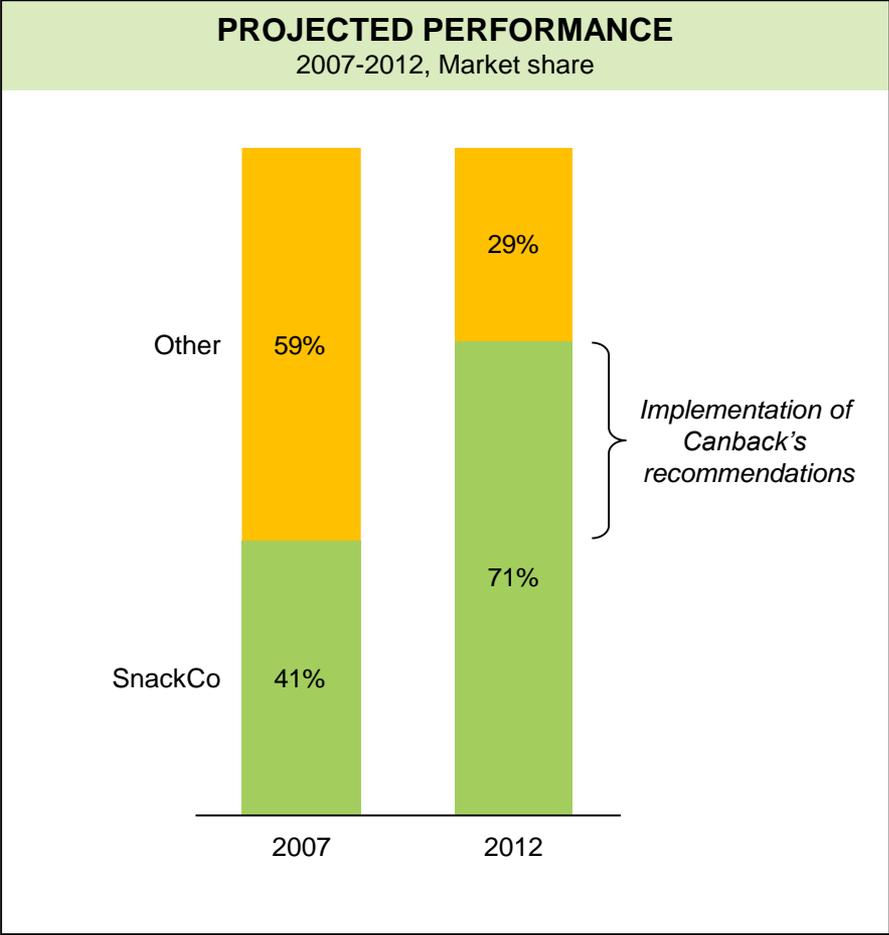
#### ATTITUDES TO CEREAL BARS





Canback recommended flavor, line, and pack innovations that would capture an additional 30% of the snack bar market over the next 5 years

### STRATEGIC RECOMMENDATIONS



### RECOMMENDATIONS

**FLAVOR INNOVATION**

Add additional flavor lines to SnackCo's healthy bar offering. Since "crunch" was seen as a differentiating factor, emphasize it in marketing

**LINE INNOVATION**

Offer a breakfast extension to the main brand line. Create a softer, fiber-rich bar in a larger pack size to act a breakfast replacement

**INDULGENT PREMIUMIZATION**

Premiumize SnackCo's indulgent bar with a chocolate covered offering in single, small packs



## Canback contact information

### AMERICAS

|               |  |                                  |                    |   |  |
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### EUROPE, MIDDLE EAST AND AFRICA

|               |   |                                     |                     |   |  |
|---------------|---|-------------------------------------|---------------------|---|--|
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