



# CONSUMER & RETAIL: MARKET AND BUSINESS UPDATE

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WHEN YOU NEED TO BE SURE



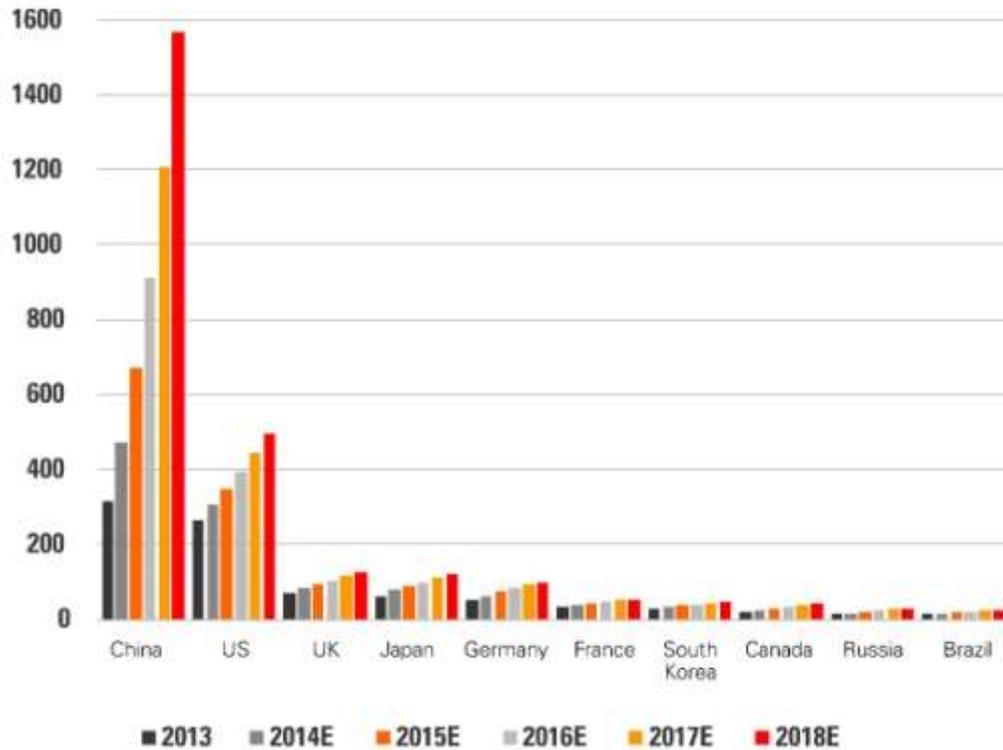


- Economy under pressure
- Retailers being challenged by e-Retailers/portals
- Supplier and SKU rationalisation
- QA/QC spending optimisation
- Number of recalls in decline
- Sourcing pattern shifting
- TFA discussion creates uncertainties
- Supply chain reliability improving
- Increasing testing capacity in major markets



- Growth opportunities increasing in emerging markets, e.g. domestic China and Russia
- Growing eCommerce presence: domestic and cross-border trade
- New regulations: combating online fraud, improving safety & quality
- Trade protection measures increasing
- Shorter lifecycle of consumer products, especially E&E
- Consumers increasingly concerned about sustainability
- Growing private label development

IN USD BILLION



IN % OF RETAIL

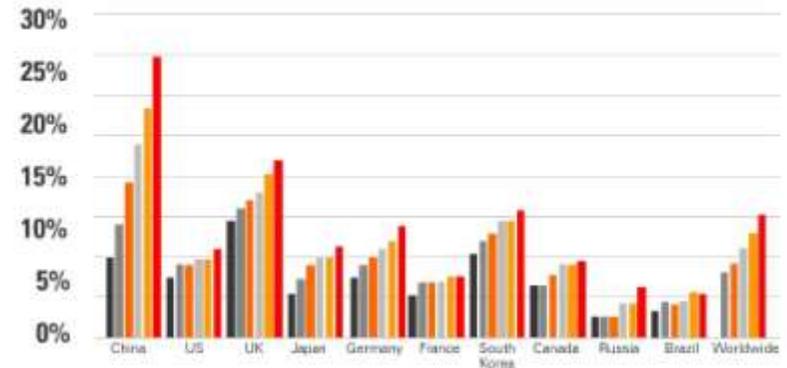


Figure 1

% of Chinese online shoppers who will change spending

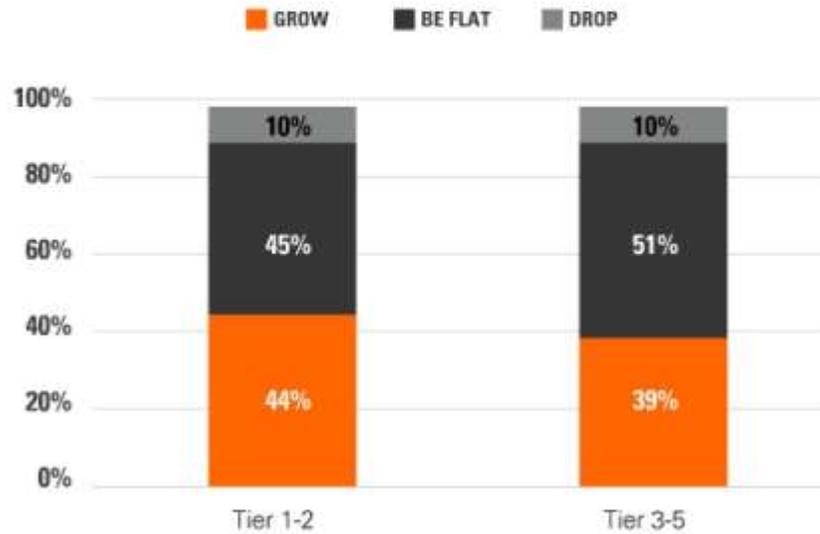
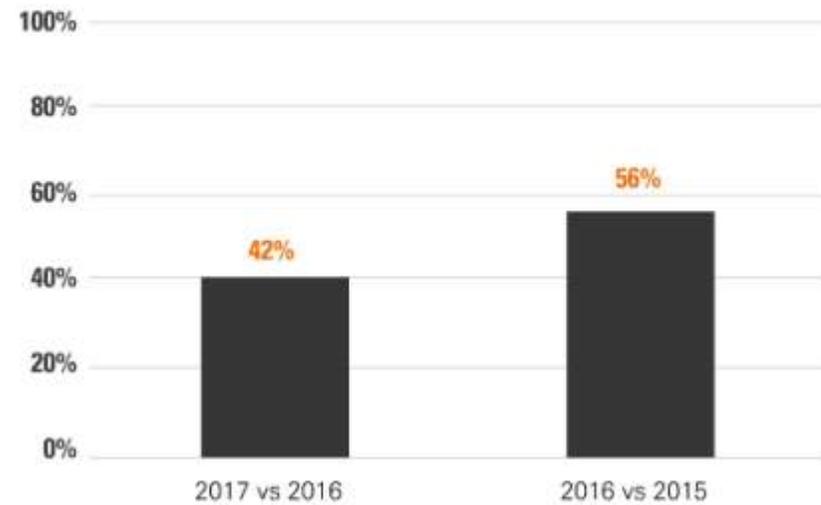


Figure 2

% of Chinese online shoppers who will grow spending





- Stable regulatory environment
- Strategic lab positioning reflects new sourcing patterns
- Develop business in emerging markets
- Increase efforts with brands and ‘discount shop market’
- Develop new services:
  - Fire technology
  - PPE
  - Medical devices
  - Product certification
- Leverage Principal Lab status of JPMA to gain market share

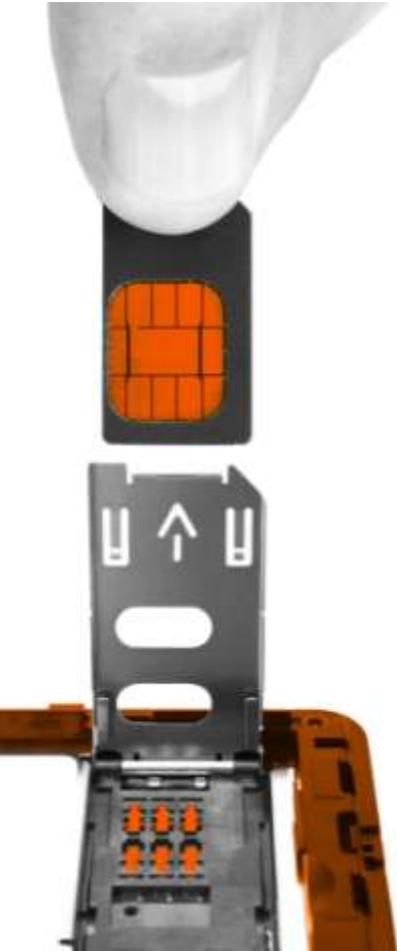


- Integrate competencies to enhance RSTS portfolio:
  - Testing: extend from RSL to MRSL and waste water testing
  - Beyond testing: production system assessments, chemical management consulting, auditing and certification services
- Become market leader in footwear and leather
- Grow market share in US, Germany, Japan and Italy



- New mobile phone models reducing – lower volumes of wireless conformity testing
- IoT trend – More E&E devices equipped with wireless connection functions
- Wearable and personnel care devices increasing, with more complex functionality
- Increased use of E&E technology creates new testing requirements:
  - Functional safety
  - IoP
  - Cyber security
- Rapid development of IoT protocols and standards

- Automation programmes to increase efficiency and utilisation
- Maintain market leadership in RSTS
- Leverage market access thanks to expanded scope of accreditation
- Develop supplier quality engineering services





- Growth from regulation increase and demands of market surveillance
- Outsourcing trend:
  - Rise of private labels
  - Economic considerations of brands and retailers
- Room for market consolidation
- Develop global lab network via internal replication and acquisitions



- Rapid growth = new services and partnerships
- Continuous innovation: new global leaders fuel further developments
- Traceability and supply chain:
  - Tagging and sensor solutions
  - Partnerships with Transparency-One and Savi
- Engage with key stakeholders in IoT and cybersecurity to gain advantage:
  - THREAD
  - OCF



- Surpassed RMB 3tr annual sales (US\$ 450bn)<sup>1</sup> cf. Walmart @ US\$ 482bn<sup>2</sup>
  - Now delivering 33 million packages/day<sup>1</sup>
  - And growing 60% yoy<sup>1</sup>
- Alibaba has 434 million active buyers<sup>1</sup> (cf. USA population of 322 million<sup>3</sup>)
  - With significant room for more domestic growth
    - GDP/capita in China US\$ 7,925 (still 7x less than USA)<sup>4</sup>
    - China retail market RMB 30tr<sup>1</sup>
- Now want to extend this success internationally
  - Serving 2 billion consumers within 20 years<sup>1</sup>
- Alibaba hosts millions of merchants, the largest are selling millions USD
  - Merchants and Alibaba need credibility and trust for international success
  - SGS is already well positioned, providing TIC services for merchants and working with Alibaba directly



### Process and efficiency initiatives:

- New LIMS and centralised back office
- Automation
- Application of LEAN and manufacturing protocols
  
- Resulting in:
  - Shorter turnaround time
  - Higher accuracy
  - Increasing data mining capabilities
  - Less manpower



- July 2016: IPS Testing - **USA**
  - Reinforce our position in the paper sector
  - Strategic market with possible replication at global level
- September 2016: Compliance Certification Services Inc - **Taiwan**
  - Market leadership in Electro Magnetic Compatibility (EMC)
  - Extend geographical coverage for clients



**MISSION 2020**

**UNDER  
CONTROL**

**TAKE OFF COMPLETED**

**WHEN YOU NEED TO BE SURE**

**SGS**