Exhibit 12-4

Alexandre Plokhov is a menswear designer with a noir sensibility. Some of his designs—these combat boots, for example—are inspired by vintage military uniforms. After launching Cloak and the eponymous Alexandre Plokhov lines, he designed for Versace and Helmut Lang. His new venture is called Nomenklatura. Source: © NomenklaturaStudio. Perishable goods impose special demands on channel members, who must ensure that the merchandise (e.g., fresh fruits and vegetables) is in satisfactory condition (form utility) at the time of customer purchase. In developed countries, either a company’s own sales force or independent channel members may handle distribution of perishable food products. In either case, the distributor organization checks the stock to ensure that it is fresh. In less-developed countries, public marketplaces are important channels; they provide a convenient way for producers of vegetables, bread, and other food products to sell their goods directly. Notably, the high perishability rate for fresh produce is one of the biggest supply-chain issues in modern India. Sometimes, a relatively simple channel innovation in a developing country can significantly increase a company’s overall value proposition. In the early 1990s, for example, the Moscow Bread Company (MBC) needed to improve its distribution system. Russian consumers queue up daily to buy fresh loaves at numerous shops and kiosks. Unfortunately, MBC’s staff was burdened by excessive paperwork, which resulted in the delivery of stale bread. Andersen Consulting found that as much as one-third of the bread the company produced was wasted. In developed countries, approximately 95 percent of food is sold packaged; the figure is much lower in the former Soviet Union. Whether a consumer bought bread at an outdoor market or in an enclosed store, it was displayed unwrapped. The consulting team thus devised a simple solution—plastic bags to keep the bread fresh. Russian consumers responded favorably to the change; not only do the bags guarantee freshness and significantly extend the bread’s shelf life, but the bags themselves also create utility. In a country where such extras are virtually unknown, the bags constitute a reusable “gift.”9 The retail environment in developing countries presents similar challenges for companies marketing nonperishable items. In affluent countries, Procter & Gamble (P&G), Kimberly-Clark, Unilever, Colgate-Palmolive, and other global consumer-products companies are accustomed to catering to a “buy-in-bulk” consumer mentality. By contrast, in Mexico and other emerging markets, many consumers shop for food, soft drinks, and other items several times each day at tiny, independent “mom-and-pop” stores, kiosks, and market stalls (see Exhibit 12-5). The products offered, including shampoo, disposable diapers, and laundry detergent, are packaged in single-use quantities at a relatively high per-use cost.