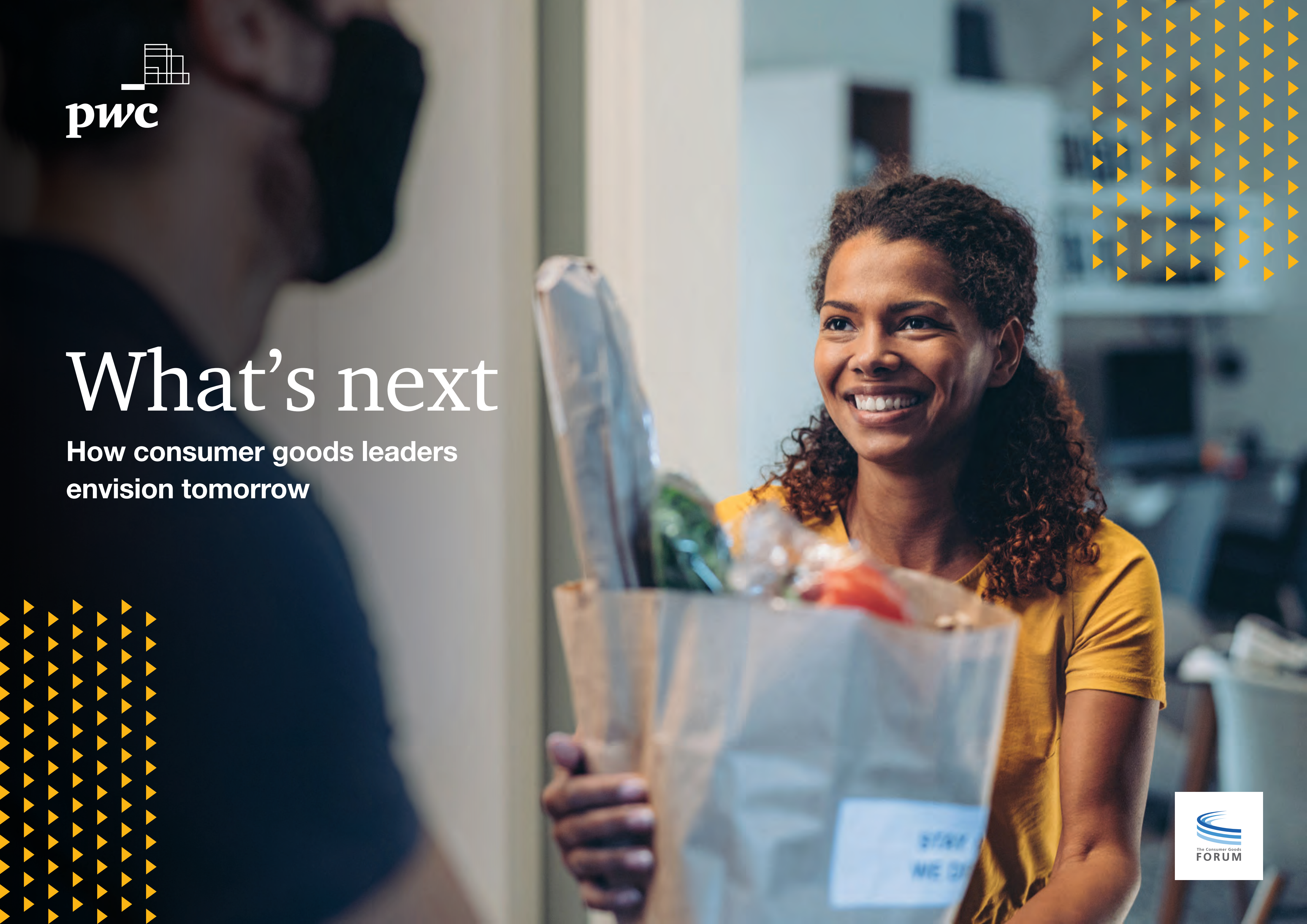

What's next

How consumer goods leaders envision tomorrow

The Consumer Goods FORUM

Foreword

As the COVID-19 pandemic began to sweep across the globe in early 2020, consumer goods companies and food retailers found themselves on the front lines, implementing safety and hygiene practices and rebalancing supply chains to ensure the flow of critical goods, all while discovering and deepening their commitment to new forms of value creation. Companies saw their lofty statements of corporate purpose become daily reality. Their reason for being was more meaningful and essential than ever.

Although the pandemic was extremely disruptive, the industry embraced its challenges and mostly thrived, bringing into sharp focus the importance of operational agility, digital preparedness, and C-suite resilience and resourcefulness. Businesses developed or accelerated innovations almost overnight while stabilising surging demand for basic consumer goods such as food, water and personal hygiene products. At the height of the pandemic, many companies helped manufacture, supply and distribute sought-after personal protective equipment, partnering with governments, nonprofits, competitors and others to serve the greater good on a local and global basis. Turkish retailer Migros Ticaret hired 10,000 people to bolster its online operations and brick-and-mortar stores, and Unilever repurposed a deodorant factory to produce hand sanitiser, which it then donated—and these are just a couple of instances of how companies responded to COVID-19. We heard many more examples during The Consumer Goods Forum's (CGF's) Virtual Knowledge Series in June 2020 and via the CGF's Coalitions of Action, a network of eight separate groups bringing together CGF members to help address key challenges with a focus on action and impact.

Now we find ourselves looking forward and wondering: what will spark the next set of seismic changes? That's why the theme of this report—and the CGF's 2021 Virtual Global Summit—explores the broad question of what's next?

In this report, which calls on insights gleaned from interviews we conducted with prominent executive members of the CGF, we'll examine how business leaders are envisioning the future of five emerging trends in the grocery retailing and consumer goods industry.

Thank you for reading. We hope you find this report informative and illuminating.

Wai-Chan Chan
Managing Director,
The Consumer Goods Forum

Sabine Durand-Hayes
Global Consumer Markets
Leader, PwC France

Executive summary

In the very early days of the COVID-19 pandemic, Carlos Mario Giraldo, CEO of the Colombian retailer Grupo Éxito, foresaw the dangers to come. He began reaching out to colleagues in regions that had already been hit by the virus to learn about the safety measures they were implementing. Almost overnight and without regulatory prompting, he mobilised his company to take precautions that have now become commonplace around the globe, such as limiting the number of shoppers in each store, installing protective shielding at registers, screening customers for high temperature, and requiring masks for customers and employees.

At the same time, the company began securing its supply chain to ensure a steady quantity of essential food and wellness products. It was one of the first in Colombia to limit customers to a certain number of some items in order to ensure availability for all. And out of concern for the unknown effects of the virus on pregnant women, the company took those workers off the front lines while continuing to ensure their financial security. Despite its precautions, Grupo Éxito lost some employees to the pandemic. In response, it doubled its already generous life insurance benefit.

Grupo Éxito's pandemic story is just one illustration of how consumer companies reacted to the formidable challenges posed by COVID-19. In China, Alibaba teamed with its logistics network to help procure and distribute much-needed personal protective equipment, first within China and then to 146 other countries as the virus spread. The company also partnered with the United Nations and the World Health Organization to help secure and distribute food products at the height of the pandemic.

At Dubai-based holding company Majid Al Futtaim, which has a business portfolio including shopping malls, mixed-use real estate, grocery retail, leisure and entertainment, and extends across 17 countries in the Middle East, Africa and Asia, a long-standing investment in digital assets enabled it to successfully pivot to meet the sudden, crushing demand for online groceries. "At the onset of the pandemic, we successfully accelerated our 12-month digital transformation plan into just ten days," CEO Alain Bejjani tells us. "We did this by putting our customers, our people and our business partners top of mind, redeploying and reskilling colleagues to support an almost 300% increase in demand for online grocery retail sales. We also launched new platforms to provide our mall tenants with a digital presence that they could leverage while their stores were closed, established partnerships to ensure food security and boost local food production, and doubled down on our investment in human capital, encouraging a 'work from anywhere' approach."

For Laxman Narasimhan, CEO of Reckitt, a UK-based multinational maker of health and hygiene products, COVID-19 arrived amid a major company transformation. With its supply chain interrupted and many of its 44,000 employees suddenly working remotely, the company had to meet rapidly increasing demand as it was working completely differently—all while managing its midstream transformation programme. "Our people really had to stand up and be counted. What this team and organisation have been put through in the past year is not just unprecedented, because before the pandemic we were undergoing our own transformation. It's beyond unprecedented," Narasimhan says.

On the consumer end of things, fundamental shifts that were already occurring matured overnight. Consumers started buying more groceries and other goods online. Practices such as contact-free or frictionless retail and fulfilment gained widespread adoption. Lockdowns led to consumers cooking and eating at home more. And the pandemic-prompted focus on health and hygiene fuelled continued demand for healthier, more sustainable products and practices.

These and other changes in consumer behaviours are likely to be lasting, even as the pandemic's impact subsides. This report, which incorporates insights from leaders in the consumer goods industry, examines the new behaviours in the context of five macro trends that were already taking shape before the pandemic and that will continue to influence what's next for consumer markets.

Creating the 'store of the future.' As consumers make what's probably a permanent shift to more online shopping for groceries and other goods, the concept of the store is evolving. Technology will be key in bringing together the best of the physical and online worlds, creating the omnichannel store of the future and enabling hyperpersonalisation. Consumers increasingly will expect frictionless, tech-enabled experiences that complement or are superior to the in-person shopping experience. Mobile commerce will also be a factor in the store of the future, as the smartphone continues to function as a busy storefront.

Preparing for the sustainable future of food. Consumer demand for healthier products and greater transparency and sustainability in the food value chain will continue to intensify. The future of food will be more sustainable, more local and more personalised. Local sourcing of foods and other goods will keep gaining traction as a means of addressing both environmental and business concerns. And food companies will continue partnering with other players in their supply chains to promote more sustainable practices, reduce their environmental impact and address societal problems. More health-minded and socially conscious consumers will expect greater transparency with regard to product origin and quality, forcing food companies and grocery retailers to create a digital chain of custody 'from farm to fork.'

Bolstering supply chains. The pandemic underscored the urgency of making supply chains more resilient, transparent, sustainable and digital. Further digitisation throughout the supply chain will be necessary if companies are to gain the degree of real-time visibility that's needed in an age of material shortages, logistical challenges and tariffs. Digital technologies such as blockchain and artificial intelligence will be critical to enabling truly transparent supply chains that can also deliver greater operational efficiencies, especially in last-mile fulfilment.

Driving brand relevance. Many consumers are and will continue to be highly attuned to what brands stand for, and they'll want words to be backed up with sincere actions. This is especially true for today's younger, more socially conscious consumers. To remain relevant, consumer goods companies will need to understand the importance of trust and effectively communicate their values and beliefs. Consumers are willing to spend more and share more personal information with brands they trust. But although trust provides a cushion of goodwill, that's not enough. Companies will have to nurture their brand promise carefully and consistently to retain relevance and loyalty in the court of consumer opinion.

Strengthening environmental, social and governance (ESG) initiatives. It's not just consumers who expect companies to address a wide range of ESG-related issues; it's corporate stakeholders, too. ESG—which addresses issues such as climate change; racial and social justice; political matters; and diversity, equity, and inclusion—is no longer a standalone concern. It's now viewed as a thread that runs throughout the business and is inseparable from corporate purpose. Importantly, it's also recognised as one of the key drivers of corporate value. Companies should expect ESG to rise to the boardroom agenda if it's not already there, and should also expect increased regulation on ESG matters.

Creating the 'store of the future'

The symbiotic partnership between consumer goods companies and retailers is the key to how CGF members meet consumer demand. Because of the pandemic, the much-anticipated store of the future opened ahead of schedule. And that 'store' doesn't have four walls. Trends in retail that were gradually gaining acceptance, such as buying online and picking up curbside and making contact-free payments, saw widespread adoption almost overnight as the pandemic took hold. In fact, in PwC's June 2021 Global Consumer Insights Pulse Survey, 51% of consumers say they became more digital between October 2020 and March 2021.

"The biggest impact [of the pandemic] has been the further acceleration of the digital lifestyle and consumer behaviours. Before the pandemic, the most typical categories for digital business development were apparel and electronics, but now consumers are increasing spending online in previously underpenetrated categories such as fast-moving consumer goods, including grocery and healthcare," says Alibaba Group CEO Daniel Zhang. Forty-seven percent of retailers in PwC's CEO Survey agree with Zhang, saying that the greatest change in consumer behaviour due to the COVID-19 crisis has been rising demand for online shopping.

It's not just retailers that are building their digital capabilities, of course. As people purchase more of their products online, manufacturers see an enormous upside to increasing their e-commerce capabilities, particularly in sales and operations. Whether through partnerships with Amazon or Instagram, or via trying to negotiate the always tricky last mile on their own, manufacturers are not ceding the end-consumer to their retail partners. "The COVID-19 pandemic happened to arrive at a moment when there was bandwidth capacity for a jump forward in digitisation," says James Quincey, chairman and CEO of The Coca-Cola Company. "So now you have this leap forward in e-commerce that will be enduring, because it was already accelerating. For us, that will affect all aspects of how we connect to consumers along the shopping journey, from how we advertise to them to how we engage with them at the purchase moment."

But consumer packaged goods (CPG) companies and their retail partners still see a place for the physical store in the future, because brick-and-mortar stores remain the central source of sales for CPG companies. E-commerce still lags physical stores in terms of total sales. "Retail is not dead! It just needs to be better," says Malina Ngai, CEO of A.S. Watson (Asia and Europe) and Group COO of A.S. Watson Group, a global health and beauty retailer, noting that the company's research indicates shoppers are eager to return to brick-and-mortar stores.

Business leaders are re-envisioning, though, what the physical store of the future will look like. They're questioning the purpose their stores should serve, how big a footprint they need, how to deliver a better experience to customers, and how to deliver more quality and value. A strong focus on customer experience—whether in terms of technology, shopping channel, quality and selection, transparency, or fulfilment—will be key to success in a permanently transformed industry. The next stage of fulfilment, for example, will need to meet consumers' expectations for any number of expanding options: consumers might want items delivered to the train station where they commute out to the suburbs, or to the ice arena where a child has hockey practice. Being able to offer this degree of pinpoint fulfilment before competitors would be a clear differentiator for any retailer—or even a consumer goods company trying to sell directly to consumers. For example, A.S. Watson's logistics model allows consumers to receive online purchases in as little as 30 minutes in some of the big cities in mainland China.

Also, it's become very clear that the store of the future isn't going to be exclusively online, exclusively offline, or both online and offline. The 'store' is becoming an omnichannel, technology-infused experience that combines the best of tech and the human experience.

"We see O+O [offline plus online] as the new standard for retail, and O+O is not about having physical stores and also an online store," says Ngai of A.S. Watson Group. "It's an ecosystem that's powered by technology, big data and AI. Just as important, it's an organisational cultural change when it comes to managing the business and deciding where to prioritise."

Seah Kian Peng, chief executive officer of NTUC FairPrice, a Singapore-headquartered cooperative supermarket chain, concurs. "Stores will still have a place in the future," he says. "If a business only focuses on the physical store without going into e-commerce, it will not survive—likewise if it relies only on e-commerce alone. You need both. The winners will be those that can marry all this together, calibrate accordingly and find a financially sustainable omnichannel model."

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Seah Kian Peng,
CEO of NTUC FairPrice

Challenges and opportunities ahead

The growth of mobile commerce. As customers become increasingly mobile-savvy and digitally connected, the smartphone will become a critical enabler of the customer relationship. Shopping via smartphone continues to be the fastest-growing sales channel, according to PwC's June 2021 Global Consumer Insights Pulse Survey (see Figure 1). The number of global consumers who say they shop daily or weekly via mobile, in fact, has increased 325% between PwC's 2016 and 2021 surveys. Mobile orders and digital payments in various forms will gain further traction, as we have already experienced during the pandemic, with companies in some countries seeing growth in orders via platforms such as WeChat and WhatsApp.

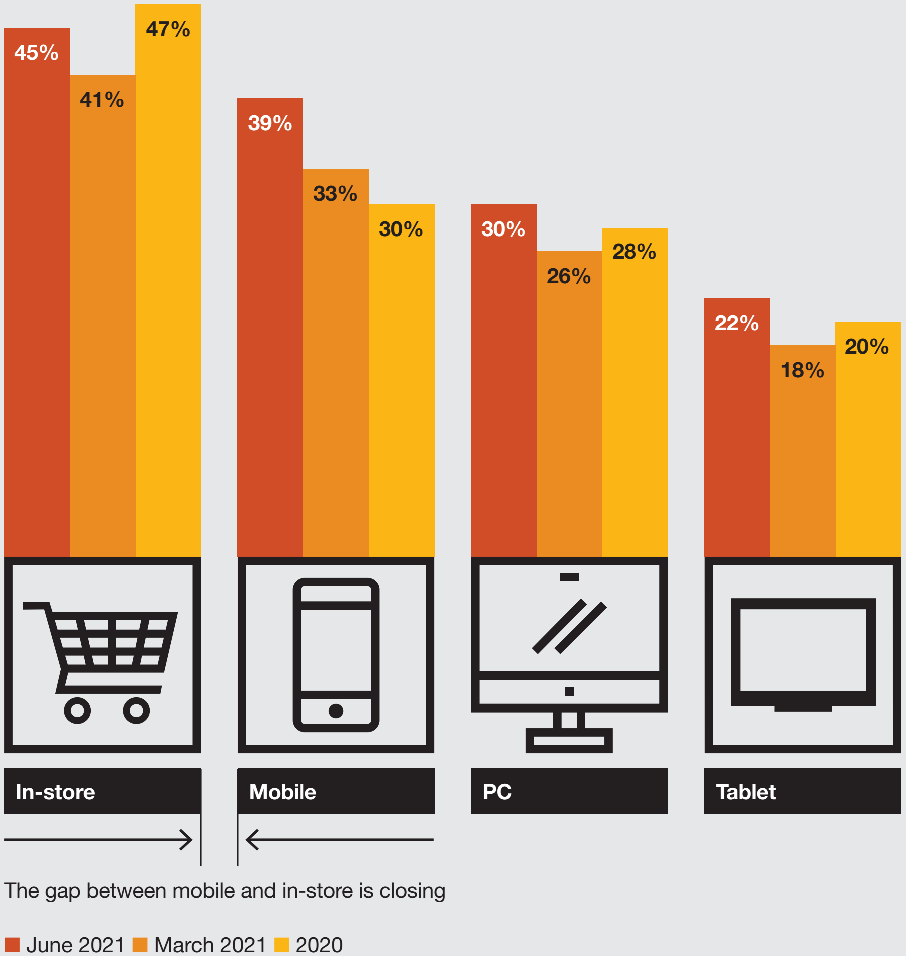
Mobile commerce will only grow faster as various component technologies improve. For example, by combining direct-to-consumer e-commerce with machine learning, Kellogg's is automating and optimising e-commerce searches. In a pilot with snack company Bear Naked, the companies decreased cost per click by nearly 40%, while increasing the winning share of paid search for the term *granola* from 4% to 85%.

Stores as hubs for experimentation, education and information. Customers want engaging, immersive and convenient experiences that give them a reason to shop in-store rather than online. In PwC's June 2021 consumer survey, the top two attributes consumers choose as reasons for in-store shopping are the ability to see and touch the products (45%) and the ability to quickly and conveniently navigate the store to find products (39%). Retailers are therefore trying to evolve the store.

Figure 1

Mobile shopping is growing dramatically

Q: In the past 12 months (March 2020 to March 2021), how often have you bought products (e.g., clothes, books, electronics) using the following shopping channels? (Percentages indicate respondents who say they had used a shopping channel with either daily or weekly frequency and do not include grocery shopping.)



Note: The 2020 survey was city-focused and trend-indicative.
Source: PwC's June 2021 Global Consumer Insights Pulse Survey

Within our retailer network, someone, somewhere, someplace is doing something really cool.

John Ross, CEO of IGA

"You may not need a scratch bakery anymore, for instance," says John Ross, CEO of IGA, a US grocery retailer. "That may not be as important as being able to have someone you would call a chef behind the counter preparing fresh meals [for customers] to eat on premise or take home." Ross likes to refer to IGA as the world's largest grocery lab, as its franchise structure gives owners the freedom to try new things. He cites a new series of Atlanta-based farmers' markets called Nam Dae Mun, which feature a broad range of international prepared foods, samples and speciality products. "Within our retailer network, someone, somewhere, someplace is doing something really cool," Ross says.

Innovation in the fulfilment experience. Consumer expectations for faster and more innovative fulfilment—what Tobias Wasmuht, CEO of international food retailer SPAR, calls "on-demand e-commerce"—have escalated. This is validated by PwC research (see Figure 2). Wasmuht notes that some retailers in China are setting the bar, boasting 40% of e-commerce deliveries conducted within the same day and 15% to 20% of deliveries made within one hour. Fulfilment sits at the intersection of several mobile-first experiences, whether the customer is ordering and tracking delivery status, checking where to pick up an order curbside or logging into an order to change the final fulfilment destination. For these reasons, the all-important last mile of fulfilment will be increasingly linked with a company's mobile readiness.

Figure 2

Fast delivery and availability are most important to online shoppers

Q: In the current climate, which attributes are important to you when shopping online? (Answers reflect the percentage who chose the reason as one of their top three.)

Base: All respondents (8,681).
Note: Responses shown are limited to the options provided.
Source: PwC's June 2021 Global Consumer Insights Pulse Survey

At the onset of the pandemic, SPAR saw its online grocery sales skyrocket almost overnight in some European cities. For example, in Budapest, orders grew by 500%. To meet this surge, SPAR partnered with local taxi companies, which were idled by the pandemic, to support its infrastructure and delivery needs.

Using technology to improve the customer experience. Technology will be key to retailers' ability to deliver an experience that meets customers' expectations in a blended online–offline ecosystem. Many companies are innovating on this front. A.S. Watson, for instance, has replicated a physical shopping experience online with an app that uses virtual augmented reality to let customers try out hair colour and makeup. Customers can even scan a look they like, get AI-powered suggestions for products needed to achieve the look, and then buy the products within the app.

Demand for more personalisation. Consumers want to get products that are relevant and tailored to them. Many are willing to share a range of health information and food preferences with retailers, including insights from biometrics and other technologies, in order to make this possible. The challenge for companies will be to deliver more personalised products and shopping experiences in a way that is cost-effective and that takes into account consumers' desire for privacy. Dirk Van de Put, CEO of US food company Mondelēz International, sees hyperpersonalisation as the wave of the future. "I think we're moving toward a digitally driven business model that will allow you to personalise your food more than you can today—for instance, by having food packets delivered to your home, which are almost made for you personally." But for Van de Put, the challenge is driving personalisation while attaining sufficient margin.

Another aspect of personalisation is tailoring content and offers, and delivering them directly to a customer's mobile device via social media, direct emails or loyalty apps. Spectrum Brands, a US manufacturing company which has brands such as Remington and George Foreman in its portfolio, engages consumers with tailored content, leveraging analytics to drive conversion. The conversion rate can then be analysed for return on investment and pricing strategies, leading to new insights.

And customisation doesn't have to be complicated. IGA introduced a family meal programme that gives shoppers ideas about how to maximise ingredients for multiple meals. "The problem with recipe planning is if the recipe calls for a jar of, say, capers, you're not going to use an entire bottle for a single meal," says Ross. In addition to helping families stretch their budget, the programme promotes products that give the company a competitive advantage. "We got [from this programme] the highest customer engagement of anything we've ever done. Several million shoppers signed up for our little recipe card. There's nothing special about it; it wasn't really that hard."

Preparing for the sustainable future of food

Consumers are demanding action from food companies on a range of health and environmental issues. They want companies to reduce carbon emissions and packaging waste, offer more locally sourced and plant-based products, make the supply chain more transparent and sustainable, and treat suppliers fairly (see Figure 3). And PwC's June 2021 survey shows that many global consumers are willing to pay more for ethically and sustainably produced items. All participants in the food value chain—including agriculture businesses, consumer goods companies and grocery retailers—play a role in meeting these rising expectations.

Figure 3

Consumers will pay more for sustainable attributes

Q: For the following product categories, which attributes would you be willing to pay more for?

Darker shades of grey indicate greater proportions of consumers who selected this option.

	Fashion	Consumer electronics	Sports and fitness equipment	Grocery	Health and beauty
Better quality	51%	44%	28%	40%	33%
More ethically/sustainably produced	31%	28%	21%	36%	28%
Locally produced/sourced	24%	18%	22%	48%	19%
Healthier option				53%	40%
Eco-friendly/sustainable packaging	25%	23%	22%	44%	29%
Brands known for their ethical practices	34%	29%	25%	34%	30%
Luxury brands	37%	27%	22%	19%	25%
None of the above	19%	25%	32%	18%	20%

Base: All respondents (6,161–7,938).
Source: PwC's June 2021 Global Consumer Insights Pulse Survey

The industry is responding to, and even leading the way on, many of these fronts. Some companies have decided to work collaboratively on these challenges. The CGF has launched eight coalitions to address issues such as food waste, plastic waste, sustainable sourcing, deforestation and healthier living. "The food business is moving towards a preference for local produce, initiated by the pandemic's supply chain risks and the consumer's increasing demand for healthy food produced sustainably," says Bejjani of Majid Al Futtaim. Companies that are responsive to these consumer demands succeed not only by doing the right thing in the eyes of consumers, but by reaping the business benefits, too. For instance, sourcing more products locally does not only reduce a company's environmental impact, enable transparency in the supply chain and position the company to give back to the local community; it also lowers transportation costs.

Many companies have also undertaken ambitious initiatives to reduce water and energy consumption and food waste and to source key commodities more sustainably. One manifestation of this trend is the adoption of new kinds of farming, such as vertical farming (the practice of growing crops in vertical layers), and indoor and AI-assisted farming. American retailer Kroger, for instance, has partnered with a US company, 80 Acres Farms, in just such an endeavour. 80 Acres Farms operates four indoor farms with robots that monitor crops 24 hours a day, seven days a week—and its farms produce 300 times more food than a typical conventional farm, using 97% less water and 100% renewable energy.

> "I think the food companies will steer agriculture towards better ways of operating. I think that will be the biggest impact we can have in terms of climate.
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> Daniel Servitje,
> CEO of Grupo Bimbo

SPAR aims to build strong local supply chains around the world, whether operating in a mature market such as Northern Ireland, where it sources 90% of its fresh products from local producers, or a developing market such as South Africa, where it invests heavily in rural hubs, providing starter funds to farming communities so they can develop local agricultural businesses. The company also works with local producers to promote regenerative farming practices and approaches that reduce food waste and help ensure a steady supply of locally sourced foods.

Companies are also helping supply chain partners apply technology to address problems of climate change and food scarcity. For instance, if flooding destroys tomato crops in Kenya, it has an impact on farms, transportation providers, food manufacturers and others. If companies can help suppliers use technology to better predict and manage extreme weather conditions, the entire food supply chain becomes more sustainable.

Daniel Servitje, CEO of the Mexican food multinational Grupo Bimbo, which owns such brands as Sara Lee, Barcel and Entenmann's, believes food companies have a major role to play in shaping the future of agriculture. "I think the food companies will steer agriculture towards better ways of operating. I think that will be the biggest impact we can have in terms of climate," he says.

Consumer goods companies also have ambitious goals to phase out single-use plastics and reduce packaging waste. Some of their initiatives include moving towards packaging that comes from renewable and recycled sources and getting consumers to recycle. The Coca-Cola Company, for instance, has a World Without Waste initiative, which aims to make its packaging 100% recyclable by 2025, collect and recycle a bottle or can for each one sold, and use 50% recycled material in its bottles and cans by 2030. For Quincey, the key is focusing on the parts of the business where, as a corporate leader, he can wield the most control and can have the greatest impact. "We try to look at the basics of our products, to focus on the things that are more central to the brand, and ask ourselves where we can exercise the highest degree of leverage to make the most progress," he says.

Many of today's health-minded and socially conscious consumers want to know the precise origin of the products they consume. According to PwC's Global Consumer Insights Pulse Surveys, the percentage who do increased just in the three months between the March 2021 and June 2021 surveys. This demand is giving rise to blockchain-enabled supply chain practices and digitised labelling of product origins. "Transparency is the best way to minimise doubt and make consumers feel more at ease," says Zhang of Alibaba Group. "With the digitisation of distribution channels, our goal is to provide visibility to consumers into the origin of every piece of beef and every egg. Greater confidence in food safety will translate into an increase in consumption in the future."

Challenges and opportunities ahead

Keeping pace with rapidly evolving consumer demands. According to PwC's June 2021 consumer survey, almost half of consumers say they've become healthier during the pandemic. This move towards healthier lifestyles will have many implications for food companies. One will be the rise of plant-based proteins. "I believe there's going to be a big shift happening in the next ten to 15 years in terms of the protein markets. We're going to be moving towards plant-based foods and into bio or fermented foods more and more," says Servitje of Grupo Bimbo.

Consumer trends in plant-based proteins and low-calorie food options, in fact, have spurred a whole new focus on enzyme technology in the food-production process. These kinds of food innovations will be key to formulating better products. "I think the greatest long-term challenge will be ensuring that we continue to deliver growth through a much better understanding of consumers and by using science and technology to create new innovations that consumers appreciate and prefer," says Narasimhan of Reckitt. Technology will also drive a better understanding of consumers via data collection and analysis. CPG companies and retailers will need to invest in sophisticated tools for analysing the data and forecasting demand.

Competition from food start-ups. Established consumer goods companies are facing intensified competition from newer, smaller rivals, and they're also bumping up against another trend: consumers who aren't necessarily committed to certain brands. PwC's March 2021 consumer survey showed that affluent and younger customers are motivated less by loyalty to certain brands and more by a need to simply find what they need most conveniently and affordably. Larger companies with more established brands must remain agile and attuned to these needs to grow market share. "As a big company, we're facing much more pressure now from smaller brands and food start-ups, and the smaller brands are basically growing faster than the big brands. We have to be much more open and cast a wider net to really

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I believe the missing piece is participation from the major crop producers. We also need help or cooperation from the large distributors and global trading companies to deal with agricultural products in the global logistics industry.

Takaaki Nishii,
CEO of Ajinomoto

understand what the different challenges, threats and opportunities are to grow our business," says Servitje of Grupo Bimbo.

Ensuring food safety. No company wants to risk the reputational damage that comes with food safety problems. As the food value chain and production methods evolve, companies will need to ensure comprehensive safety measures at every stage of the product journey and continue to raise the bar. "Food safety is paramount. And so too food resilience, as in supply. This is something you must plan for. Though perhaps 99% of the time it is a nonissue, all you need is for that 1% to happen, and the repercussions are unimaginable," says Seah of NTUC FairPrice.

Fostering greater cooperation to make positive changes in the food value chain. Any plans to address the challenges facing the global food system must involve agriculture. And agriculture is a key lever for addressing climate change, food scarcity, and societal and cultural inequities. "Collaboration needs to come from beyond The Consumer Goods Forum. In terms of the food value chain, there are still very few large enterprises that have [a sufficient view of the entire] food value chain, so we still cannot have very meaningful discussions," says Takaaki Nishii, CEO of Ajinomoto, a Japanese food and biotechnology company. "I believe the missing piece is participation from the major crop producers. We also need help or cooperation from the large distributors and global trading companies to deal with agricultural products in the global logistics industry."

Bolstering supply chains

Overall, the consumer goods industry responded well to the supply-related challenges of the pandemic. As Quincey of The Coca-Cola Company puts it, companies like his, with operations around the world, were well-prepared because their global business demands it. "Our people and our bottlers did an incredible job of making sure that we didn't have any material disruptions, and a lot of it came down to the design of the supply chain," Quincey says. "We have operations in parts of the world where disruptions can happen a lot, so a lot of it was basic contingency planning."

Still, the crisis underscored the urgency of making supply chains more resilient, transparent, sustainable and digital. Several of the executives we interviewed noted that digital enablement will be key to providing the real-time visibility into the supply chain ecosystem that global consumer companies will need going forward. Technologies such as blockchain that enable tracing of the exact origin of products will be critical. At Mondelēz International, for example, a more digital supply chain will allow the company to quickly reroute its sourcing of ingredients, if need be, or even build out its direct-to-consumer channel.

At the front end of the supply chain, more consumers are making the choice to purchase online, which is also fuel for the digital supply chain. "It's not just that consumers who are already online are buying more online," says Van de Put of Mondelēz International. "The crucial thing is that more consumers have realised the convenience and the choice of buying online and are now changing their behaviour." According to Van de Put, as additional customers adopt e-commerce, Mondelēz International's delivery systems need to get faster and more sophisticated, causing a ripple effect throughout the company's whole supply chain. "E-commerce affects how we run our distribution centres, how we pack our products and the range of products we need to make," he says.

Reckitt is using consumer insights to help inform some of those same operational decisions. "Technology fundamentally changes the supply curve and what we can do to drive greater productivity, flexibility, responsiveness and better returns," says Narasimhan. "And so, there's hope that we have major opportunities on the demand side as well as on the supply side, enabling us to manage the business in a very responsive manner and deliver on the expectations our various stakeholders have."

But digitisation isn't the only answer to improving the supply chain. Just as with food, sourcing more products locally creates a ripple of positive impacts, including addressing local droughts, floods, problematic regulations, and social and cultural inequities. In PwC's latest CEO survey, 51% of retail CEOs and 55% of consumer CEOs say they are significantly or to a large extent collaborating with supply chain partners to collectively manage risks.

Companies are also adopting numerous other environmentally friendly practices to reduce fulfilment costs and leave a lighter footprint on the planet. These include converting fleets to electric vehicles, using hydrogen-powered plants and adding distribution hubs in order to limit how far goods must travel.

Challenges and opportunities ahead

Building in greater resiliency. The COVID-19 crisis exposed how fragile supply chains are to disruption, and we've continued to see the same issues with other recent events, such as the March 2021 Suez Canal blockage, shortages of important raw materials and components such as microchips, and packaging and logistics problems at ports. Companies will need to re-examine their supply chains to develop a deeper understanding of risk in terms of sourcing and potential disruptions, and they might need to build in redundancies and alternative sourcing practices that promote resilience.

Resilience also involves people. Even for some of the biggest consumer companies in the world, such as Procter & Gamble, situations arise that are not covered by business continuity planning, so individual employees need to be creative. "Our people have been amazingly resourceful in keeping our plants open. We had container loads on the ship that was in the Suez Canal, and we had raw materials waiting to go through, but you didn't see our plants shutting down. People reformulated and rerouted and found alternate ways to qualify new suppliers. Some of this had been anticipated in business continuity plans, but there's just been an incredible level of resourcefulness," says David S. Taylor, Procter & Gamble CEO.

Meeting demands for transparency. More than half of consumers (55%) in PwC's June 2021 consumer survey say they agree that transparency and traceability are important factors when buying products. Migros Ticaret is doing its part to help consumers in this respect. "We mirror what is available in the market to our shoppers and allow them to make their own decisions, giving them fresher and healthier options," says CEO Özgür Tort. "The product content is digitally available, and especially with our private-label categories, we involve the producers—the farmers themselves—in informing shoppers about how goods were treated during the post-harvest and pre-harvest periods."

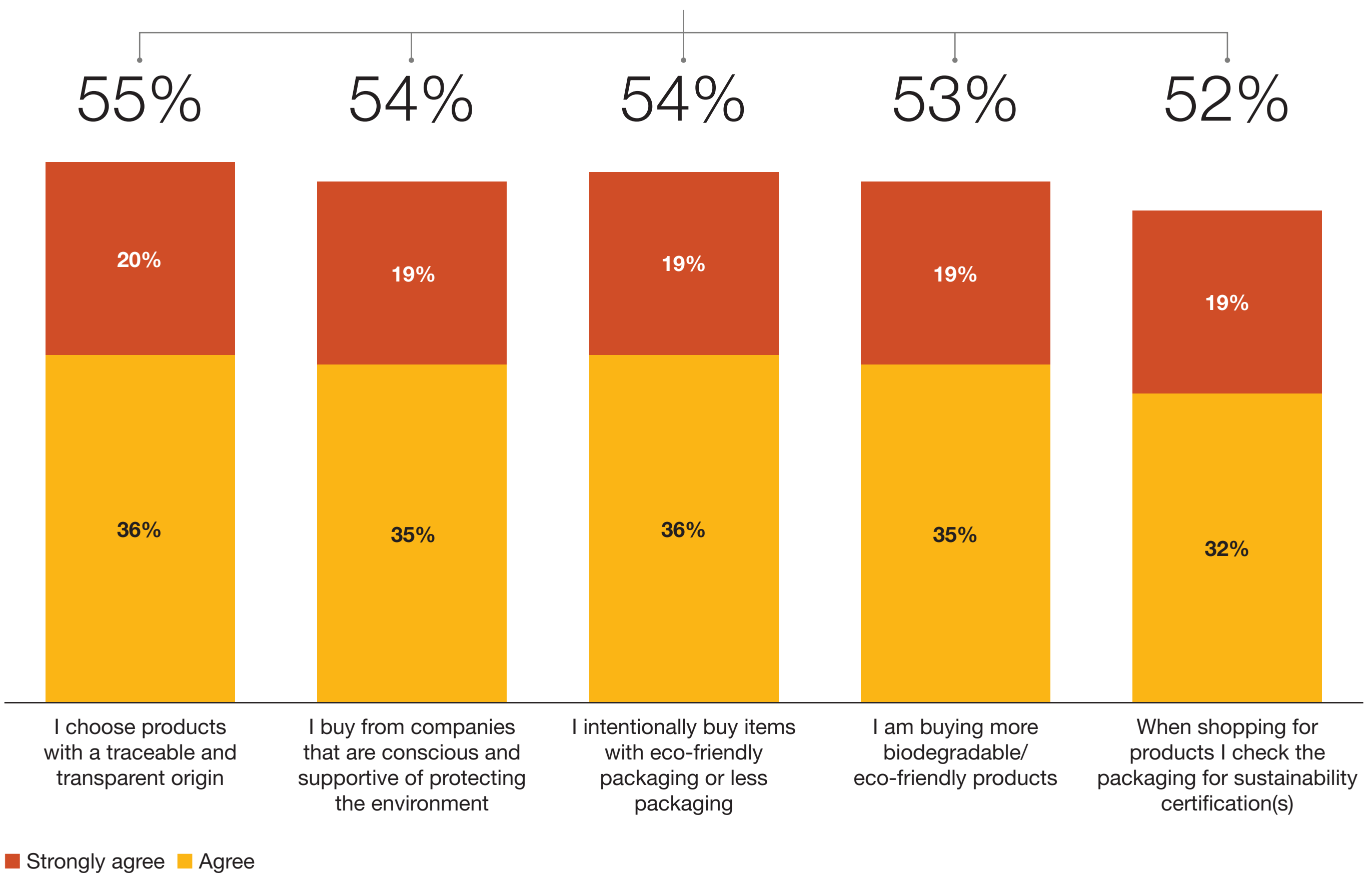
Driving brand relevance

What brands stand for is increasingly important to consumers and other stakeholders, especially as we all emerge from a transformative global crisis. People are seeking purpose-driven brands that mirror their values and beliefs, and they want brands—and the companies and CEOs behind them—to do more to solve a wide range of societal problems (see Figure 4).

Figure 4

Most global consumers are interested in sustainable products

Q: Please indicate to what extent you agree or disagree with the following statements around shopping sustainably.



Base: All respondents (8,681).

Note: Totals may not equal sums due to rounding.

Source: PwC's June 2021 Global Consumer Insights Pulse Survey

This attitude has only intensified in recent years. In fact, consumers rank trust in a brand second-most important (after price) when making purchasing decisions, according to the annual Edelman Trust Barometer. PwC research in the US finds that 70% of respondents see trust as the most important factor when buying a brand. And the CGF's *Honest Generation report* from 2019 notes that in the US and UK, 66% of Millennials think brands are never honest or are not honest enough about environmental issues, a number that leaps to 79% for Generation Z.

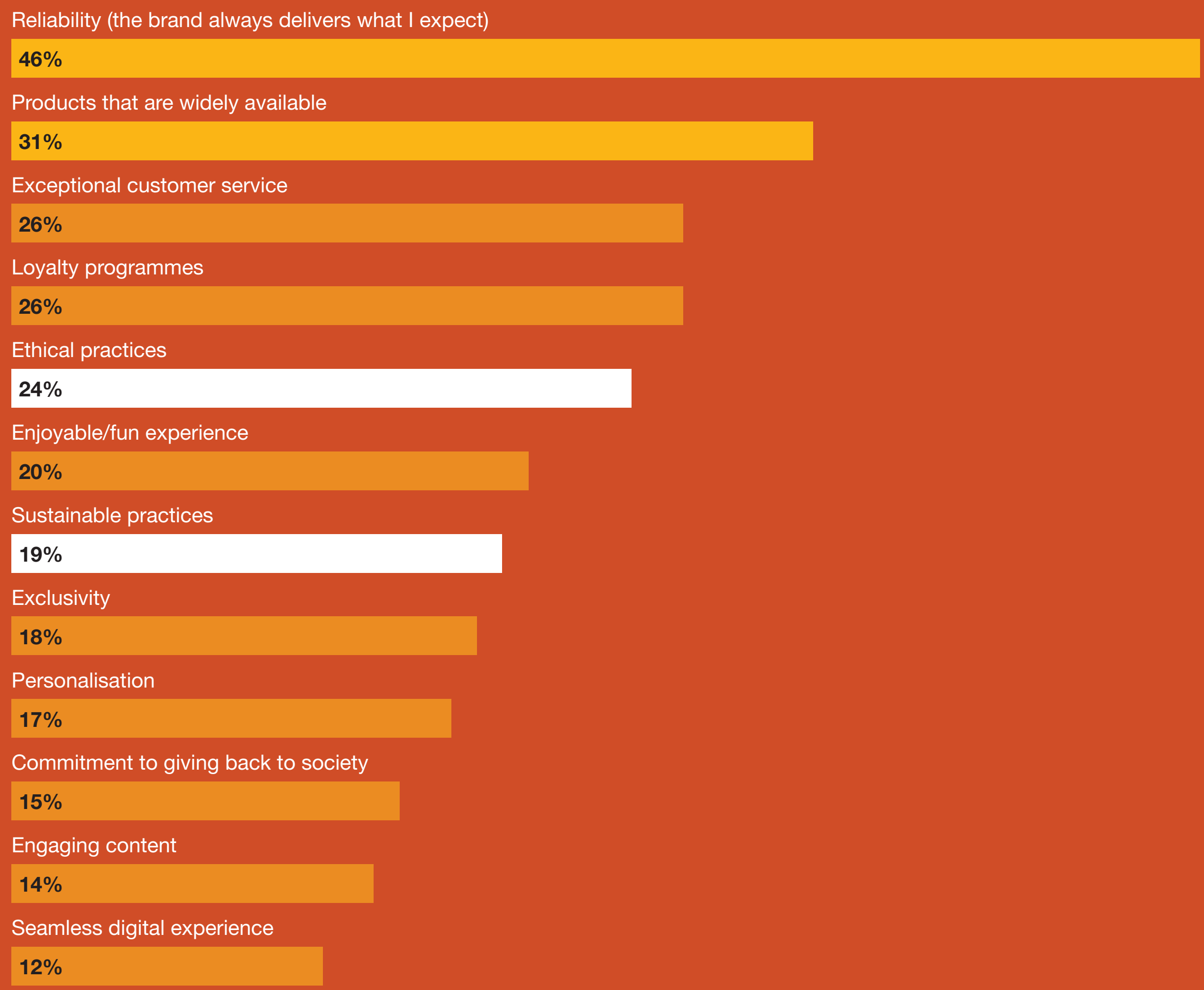
Global retail and consumer goods CEOs understand well that brand trust is a precious asset that must be carefully nurtured to create long-term value. Salman Amin, CEO of British food company pladis, refers to this process as building "a bank of trust." Success depends on a litany of factors, including product quality, company purpose, dependability and integrity. When the pandemic hit and UK residents were stuck at home under lockdown, they took comfort in pladis's McVitie's biscuits, a treat that had been around for more than 100 years and whose brand the company had long invested in and cultivated. Sales shot up 25%. "Brands that have built trust...have built that by delivering exactly what they've promised over many years," says Amin. His assertion is supported by PwC's June 2021 consumer survey, which shows that almost half of consumers (46%) say they will stay loyal to a brand if it is reliable (see Figure 5).

But newer brands, such as Procter & Gamble's Native deodorant, have also built trust and resonance with consumers in a short time, by offering innovative products that speak clearly to customers' values and concerns. The brand has a "no compromises" pledge that assures consumers that its products are free of potentially harmful chemicals and not tested on animals, among other promises about health, safety and social effects. The company has also built into its strategy a commitment to eliminating unconscious bias and has, to that effect, produced a series of videos, "The Look," "The Talk" and "The Choice."

Figure 5

Reliability is key to brand loyalty, but ethical and sustainable practices also factor in

Q: Considering this list of brand attributes, which of the following influence your likelihood to remain loyal to a brand? (Answers reflect percentage who chose the reason as one of their top three.)



Base: All respondents (8,681).

Note: Responses shown are limited to the options provided.

Source: PwC's June 2021 Global Consumer Insights Pulse Survey

Going forward, companies will have to make building trust with consumers even more of a priority, knowing that the elusive trust factor can provide a 'halo effect' of goodwill, yet can also have devastating business effects if breached.

Challenges and opportunities ahead

Making the brand promise tangible. Brands today must do more than simply articulate what they stand for. They must back it up with sincere actions that resonate with stakeholders. "The pandemic has resulted in a shift of expectations for businesses and their leaders. Increasingly, as consumers, we want to feel connected to the purpose behind the brands we consume. For businesses, this means that in a rapidly transforming economy, words are not enough. Now more than ever, we must follow through with actions," says Bejjani of Majid Al Futtaim.

Converting trust into brand equity. Although trust may be an intangible quality, it can translate into tangible business results. The more that consumers trust brands, the more willing they will be to engage with them and share personal information, creating a virtuous circle that benefits both parties. Brands that can deliver on consumer demands for greater relevance, care and personalisation can realise benefits that ultimately go to the bottom line. Two pathways to converting trust into brand equity are social influencers who can credibly vouch for a product and frontline employees.

Leveraging frontline employees as ambassadors. The pandemic shone a spotlight on the importance of looking after not just consumers but also employees. The business leaders we interviewed for this report felt a responsibility for ensuring that employees knew they were cared for and recognised for the sacrifices they made to maintain business as usual. In addition, in its work with retailers, PwC has found a strong correlation between a retailer's emphasis on employee experience and store profitability.

Ajinomoto is one company that has used feedback from its employees to shape its values and inform how it represents its brand to customers. A recent engagement survey the company conducted found that most of its employees wanted the company to contribute to sustainable causes. "We have set a ground vision of contributing to the better health of 1bn people in the world through our nutritious food," says Nishii. "To that end, we've just started to educate our employees on nutrition science. From fiscal year 2021, we are going to expand that education programme to all employees, worldwide. I have a high expectation of this programme because it will help to bring up the level of motivation among our employees around the world."

> "The pandemic has resulted in a shift of expectations for businesses and their leaders. Increasingly, as consumers, we want to feel connected to the purpose behind the brands we consume.
>
> Alain Bejjani,
> CEO of Majid Al Futtaim

Strengthening environmental, social and governance (ESG) initiatives

It's not only consumers who are expressing increased interest in ESG issues. Large global companies now have to share their ESG targets and timelines with shareholders and other stakeholders just as they would release their financial results.

Not only is there a broader set of stakeholders today for companies to answer to—customers, employees, suppliers and business partners, investors and communities—but these stakeholders care deeply about and expect businesses to address a wide range of ESG matters, including climate change, sustainability, racial and social justice, and diversity and inclusion. Brands will need to find creative ways to market their sustainability initiatives and successes to the growing market of consumers who place weight on the environmental impact of the products they choose to buy.

Because ESG concerns have become so broad, they run like a thread through all aspects of doing business today. In our interviews with business leaders, most of them touched on the fact that ESG cannot be a standalone corporate concern. It's something that should be inseparable from corporate purpose.

Ofra Strauss, chairperson of the Strauss Group, one of Israel's largest food companies, believes firms need to go beyond the buzzwords. "There are better words than *ESG,*" says Strauss. "After this year, we have to use simple words. What are the things we believe in? And what are the things that we have learned? Those are the concepts everyone understands."

The diversity, equity and inclusion (DEI) movement is also one of increasing importance, as global companies understand that they cannot sell their products to a diverse global customer base if they don't have a variety of perspectives and backgrounds in their organisations. "Our top leaders are reflective of the consumers that we're trying to lead and serve," says Taylor of Procter & Gamble. For big consumer companies such as P&G, with tens of thousands of employees around the world, the challenge is ensuring that employee listening and communications programmes are really focused on hearing different voices and designing employee experiences that promote equity and inclusion. "Society often sees differences as a threat; we see differences as an opportunity to learn and have embraced differences as an advantage," Taylor says.

And when it comes to reducing their environmental impact, many companies have pre-emptively set their own ambitious goals. Some have joined with government entities or organisations such as the United Nations to

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commit to specific environmental targets. Most recently, numerous countries and businesses joined the US in setting new targets for reducing greenhouse gases. In other cases, business leaders are even pushing politicians to do more on climate issues, as is the situation with Brazilian companies, such as brewer Ambev, banding together to pressure the nation's government to combat deforestation in the Amazon, and Europe-based members of the CGF's Forest Positive Coalition of Action calling for stronger EU laws against imported deforestation.

It is only by embracing a broader view of corporate purpose that companies can create enduring, sustainable value for *all* their stakeholders. The COVID-19 crisis reinforced this point, making it clear that ESG performance should be prioritised in the post-pandemic world.

Challenges and opportunities ahead

Bring stakeholders on board. The consumer goods industry must continue to show strong leadership on ESG initiatives by setting the agenda on critical issues. Companies can lead stakeholders, such as suppliers and other business partners, to adopt more socially and environmentally responsible behaviours that reduce both costs and labour, along with having other positive impacts. "Many of these initiatives are not only good for the community and the planet, but they are good for the financials of the company because they make you more orderly and you can always find virtuous cycles," says Giraldo of Grupo Éxito.

Retailers can also encourage healthy, sustainable choices. "If I were to compare my store space today, I would say we're dedicating more shelf space to fresh and healthier goods than we were ten years ago—fresh product categories, fresh packaged goods, all those types of categories are taking more space. This is, I would say, the responsibility of food retail. [Helping consumers form] healthier habits should be a parameter of our buying decisions," says Tort of Migros Ticaret.

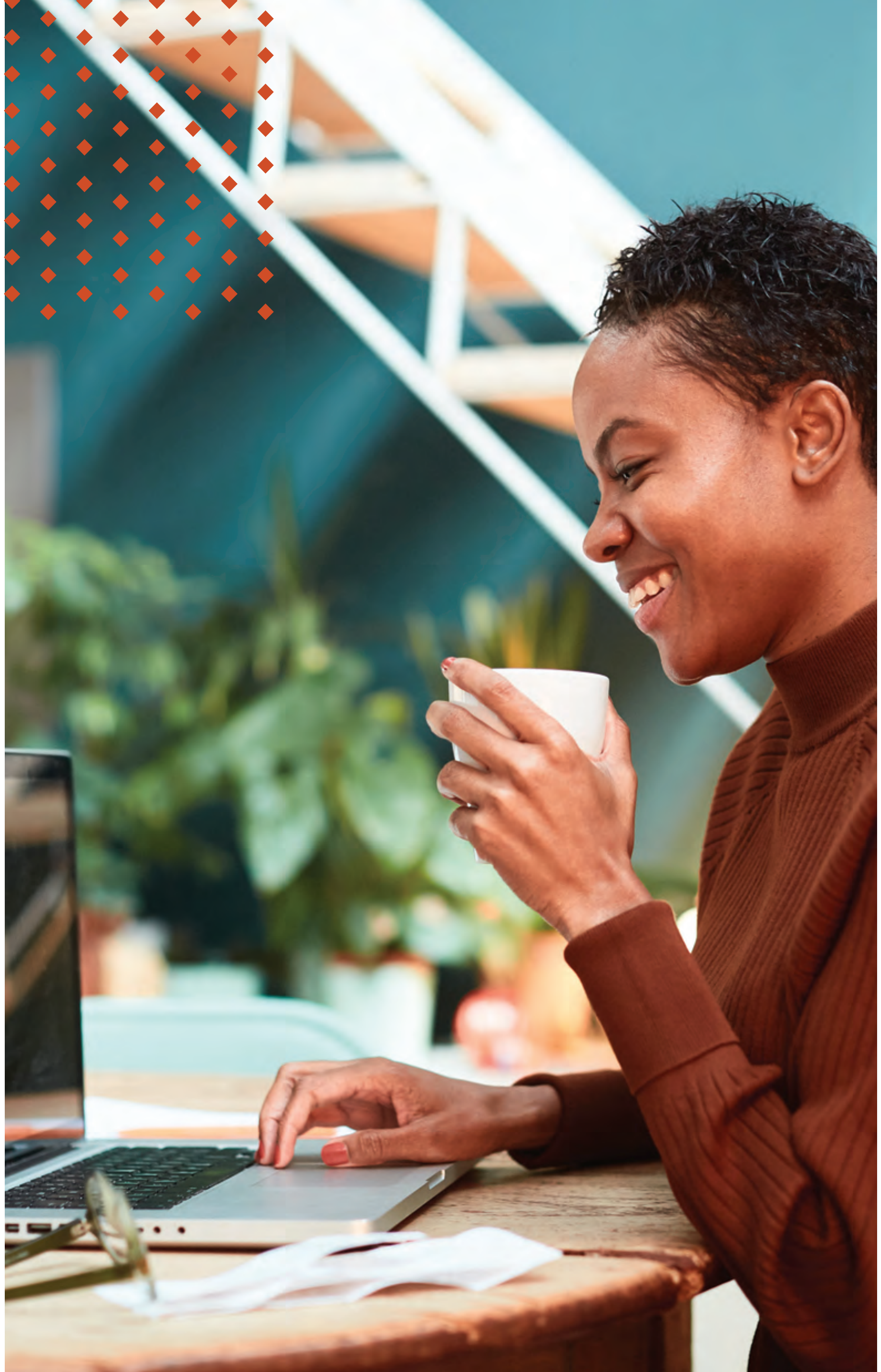
Think beyond your business. A company's ESG actions might not have anything to do with the products they manufacture or options within their retail stores. Many businesses are taking action on ESG issues that simply resonate strongly with their stakeholders and complement the nature of their business, and this will need to continue.

For instance, Alibaba uses its platform to promote charitable giving and environmental projects, such as its award-winning Ant Forest project, wherein users 'water' a virtual tree every day on the internet to make it grow. When a virtual tree reaches a certain stage, the company plants a real tree somewhere in the world. More than 550m people have participated in the Ant Forest, and more than 220m trees have been planted. In addition, Alibaba has created 730,000 green jobs for workers who plant the trees, a dynamic the company refers to as "the new circular economy."

A.S. Watson Group's Give a Smile campaign aims to provide free surgeries to 10,000 kids with cleft lips and palates by 2030. The company also has programmes that promote physical and mental well-being. And Grupo Éxito's corporate and national purposes merge in the company's goal to wipe out child malnutrition in Colombia by 2030. Supported by revenues from carton recycling and other initiatives, the company's foundation directly feeds 30,000 children a year. It also offers technical assistance to the government, nongovernmental organisations and others to supplement their efforts to stem hunger and malnutrition in the country.

How to move ahead?

Key takeaways



In our conversations with CEOs from all over the world, we heard some repeating themes that point to four clear takeaways for executives on how to build on lessons learned during the pandemic and prepare for future growth and profitability.

Embrace new ways of working

At Grupo Bimbo, new ways of working adopted during the pandemic—spread out over 33 countries—enabled it to not simply survive, but thrive. "It's amazing that our employees across the world have basically been working from their homes," says Servitje of Grupo Bimbo. "In fact, our best KPIs related to efficiency have occurred during this time period, and that's a testament to both the commitment and inventiveness of our teams."

Employees working from home using digital tools represent just one aspect of a sea change in how companies are evolving their thinking about work and how ways of working and organisational culture support purpose. "We promise happiness to the world with every bite," says Amin of snack company pladis. "We want every one of our colleagues, no matter what they do, to see their role in that mission and in delivering that purpose. That includes everything from how products are formulated, to how they're sold, manufactured, the marketing and finance, and creating the right value equations. These are all parts of delivering happiness."

And for some organisations, new ways of working entail making new commitments. For Strauss of the Strauss Group, working in new ways includes upping the ante on the company's ethics. "We have to renew our ethical obligations to ourselves and the profession we're in," Strauss says. "Just as doctors have their own code of ethics, the food industry needs to have its own code of ethics. Let someone else measure us."

Adopt a start-up mentality

The resilience displayed by companies during the COVID-19 pandemic was impressive, but several of our CEO interviewees wondered aloud about what they could achieve if their company displayed such resourcefulness all the time. "What happens if you infuse a global corporation with the spirit of a start-up?" asks Taylor of Procter & Gamble. "If you can take the speed and curiosity that you see in the start-up community, but with the technical depth, breadth and systems of a Procter & Gamble, you bring together two really powerful forces. But it's got to be done constructively. What we want to do is find a constructive disruption that creates value for consumers, our communities and other stakeholders."

Understand that crises can affect corporate reputation—one way or the other

The pandemic made clear how quickly companies can pivot during a crisis to provide additional support to employees and customers. The CEOs we interviewed for this report appreciated the fundamental contributions and sacrifices their employees made to help their companies weather the pandemic and, in return, rewarded, recognised and cared for those employees. Many sprang into action to help their communities, too. An unintended but beneficial consequence of doing the right thing was that these companies demonstrated to the public their commitment to helping people.

"During COVID, we transformed part of our Watsons Water factory into a clean room for producing medical masks and donated over 2m masks to the needy," says Ngai of A.S. Watson Group. "Retail is more than just space in a store. We need to show people that we understand, we care and we want to stay connected to them."

However, we also saw during the pandemic that missteps by governments, health officials or corporate executives can have severe consequences. It's more important than ever that organisations ensure that their risk management and communications capabilities are world-class.

Realise the pandemic has changed not just companies but leaders

There's been a lot of attention on how the pandemic has reshaped the consumer goods industry and accelerated trends, but there's been less focus on how the pandemic has changed corporate leaders. Several of the CEOs we interviewed touched on this point, expressing how the challenges of the pandemic made them better, more humane leaders, even though it humbled and frightened them at times.

"My deepest hope is that a sense of humanity, humility, vulnerability and empathy stays with [all of us within] the organisation coming out on the other side," says Narasimhan of Reckitt. "This makes us much better listeners and much better innovators. It also makes us more inclusive and results in a more customised solution for consumers. And, finally, it makes us better partners with our suppliers, our customers and the communities in which we operate."

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About The Consumer Goods Forum

The Consumer Goods Forum (CGF) is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serve the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of €3.5tn and directly employ nearly 10m people, with a further 90m related jobs estimated along the value chain. It is governed by its board of directors, which comprises 57 manufacturer and retailer CEOs. For more information, please visit:

www.theconsumergoodsforum.com.

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