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Wednesday 10th June: 3:00pm – 3:45pm CEST:

## **Sustainability After the Crisis: Acceleration or Deceleration?**

*Alan Jope, CEO, Unilever*

*Dave Lewis, CEO, Tesco*

*Moderator: Peter Freedman, The Consumer Goods Forum*

Peter began by introducing the two speakers and the key roles they are playing within the industry and the CGF to lead positive change. He then asked about the sea change we've seen around both plastic and food waste ahead of COVID-19 and the global, purpose-driven agenda that was gaining traction. Linked to this, the speakers were also asked whether COVID reinforced this sustainability agenda or whether we should worry that governments are tightening their belts and businesses negatively impacted by the recession.

Alan said, we (at Unilever) believe there is absolutely no trade-off between purpose and profit. By being responsible and looking after stakeholders, shareholders will be rewarded. It drives consumer preferences and lower costs. It also makes you a more attractive employer for young people.

The young generation have seen warnings go ignored, he noted, including such warnings on inequality and climate change. Young people will hold us to account, he said. There may be opposing pressures, like low-cost fossil fuels, which could result in a set-back; however, he is optimistic we will continue to march in the right direction.

Dave agreed. My advice, he said, would be to double-down and show leadership and commitment. The reasons are still relevant: population growth, waste in our systems and increasing global temperatures. These have not gone away because of COVID-19. There is a realisation globally that we need to act. Some may say things have paused, and you can understand why, but there is also an opportunity to rethink our approach. He noted he hasn't flown for months, massively reducing his own carbon footprint. And, on food waste, he said, we see 25-30% less food waste in homes during the lockdown as people appreciate what they have more. For Tesco, we want to build resilient food supply chains, keeping forests and fisheries at the top of our agenda. However, as always, we need to show action and not just talk about it, he said.

Peter then asked about the changing consumer: what is going to stick? Dave said none of us know at the moment. But, what I see is that people are shopping differently from 10 weeks ago, he said. We've doubled our online business and there are more vulnerable people we need to support. The number of



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shops people make each week has gone down, with more “big shops” once a week. We also see people more concerned about the cleanliness of the shops. We can see families are eating together and an increase in scratch cooking. People are thinking harder too about what they consume. Plant-based diets are even more popular at this time, he commented.

People also think about their time differently. People are appreciating their time and nature more. He said, we’ll see how this translates into long-term behaviour, but it’s a positive sign. He then noted how he’s travelled the country and seen some extraordinary acts of kindness, and he hopes this will continue. Care and consideration would be a great thing to keep.

From a global perspective, Alan noted Unilever is seeing different parts of the world are at different stages of the biological, social and economic crisis. Currently, he is most worried about Latin America, and Brazil especially, where the macro indicators are shocking. However, he also noted that certain consumer behaviour is similar everywhere. People are seeing a recession coming, for example, so people are looking for value. As a business, you need a portfolio that fits this environment; it’s critical, he said. Second, the home has become a safe place. We’re seeing extraordinary areas of growth around hygiene products and scratch cooking. Globally, we are also seeing a major increase in the focus on health and wellness, from vitamins, minerals and improving immunity to plant-based foods, he said. People want to look after themselves more, and this is a positive thing.

He also commented on the “e-everything” trend. He referenced his time in China between 2009-2014, during the swine flu pandemic and the dramatic growth of Alibaba as online shopping and media consumption exploded. There is another big shift to all things digital now. This type of growth is not such a bad thing. We are getting some great feedback from consumers around the world in ways we never did before, and I have never felt so connected to them, he concluded.

Sticking to technology, Peter then asked if Alan and Dave saw their companies fundamentally changing how they work.

No doubt about it, Alan said. We’ve gone from peace-time mode - slow and ponderous - to a war footing. Things are happening in days that would have taken months previously. We started producing hand sanitizer, for example, by converting a factory within two days. This would never have happened before.

It is clear the role of the office has changed too. Collaboration and culture can be created in the office, but the future is a hybrid mode: a couple of days in the office and a couple of days at home, and a day somewhere else. If we can keep hold of some of these efficiencies and connectivity, we will all be better served.

Dave then agreed once more. We used to think we were quick, but we’ve set new levels now. We’ve been in grocery home shopping in the UK since 1978. It was 8 or 9% of sales after 30 years of building this part



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of our business. We had a plan to double capacity within three years; now, because of COVID, we've doubled it in three weeks - from 600,000 slots to 1.3 million slots. Our staff were faced with vulnerable people who needed us to support them, and that need really drove us to change our business model at scale. That level of growth is astonishing. The crisis has created a priority and focus that we don't usually afford ourselves, even though we pretend we do. Remote work has actually made us quicker, and we have stripped away things that have no value.

Technology has helped us see some good things along the supply chain and in demand forecasting, he added. Dave then talked about how the cash society is also disappearing from the Tesco business and energy efficiency is improving. Technology is doing a lot of good, and it's really quite eye opening, he said. And, it's changed the dynamic of our tech team, which is something we've been trying to do for years. People now know how technology can support traditional retail.

On the topic of supply chain, Peter asked, and the risk of nationalisation - or localisation of supply chains - how should businesses be thinking about nationalisation in general? Is it inevitable?

For Tesco, Dave said, if we think about life before COVID, there were supply chain issues and we shouldn't forget these. Not all choices have been driven by the pandemic. Focusing on food, he said he thinks food is quite complicated to other industries. It's a global commodity, and he sees a massive opportunity. The UK imports 50% of the food it eats, so we're not self-reliant. The opportunity is to rethink this so it's more sustainable and affordable, and secure. We can put together food, health and the environment and deliberately build up. This isn't just about reacting to COVID-19. We shouldn't focus on what's cheaper, he stressed. We need to be more strategic about this. We need a consistent, national food strategy and both business and government have key roles to play. It's a crying shame that the industrial policy in the UK doesn't have a single reference to food, even though it hires the most people. It's a real shame.

Is there a nirvana of a more resilient supply chain that delivers more value to shoppers?

Alan said hundreds of millions of people around the world have been lifted out of poverty due to international trade. Stopping this would be catastrophically bad for the world. Unilever's supply chain has been resilient because it's part of an interconnected, global supply chain; not because of domestic-orientated supply chains. Having only a local supply chain would have been a big problem in Latin America, India and China, for example. And, if you look at avocados, we can't grow them in Scotland, but we can farm wonderful salmon. It's ridiculous to think countries should become independent in their food supply chain.

Of course, it doesn't mean countries shouldn't have import/export strategies, he stressed. The Netherlands is the 2nd biggest food exporter in the world (in absolute terms). This is because they've made it a national industrial policy. And, on one final point, he said, a globally connected supply chain has



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a much lower cost. At Unilever, 1% of our carbon emissions come from our own operations; 2% from shipping; 15% from agriculture and raw materials; and 82% comes from consumer use. Let's not get pre-occupied about the odd truck driving around Europe: it's not the big issue.

When asked about policy development, Alan said it's important not to fall into the trap that "local" is cheaper or more resilient. He also commented that breakdowns in trade between China and the US or Europe are a massive concern. He called on his fellow business leaders to actively advocate for free trade and global supply chains.

The conversation then shifted slightly as Peter asked about their employees and the new skills people will need to be successful in the future.

We get about three million applications a year, Alan said. We have an online learning platform, and we have seen a 288% increase in the consumption of online learning materials during these last few weeks. The number one skill we will need from new employees, Alan said, is the ability to re-skill. Those with plastic brains, flexibility and the desire to upskill will be key. We can only guess what skills will be needed in the future, but we don't know for sure. We are also focused on total-systems thinking, particularly at the leadership level. Everything is connected and we need people who can see patterns, he concluded.

Dave then built on this answer and the importance of essential workers. The question of inequality is going to be very live. International health workers and food workers are among the lowest paid - and we needed them the most - so I hope we can change this moving forward, he said. The positive thing, over the last 8-10 weeks is we have done some things we thought were unimaginable before. We can do special things. Opening people up to learning new skills will be important. 3 of our last 4 CEOs at Tesco started on the shop floor. Problem solving is the other key thing. Last year, we spent time investing in shop workers and digital skills enhancement. This has made it much easier to implement some things as the skill base was there. We need to recognise our role in helping people. Also, he said, food, of course, is too cheap. This has negatively impacted salaries, so we need to rethink this too. In our supply chain, system-thinking, agriculture, biodiversity, health and environment will be more relevant than ever before and people will be much more aware going forward than they were only four or five months ago.

Back to sustainability and the CGF, Peter closed by asking how they think the world of collaboration will change in the future.

Dave said the imperative has got higher. People won't let us fail. This is a good thing for us. I actually think collaboration can be great, but I do worry sometimes that if we come together and agree on 95% of things, we spend our time reconciling the 5% we don't, rather than delivering on the 95%. We need to do better on driving progress on these things we agree on. We also need to be careful that we don't just talk a good game. People judge collaboration on action, impact and progress. The CGF Coalitions of Action are a great starting point, but we have to hold ourselves accountable, and not wait for others to judge us.



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Alan closed the session by highlighting how the big problems of our time can not be solved by any one party. No one actor can solve climate change or plastic waste, etc. We need everyone - civil society, private sector and governments - together. Collaboration works best when we work towards a common goal, and the CGF provides this: to serve people better. The CGF's Plastic Waste Coalition of Action, for example, is engaging a number of CEOs over the next few days and we are going to move at speed on design standards and extended producer responsibility, and regulation can help us move us in the right direction. As joint sponsor, we will not move at the speed of the slowest; we'll move at the speed of the critical mass. We're going to go for it, and this requires collaboration. Hopefully, our actions will then show impact.