

Consumer Goods Growth: Leveraging Digital, Purpose and Greater Agility for a Stronger Future



The COVID-19 pandemic disrupted supply chains, shifted consumer behavior and forced consumer goods companies to respond — and they did, simplifying and prioritizing assortments, accelerating investments in digital and finding new, more agile ways of working.

So, now what?

The pandemic isn't fully behind us, but consumer goods leaders are looking ahead and considering which businesses, processes and practices to retain and what needs to change in light of shifting consumer behaviors and the new ways of working that emerged during the pandemic. Important questions for the future include: Which consumer trends will last, and how can organizations better anticipate shifts in consumer preferences? What have we learned about the kinds of leaders who excel in crisis, and what does that mean for how leaders are developed and selected in the future? What cultural changes did organizations experience during the pandemic, and how can leaders shape culture as they return to the office or move to more hybrid work models? What did we lose during the pandemic that we want to bring back?

We spoke with consumer goods leaders about how their organizations responded to the crisis and how they have begun to answer some of these key questions for the future.

Digital breaks through

Technology was a life saver during the pandemic, enabling leaders and teams to continue working, opening up new channels of communication with customers and consumers, and enabling new e-commerce and direct-to-consumer channels when stores and restaurants were forced to close and traditional sales channels evaporated. The pandemic caused companies to achieve in months what would have taken years: A [McKinsey survey](#) found that companies accelerated the digitization of internal operations and customer and supply-chain interactions by as much as four years and the development of digitally enabled products by seven years.



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POUL WEIHRAUCH
GLOBAL PRESIDENT, MARS PETCARE

“At some point, over 90 percent of our stores closed, and our business and our leaders pivoted to e-commerce, creating distribution centers in a matter of weeks versus months, using fulfillment centers in their stores that were closed,” recalls Natura & Co CEO Roberto Marques.

While many companies had to quickly pivot to build their digital capabilities and the infrastructure to support e-commerce, others benefited from having a head start. “The big winners in the pet food industry were the ones that had already built exposure online and had brands with premium positioning,” Mars Petcare Global President Poul Weihrauch observes, especially as consumers rapidly adopted subscription models for trusted brands.

Digital technologies also have been a critical tool for keeping a finger on the pulse of consumer sentiment and trends — a tool that consumer goods companies will continue to leverage even when the pandemic ends. During the pandemic, traditional market research tools — focus groups, concept testing, product testing, ad testing, etc. — went virtual. Social listening and analysis has provided real-time feedback on consumer sentiment, both spontaneous and guided, and machine learning and AI have helped businesses recognize patterns of consumer behavior earlier. “This data-driven approach to insight generation has been an absolute godsend to us,” Unilever CEO Alan Jope says.

Looking ahead, consumer goods companies also will continue to experiment with new digital channels and business opportunities, leaders tell us. Some of this experimentation will focus on finding solutions to the “last mile problem” — getting to consumers’ homes — potentially disrupting traditional supplier/retailer relationships, predicts FrieslandCampina CEO Hein Schumacher. “Can we achieve a much easier and faster replenishment of the consumer needs in his or her freezer or pantry? Can we build that connection even much faster?”

Connecting with values

Even before the pandemic, consensus was growing in favor of the idea that organizations have a responsibility to all stakeholders, not just to create value for shareholders. Numerous studies show that the millennial generation and Gen Z look for purpose in work and, as consumers, want to spend money with companies that share their values. And, increasingly, CEOs are expected to speak up about matters of social justice and equity, climate change and other ESG issues.

The pandemic, an existential crisis that endangered lives and livelihoods, and the growing racial justice reckoning have only heightened the attention to company values. Consumers watched how companies responded to the crisis, valued those that protected their employees and supported their communities, and looked for brands with a reputation for health, safety and hygiene. In a [global survey by Edelman](#) early in the crisis, 65 percent of respondents said that a brand's response in the crisis will have a huge impact on their likelihood of purchasing it in the future, and a third said they had already convinced other people to stop using a brand that was not acting appropriately in the crisis.

“COVID showed that companies can impact communities in positive ways by utilizing what is unique to companies' structure, insights and executional capabilities,” AB InBev CEO Carlos Brito says. “People expect more from companies to do what they are distinctively qualified to do, move quickly with the full impact of all their tools. This is complementary to what governments, NGOs and individuals can do, and companies need to be part of the solution by working together with other stakeholders and bringing to the table what companies do best.”



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Going forward, consumers will continue to be drawn to purposeful brands, especially in areas such as health, wellness and the home, and will expect brands to do right by the environment, their employees and the communities they serve. Consumers will want to understand where companies are sourcing materials from, how they are treating suppliers, the formulation of products, what the packaging is made of, and the gender and racial diversity of the senior leadership team. In response, consumer goods companies are embracing a range of initiatives and priorities, from setting net zero carbon emission targets, sourcing sustainably, addressing gender pay gaps and living wage issues, increasing the diversity of workforces and leadership teams, and becoming more inclusive.

CARLOS BRITO
CEO, AB INBEV

Joep has little patience for claims that companies need to compromise profits for purpose. “The most dangerous and seductive argument is that you’re forced to make trade-offs between purposeful business and strong business performance. It is a total fallacy,” he says. “The more we lean in on responsible business, sustainable business, we’re discovering that the business case is very strong. It drives better growth. It takes out costs. It reduces risk and it’s an absolute magnet for talent.”

Adds Marques, “We’re challenging ourselves to set very bold goals and to hold ourselves accountable. Part of our variable remuneration for executives is actually delivering against social and environmental goals, and in fact just this year we actually increased the percentage on those metrics.”

Redefining leadership for a post-COVID VUCA world

In a sense, the pandemic has served as a hot house for leadership, accelerating trends that were already impacting leaders — volatility, uncertainty, complexity and ambiguity (VUCA), stakeholder accountability, the racial reckoning and the rapid pace of change. It has demonstrated the limits of traditional hierarchies, bureaucracies and siloed business

structures and placed a spotlight on the leadership traits, ways of working and cultural attributes that are most effective in these conditions — and those that aren’t.



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ALAN JOPE
CEO, UNILEVER

Key leadership traits emerge

A silver lining in the crisis has been the growing recognition that previously underappreciated leadership attributes — humility, empathy, resilience, adaptability, authenticity, transparency — are the very traits that the most effective leaders have drawn on during the crisis. Leaders with these traits were better able to engage and support their teams and the broader organization to respond to the challenges of the crisis. They had the humility to admit that they didn’t have all the answers and empathy for those who had lost family or friends, were caring for sick family members, had spouses who lost jobs or were just overwhelmed by their work and home obligations.

“The great leaders in our business who have displayed empathy, support and care have fared better and had more support for whatever changes have been required,” says Weihrauch, “And we know that some of the ‘soft’ values, interpersonal skills, empathy, authenticity are even more important than they were perceived to be prior to the pandemic.” Traits like empathy and caring were critical for keeping the organization engaged and aligned during the pandemic, agrees Heineken CEO Dolf van den Brink. “But those

are traits that you don't necessarily learn in business school or in the early stages of your professional life, because the emphasis is on performance, initiative, innovation and speed." Going forward, he says, leaders will need "all these tools in their tool box."

Leaders who could bring clarity to issues and had a willingness to collaborate, share information quickly, proactively identify problems and bring people together to solve them were able to respond faster and more effectively to the challenges that arose.

"Candor was very important. There was no time for, 'I'll try and work this on the side and not let you know about it.' There was a huge premium on getting the issues on the table quickly so we can work together and solve them, versus trying to do it on your own," explains The Hain Celestial Group CEO Mark Schiller.

These leadership attributes will continue to be critical going forward, as the volatility, pace of change and other forces affecting business continue to accelerate in a post-COVID world. "Once the pandemic is behind us, I hope we continue the empathy, teamwork and quick

innovation we've had these past months rather than get bogged down in bureaucracy," Dick's Sporting Goods CEO Lauren Hobart says. "We've already started talking about how we process and maintain the innovative spirit — by creating 'attack teams' who will remove barriers and get things done."

LAUREN HOBART
CEO, DICK'S SPORTING GOODS

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New models for top team communication and collaboration

Faced with making big decisions with limited information and huge implications for the business, top leadership teams changed how they operated during the pandemic — meeting more often, sharing more information and collaborating in ways they hadn't in the past. While executive teams may not continue meeting at the pace they were during the height of the crisis, there is no going back to monthly meetings with highly orchestrated presentations.

COVID and the other forces impacting businesses mean that leadership teams need to be more aligned and coordinated, and able to respond faster. Closer communication helps drive alignment, ensures that implications of decisions are raised and thought through, and eliminates some of process and bureaucracy that impede decision-making. "It's just increased the clock speed of everything that we do. It was done out of necessity, but there's no way we're going back to monthly set pieces as how we lead the business," says Joep. Adds Schiller, "People's ability to organize the work, get the right people on the phone and get to the right decisions quickly has galvanized us as a team. We had been working to get our team to adopt a more



cross-functional mindset and a collaboration mode. COVID accelerated it because it was the only way to get things done. You had to be proactive, you had to get on the phone, you had to keep people informed of what’s going on, or it just was going to fall apart.”

Van den Brink sees a strong shift away from the more hierarchical, hub-and-spoke style of leadership of the past to a more inclusive leadership style in which the CEO creates a culture of psychological safety combined with strong challenge and debate, which enables co-creation. “This is the leadership model I believe in. The team needs to work without everything going through the CEO. When every team member goes his or her way, the team is still working together because we have aligned the mental models and aligned the aspirations.” This approach creates a sort of collective intelligence at the top, enabling leaders to better respond to the rapid pace of change and incredible amount of information they have to process. “That means you really need to empower people, but empowerment without alignment is chaos, and alignment without empowerment is bureaucracy.”



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MARK SCHILLER
CEO, THE HAIN CELESTIAL GROUP

Sustaining agile processes

In order to survive the depths of pandemic, most organizations had to pivot quickly to prioritize lines of business, overcome distribution and supply chain obstacles, and bring new products to market. To do this, teams and organizations embraced new ways of working, including more frequent and fluid communication that helped break down long-standing silos and bureaucratic processes.



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CEO, DICK'S SPORTING GOODS

Maintaining those agile practices will be important for staying on top of technology developments, responding to the rise of new, focused competitors and staying close to consumers. Many organizations already were on a journey to increase organizational agility before COVID; the pandemic accelerated those efforts and demonstrated to leaders and people throughout the organization that change was possible. Agile, multifunctional work groups, product development “sprints” and new platforms to bring together teams with the right skill sets emerged as key tools enabling companies to scale their COVID response.

“This was a very important moment for us because it was a wake-up call for the entire organization that there was a big need for change,” says Kraft Heinz CEO Miguel Patricio. “We will never be the same, because the company understood the need for change. We had to empower people, we had to trust them, we had to cut procedures.” Adds Marques, “There is no question that a lot of the things that we learned are going to stay because they showed us that we can be more productive, more agile and a little more flexible in terms of where and how people work.”

Values, purpose and culture

Values and a sense of purpose helped keep organizations aligned and focused as they responded to the challenges COVID presented. Kraft Heinz, for example, found that investments the leadership team had made pre-COVID in defining a vision and business model and articulating values and a target culture paid dividends when the crisis hit. “These things were unbelievably important in the engagement of our people — a sense of purpose, a sense of direction and having a true north,” says Patricio.

Purpose aligned and motivated associates at Dick’s Sporting Goods during COVID, with associates seeing themselves supporting people’s health and wellness journeys, Hobart says. “Our associates were on a mission. They felt like they were making a difference by helping our customers stay healthy. Our morale is at the highest point ever,” she explains. “Our purpose brought out the best in people during COVID.”

Another lesson from the pandemic: the power of transparency and authenticity. CEOs used technology to connect with people throughout the organization in regular town hall sessions, with many taking any and all questions from employees. That kind of radical transparency reinforces the organization’s shared mission and sends the message that “we’re all in this together.”



“Normally, leaders have the stance that ‘I’ll tell them what they need to know, and we’ll keep them at arms’ length,’” says Schiller. During his regular town hall meetings with employees, which started early in the pandemic, he opted for transparency. “They literally can ask me anything they want about anything. Whether it was about social unrest, the political landscape or a decision we made that they didn’t like, people could ask me in a public forum. And as long as it was a respectful question, I would answer it. This has brought us together. And we were able to get input on big decisions like going back to the office and working from home more effectively. It became more of a ‘we’ conversation. That’s gone a long way toward building our culture.”

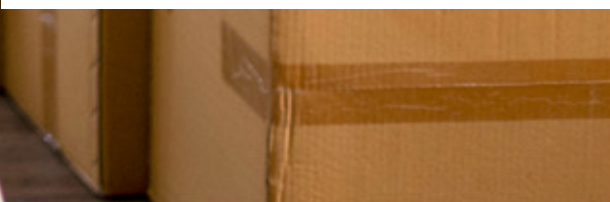
Looking ahead, many organizations may move to hybrid work models and flexible working arrangements. It will be important to carefully consider the impact on culture, norms and operating ground rules to preserve the best from the pandemic experience, while finding ways to promote deeper connections, better understanding and trust.



It is too early to know how lasting some changes from the pandemic will be. For example, will consumers stay with the trusted brands they embraced during COVID, or seek out new, unique brands tailored to specific audiences? Will they return to their old dining out habits, or continue to spend more time at home? Other developments seem likely to stay, such as the rapid adoption of e-commerce and digital marketing and the consumer shift toward brands that align with their values.

The most lasting lesson may well be about leadership. The pandemic illuminated leadership traits, ways of working and cultural attributes that characterized the most effective responses to the crisis. Companies that embrace these leadership lessons will be in the best position to adapt to the ongoing change, uncertainty and volatility ahead.

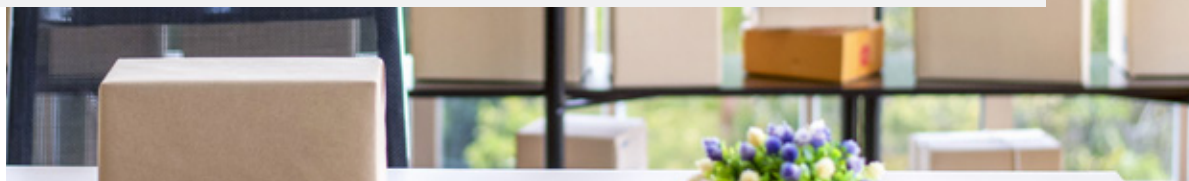
Embracing these lessons from the pandemic, consumer leaders look to the future with optimism. Says Brito, “We’re emerging stronger because we’re more tied to our communities, our brands are more relevant to our consumers, we have momentum and we’re more certain that our business can be part of the solution for a better world.”



Ten key traits for consumer leaders

Leaders with these attributes were better able to engage and support their teams and the broader organization to respond to the challenges of the crisis.

- » **Empathy:** caring and concern for the challenges facing individuals in the organization
- » **Humility:** willingness to admit to not having all the answers
- » **Resilience:** tenacity and mental toughness
- » **Adaptability:** ability to improvise and being comfortable with ambiguity
- » **Authenticity:** showing your true self, being genuine in interactions with others
- » **Transparency:** openness about issues and challenges — and about what you know and don't know
- » **Willingness to collaborate:** orientation toward bringing people together
- » **Candor:** proactively identifying problems and sharing information
- » **Clarity:** ability to succinctly articulate issues and opportunities
- » **Innovative:** creativity and openness to new ideas



Interview participants

- » Carlos Brito, CEO, AB InBev
- » Stefan Descheemaeker, CEO, Nomad Foods
- » Gilbert Ghostine, CEO, Firmenich
- » Lauren Hobart, CEO, Dick's Sporting Goods
- » Alan Jope, CEO, Unilever
- » Roberto Marques, CEO, Natura & Co
- » Jacek Olczak, CEO, Philip Morris International
- » Miguel Patricio, CEO, Kraft Heinz
- » Mark Schiller, CEO, The Hain Celestial Group
- » Hein Schumacher, CEO, FrieslandCampina
- » Dolf van den Brink, CEO, Heineken
- » Poul Weihrauch, Global President, Mars Petcare

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