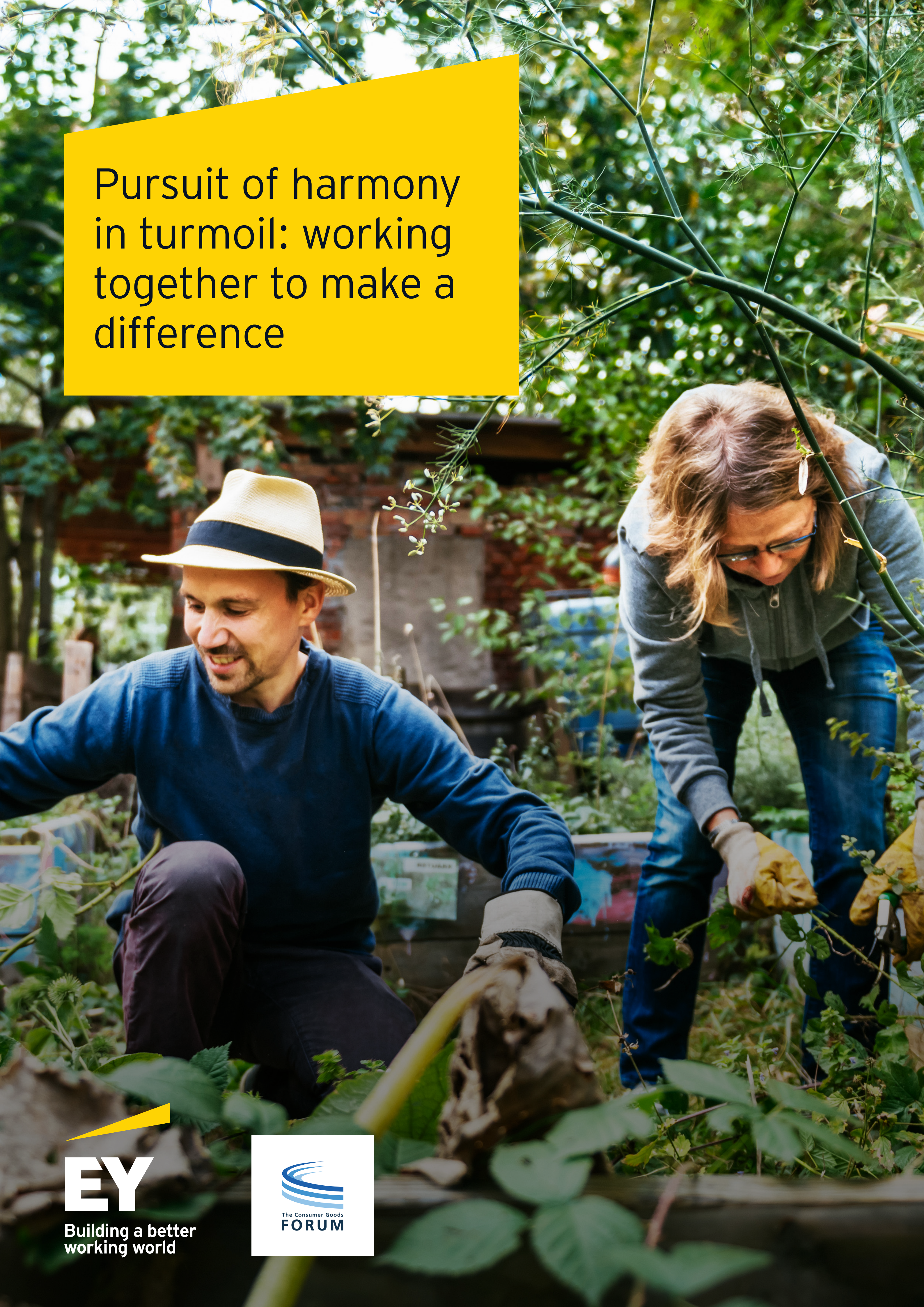
Pursuit of harmony in turmoil: working together to make a difference



Building a better working world

The Consumer Goods FORUM

Table of contents

About this report

This report was written by the EY Global Consumer practice in conjunction with The Consumer Goods Forum to understand the challenges consumer companies currently face. The report explores how consumer companies' short-, medium-, and long-term outlook has evolved and how strategies will accommodate fast-changing priorities. It takes a solution-oriented approach to understanding the best practices and approaches to collaboration that will deliver future success.

The EY Global Consumer practice and the CGF conducted interviews with 17 leaders of the CGF member companies representing a cross-section of its membership from different regions and subsectors. The qualitative interviews formed a foundational set of insights, which were augmented by additional research into the activities of the CGF and its members, other perspectives in the wider market, and proprietary EY research (through programs such as the EY Future Consumer Index). This multi-tiered approach creates a broad perspective on consumer companies' challenges. It also highlights how the strategies that address these challenges should include collaborative efforts that are enabled by convening organizations such as the CGF.

Foreword

In today's climate, if you ask any consumer company CEO what is top of mind, the response will likely begin with rising costs and end with price sensitivity. The impact of COVID-19 may be receding, but companies face fresh challenges. Supply chain disruption and geopolitical volatility have increased the cost of energy and raw materials, driving up inflation. In turn, policymakers are increasing interest rates and tightening fiscal policies. Consumers are being impacted by wage increases that are not keeping up with rising prices, while mortgages, utilities, and borrowing are becoming more expensive. And consumer companies find themselves in a similar situation: costs are up, growth is hard to come by, and debt is becoming more expensive to manage.

This makes today's operating environment difficult to navigate. Companies are forced to make trade-offs between margin versus growth, investment versus cost, and price versus purpose. At the annual Consumer Analyst Group of New York (CAGNY) event in February 2023, some of the largest consumer products companies in the world unveiled strategies that strike a balance between rising costs, price-conscious consumers, shareholders' needs, and their commitments to sustainable long-term growth.

Scratch the surface of these challenges and they quickly multiply. Regulatory scrutiny is tightening on sustainability, data privacy, harmful ingredients, and product safety. Deadlines for social and environmental goals are looming large — and must be met. The war for talent is intensifying — companies are building new capabilities while engaging a new generation of employees with different values and priorities from their predecessors. Successive waves of disruptive technology are driving investment in new business models and digital infrastructure. Consumer trends are fundamentally changing, with share of wallet shifting from ownership to rental, repair, and spend on services and experiences. Managing these challenges is difficult, but tight competition makes it exponentially tougher. The consumer industry's glass seems very much half empty.

But a glass half empty is also a glass half full. There is much that companies can do to thrive in this environment. Volatility and frugality can be engines for innovation, efficiency and resilience, which could improve growth and margin. Weathering short-term challenges should not distract leaders from delivering long-term value to their companies as well as to people and the planet. Success depends both on how leaders run their companies and how they work with others to address industry challenges. Collaboration isn't always possible, given the competition between companies. However, there is a substantial middle ground where collective action and cooperation optimize outcomes for all.

The Consumer Goods Forum (CGF) and EY believe that this middle ground is essential to good business practice. We interviewed the CEOs of prominent CGF members to explore the short and long-term challenges and opportunities they and the wider industry face. We also asked how collaboration using forums — such as the CGF's eight Coalitions of Action — can help future proof their businesses.

We hope this report helps readers appreciate the challenges faced by the industry and, more importantly, how collaboration helps us overcome them.

Kristina Rogers
EY Global Consumer Leader

Wai-Chan Chan
Managing Director,
The Consumer Goods Forum

From business-as-usual to disruption-as-normal

Disruption is not new. Over the last century, consumer companies have weathered the Great Depression, World War II, The Cold War, and many other social, political, and economic crises. The acronym VUCA (volatility, uncertainty, complexity and ambiguity) was coined almost 40 years ago and continues to be a lens through which to view the world. Historically, volatility and turmoil were unexpected and sporadic industry challenges. Some were short-term shocks. Others persisted in creating a new normal. But they did not prevent many of the world's largest brands from growing their global footprint and revenues. Over its 137-year history, The Coca-Cola Company has become a worldwide household name. It is not alone. Many established brands and retailers have successfully plied their trade for decades, centuries, and even millennia. Japan – the location of this year's CGF Global Summit – is home to the five oldest companies in the world, all of which have operated for over 1,000 years.

Nonetheless, today, the situation feels very different. Consumer companies are not facing one crisis at a time. Successive and simultaneous waves of disruption are coming from different directions, creating persistent uncertainty in a rapidly changing operating environment. In recent years, consumers – and the companies that serve them – have been pummelled by a global pandemic, a supply chain crisis, war in Europe, sharp increases in energy and raw material costs, product and energy shortages, and rapid interest rate rises. These shocks come against a backdrop of political polarization in many Western economies and humanitarian concerns in dozens of countries across Sub-Saharan Africa, the Middle East, and Asia.

"Uncertainty is currently driven by the geopolitical environment. We've been living for three years now with unprecedented disruptions in our supply chain, in consumer behavior, in the whole ecosystem that we work in, starting with COVID, and then war in Europe, and inflation, and we don't know what's around the corner."
Steve Cahillane, Chairman and CEO, Kellogg Company

Meanwhile, consumer expectations continue to grow, talent needs are changing rapidly, and emerging technologies are quickly gaining prominence. Consumer companies now have a dizzying array of tools to help transform their business but picking the right ones to invest in and finding the funds to do so has added further complexity to the choices they make.

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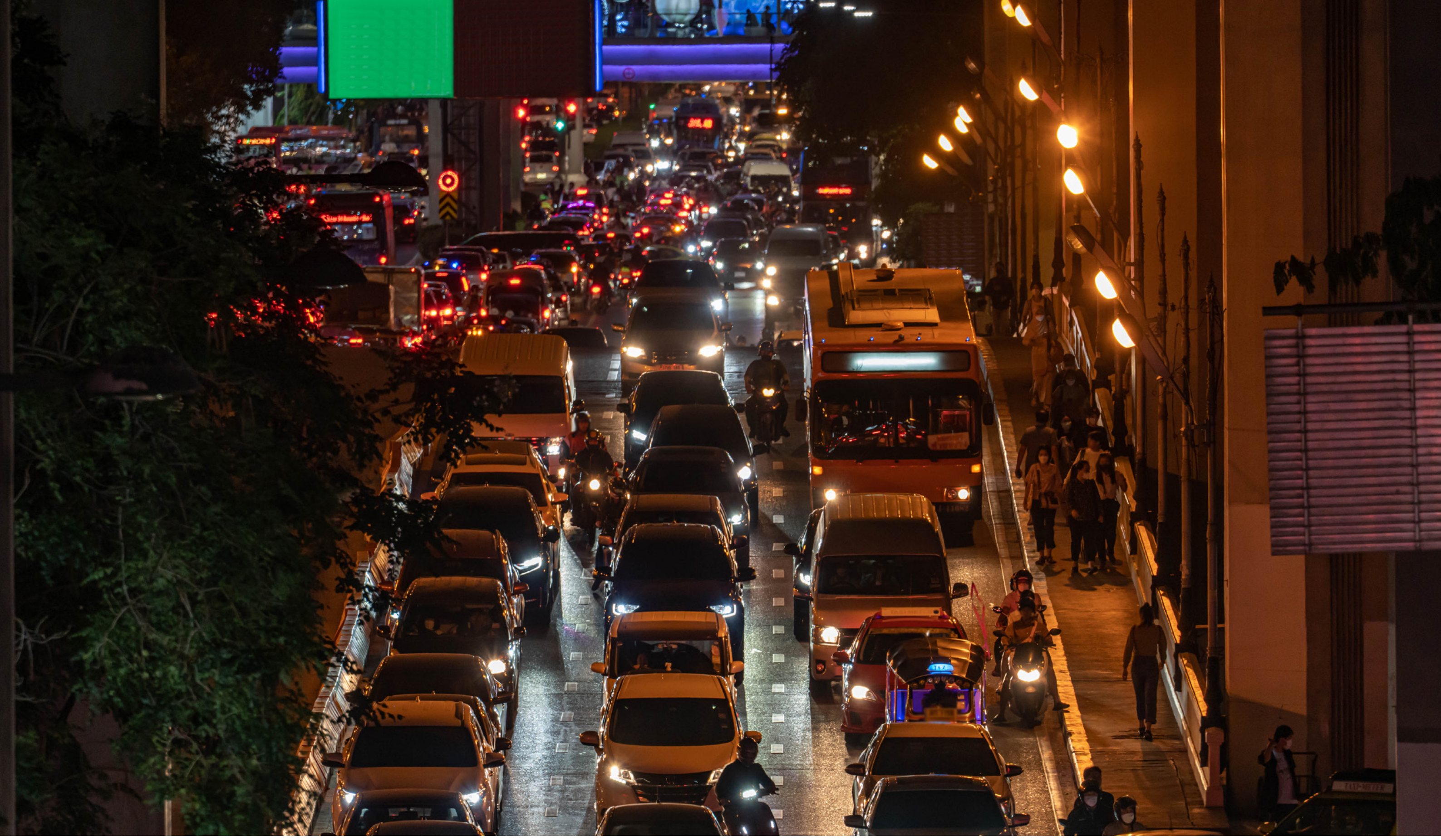
I've worked a good 25 years in this industry, and there has not been more change in the past than there is now!

Frans Muller
President and CEO,
Koninklijke Ahold Delhaize N.V.

We've seen accelerated interest in the Metaverse followed by an explosion of interest in generative AI, which could impact hundreds of millions of jobs. Finally, environmental sustainability concerns continue to grow and evolve. Climate change is causing disruptive weather events that directly impact businesses, increasing an industry focus on climate adaptation as well as mitigation. The US National Oceanic and Atmospheric Administration reported that in the 1980s, there was an average of 82 days between billion-dollar weather-related disasters. In the period 2017 to 2022, this gap had fallen to just 18 days.

"Environmental changes have made it clear to us that we will not be able to survive and achieve sustainable growth if we simply continue with our existing businesses."
Yoshinori Isozaki, President and CEO, Kirin Holdings

New styles of leadership are emerging from this turmoil. Instead of stumbling from one crisis to the next, leaders must build adaptive and agile enterprises which can more easily address unanticipated shocks. In a disruption-as-normal world, consumer companies cannot predict the challenges they will face, but they can ensure that their business is well-placed to address them.



After three years of near-continuous disruption, at a time when price and cost are paramount, the prospect of more transformation seems unpalatable. Investment in talent and infrastructure needs to be made. Business culture, operating models, and digital capabilities must move at the speed of consumer and technological change. Companies that are implementing efficiency drives and cost-cutting programs may not have the funds, or the capacity, to go down this road.

> **"One of the main challenges is how we make sure that our company is evolving and transforming faster than the consumer and the customer. Because that evolution is happening so fast."**
> *Daniel Rodríguez, CEO, FEMSA*

However, companies are moving forward. Many are already on a journey that began in 2020 to embed resilience and agility into their operations. COVID-19 taught companies to be faster and leaner. During the pandemic, transformation programs that used to take months or years were delivered in weeks, sometimes days. In the turmoil that has followed, these behaviors have become more entrenched.

Approaching every disruption as a challenge could prove counterproductive. Technology can create scaled solutions that improve cost, efficiency, measurement, and engagement. While the Metaverse and generative AI are hot topics today, other technologies such as blockchain, 5G infrastructure, and 3D printing are also quietly increasing adoption.

Finally, consumer companies do not face these challenges alone. In fact, they are much stronger when tackling them together with – peers, partners, suppliers, competitors, regulators, and consumers. Collective action, collaboration, and cooperation will unlock far more value and potential than a single company can manage, especially when building the scale required to meet longer-term goals.

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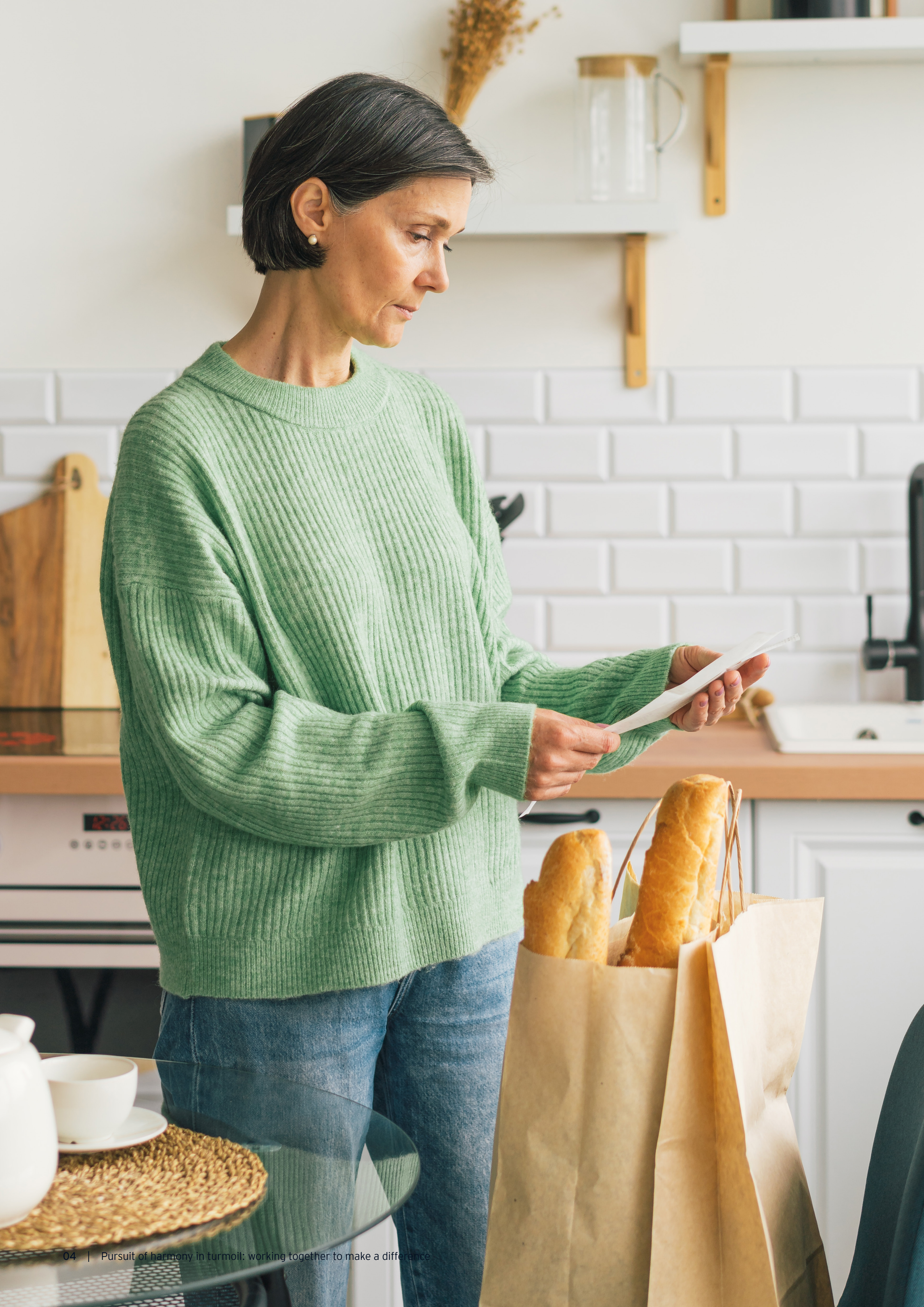
The business challenges of today require us to be even more open and cooperative through collaboration with our supply chain partners and even with our competitors.

Jeffrey Lu
CEO and Executive Director,
China Mengniu Dairy Company Limited



The anatomy of a polycrisis

> I'm worried about where consumers are going to find themselves after another round of price increases and lingering inflation. We're not used to that. I've been in this industry 30-plus years and we've never had a period in developed markets that was like this.
>
> **Dirk Van de Put**
> Chairman and CEO, Mondelēz International Inc.

At the CGF Global Summit in Dublin in June 2022, Alan Jope, CEO of Unilever, remarked: "I am a bit fed up of living in unprecedented times, I'd like to live in precedented times for a couple of years." Unfortunately, precedented times are not on the horizon. The relative stability enjoyed in 2019 is a distant memory.

Today's turmoil can be contextualized in a few numbers. According to the World Health Organization, COVID-19 claimed almost seven million lives globally. The International Monetary Fund believes the pandemic cost the world economy an estimated US$12.5 trillion. The ensuing supply chain crisis increased freight prices five-fold – from under US$2,000 for a 40-foot container in 2019 to over US$11,000 in September 2021. Just as supply chains began normalizing, Russia's invasion of Ukraine caused the largest European refugee crisis since World War II. Supply chains were further disrupted and cost the global economy an estimated US$2.8 trillion in 2023. Renewed pressure on supply, energy, and raw materials pushed global inflation from 3.5% in 2017-2019 to 8.8% in 2022. Inflation in 2023 is expected to be 6.6%, with wage growth lagging far behind. Interest rates have risen rapidly to control this inflation. In the US, rates have shifted from virtually zero in January 2022 to almost 5% by April 2023, with European Central Bank rates not far behind at 3.5%. In Asia, the shift from deflation in Japan to price rises of over 3% is adding pressure on the Bank of Japan to increase interest rates, which are currently negative. At the other end of the spectrum, Brazil's interest rates are approaching 14%.

"The biggest challenge is the inflationary pressure that we are experiencing and the high volatility in energy and raw material costs and how to manage margins, volume, growth, pricing in this very volatile environment."
Magnus Groth, President and Chief Executive Officer, Essity AB

The volatility that these numbers represent has created a perfect storm for consumers. War and rising energy costs have led to a cost-of-living crisis and product shortages, but austerity measures have reduced the capacity to buy or borrow. This is causing consumers to rein in discretionary spending and trade down in essential purchases. New car sales, which are often seen as a bellwether for belt tightening, fell by 20% in the first two months of 2023 in China, despite incentives from manufacturers. Consumer companies are caught in the middle, trying to balance price sensitivity with supply chain dislocation, rising costs, and higher debt burdens. Added to these human and financial costs are heightened uncertainty and further geopolitical disruption. The EY Geostrategic Business Group has outlined ten key developments for 2023, which identify business challenges ranging from food instability and energy security to geopolitical tensions and economic isolationism. All point to a future where business activity is defined by managing a combination of stabilized volatility and policy trade-offs that will seek to juggle austerity with commitments to growth and sustainability.

"The pandemic and war in the Ukraine changed our business environment completely. Inflation rates led to higher prices resulting in higher consumer price sensitivity. The energy crisis has put pressure on all of us – both businesses and private households."
Lionel Souque, CEO, REWE Group

The disrupted consumer

"Disruption will always occur, and consumers and society are always evolving, so various business opportunities will definitely arise."
Taro Fujie, President and CEO, Ajinomoto

Consumer CEOs must fully consider the disruption consumers face and the long-term changes that might result if they are to adequately address industry challenges. Since COVID-19 began, the EY Future Consumer Index has measured these changes. The Index surveys over 20,000 consumers across 27 countries worldwide. In addition, the EY Global Consumer practice has also identified over 200 drivers of change that could influence the consumer landscape over the coming decade. Current disruption is accelerating these drivers' evolution, which is rapidly changing the way consumers engage with retailers and brands.

Today, cost and price are top of mind for consumers, with 74% concerned about rising living costs, and 56% worried about their ability to afford household necessities. Consumers do not expect the situation to improve – 54% expect rising living costs to worsen in the next six months, and 64% express worries about their country's economy.

"Trying to manage cost inflation pressure in the face of a consumer who is increasingly stressed is probably the most significant challenge that we're all trying to face."
Galen G. Weston, Chairman and President, Loblaw Companies Limited

These priorities also reflect changes in consumption that are being driven by factors beyond increasing prices. Concerns over sustainability and the experience of living with less during the pandemic are causing many consumers to question the need to own more. Consumers may want to do more things, but they might not want to own more things. This is driving up interest in experiences, services, renting, repairing and peer-to-peer selling.

Other drivers are pushing further change. Technologies like blockchain enable greater scrutiny of brands. New digital products and experiences will shape the choices consumers make and the way brands engage with them. Changing health perceptions have shifted consumer focus to mental well-being, preventative measures, and social determinants. These new priorities blur the boundaries between medicine, income, lifestyle, and diet. Different social, political, and economic situations are polarizing behaviors. Frans Muller, President and CEO of Koninklijke Ahold Delhaize N.V., believes this is a key future concern: "The divisions in society, growing inequality, political environments which push people apart instead of bringing people together is a terrible development. A lot of things can be solved with technology and collaboration, but spirit, mentality, listening to each other and living together in a society will create opportunities for everybody."

This polarization, and an increasing consumer awareness of how they spend time and money, is confirmed by the Future Consumer Index data. Ownership and brand loyalty are diminishing priorities; consumer aspirations are shifting toward expressing purpose.

How the disrupted consumer is changing

70% expect companies and organizations to drive positive social and environmental outcomes

67% now try to repair things rather than replace them

63% are reappraising how they spend time on things they value most

59% will mainly take environmental action if it saves them money

46% plan to increase their reliance on technology to manage their daily life

43% feel that they have more possessions than they need

42% expect a four-day working week in the coming years

38% intend to buy more second-hand products

28% are switching from name brands to private label

So, what will drive companies' future growth? For decades, growth came from encouraging increased consumption, including shortened launch cycles for new products, fashion seasons, increased portion sizes, bulk buy discounts, increased choice and new channels. But fatigue and austerity are forcing brands to develop value propositions around a growing desire to consume better, not more. Companies are innovating and adapting their offering to sustain relevance. As Dirk Van de Put, Chairman and CEO of Mondelēz International Inc., observed: "Consumers don't just shift based on the way they buy; they shift their opinions faster than you think. Since we are in such a period of turmoil, we are seeing big shifts in the mindset of consumers. There's a change in shopping habits. They want to try more things. What was true before the pandemic and this inflationary period won't necessarily be true after."

Demographics are a major driver of this trend. The digitally native GenZ is a strategic focal point, both as consumers and employees. However, a transactional selling strategy is insufficient. Carlos Mario Giraldo, CEO of Grupo Éxito, cautions that: "They want not only good products and services, but they also want transparency, they want environmental responsibility. They want to see that, as we promote business, we're also promoting community."

All the interviewees prioritize talent, especially when engaging younger generations. As digital adoption grows, digitally native GenZ consumers are becoming more relevant from a talent and engagement perspective. But GenZ attitudes to employment are disrupting traditional employment models. Historically, incentive plans prioritized salary, career paths, and pensions. Now they must also include purpose, flexibility, technology, and personal development. Lionel Souque, CEO of REWE Group, noted that "It gets more and more challenging to hire and then to keep qualified employees. Especially during crisis times, keeping employees happy and engaged is a key priority for us."

Flexible working practices established during the COVID-19 pandemic have become an employee expectation, while automation and AI require new capabilities. Addressing this will be difficult. Companies must attract and retain staff with these new skillsets, develop their existing staff's skills, and minimize the disruption caused by technologies that render some skills obsolete. Malina Ngai, CEO of A.S. Watson (Asia & Europe), describes how multiple programs were being applied to address this challenge, including constantly upskilling her workforce: "We launched the "Fit for the Future" which ensures employees are equipped with the skills needed for customer-oriented business as they grow alongside the company in different roles."

Consumers and employees are humans, with the same evolving needs and attitudes. To secure the loyalty of both, companies must view them through the same lens. The guiding principles of both talent and consumer acquisition should be aligned, as Daniel Rodríguez, CEO of FEMSA, commented: "As we evolve our customer value proposition, we must also evolve our employee value proposition to make sure that we are also attracting for the young generation."

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Placing our consumers at the heart of all decision making is the most powerful way to navigate a constantly challenged environment. It requires developing a seamless integration of global strategies and local empowerment. Investing in data-driven insights, embracing feedback, and developing true cooperation within our organizations.

Nathalie Roos
CEO, LIPTON Teas and Infusions

Addressing today's challenges

Adapting for a "no-normal" landscape

"We are not planning on the world getting back to a normal state of affairs. We're planning for, 'How do we continue to build capability around agility', so that when the next unprecedented thing happens, and who knows what it might be, we're as prepared as we can be."
Steve Cahillane, Chairman and CEO, Kellogg Company

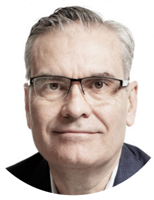
What has become apparent over the last few years is the depth of resilience and adaptability that people – and businesses – have. These strengths show adversity and innovation as two sides of the same coin. Many of the CEOs interviewed view the current volatility with a positive mindset. They aren't immune to the issues, but they are recalibrating their businesses to address them, often at speed.

"It is critical for survival that we build an agile organization that can anticipate and respond to changes in a dynamic and flexible way. This requires nimble and stable teams in all functions."
Malina Ngai, CEO, A.S. Watson (Asia & Europe)

No challenge is more acute than supply chain security. Consumer companies are trying to drive down costs while ensuring their products can be sourced, made, distributed, and sold. There is no "one size fits all" approach to fixing the array of supply chain challenges; instead, a nuanced strategy is needed. One that deploys digital tools for measurement, tracking, and improvement while also leveraging procurement and innovation to use substitute materials or diversified supplier networks. For decades, perceived wisdom on supply chains has fluctuated between offshoring, onshoring, and nearshoring. The most viable model in the current environment is a hybrid approach to prevent overdependency on one particular source. As Taro Fujie, President and CEO of Ajinomoto, puts it: "We want to avoid putting all our eggs in one basket. Especially in terms of purchasing and procuring raw materials."

But supply is just one challenge. Cost is also top of mind, putting retailers and consumer products companies between a rock and a hard place. They must preserve margins while balancing rising input costs with increased consumer price sensitivity. Leaders' immediate actions have focused on taking cost out wherever possible, increasing operational efficiency, and rebalancing portfolios to lower-priced alternatives. For consumer products companies, this may mean simplifying their category and brand offering to focus on the most relevant. For retailers, adjusting assortments to deliver lower-priced or private-label alternatives has helped to lessen the impact on their customers.

"A challenge in the business environment, is how to manage inflation. And not only on the cost side, but how to contain the prices to our consumers. Through different types of strategies, we have been able to contain the inflation to our customers by purchasing in advance, by improving productivity, by offering them a low-cost portfolio of national but mostly private label products, to which they can switch."
Carlos Mario Giraldo Moreno, CEO, Grupo Éxito



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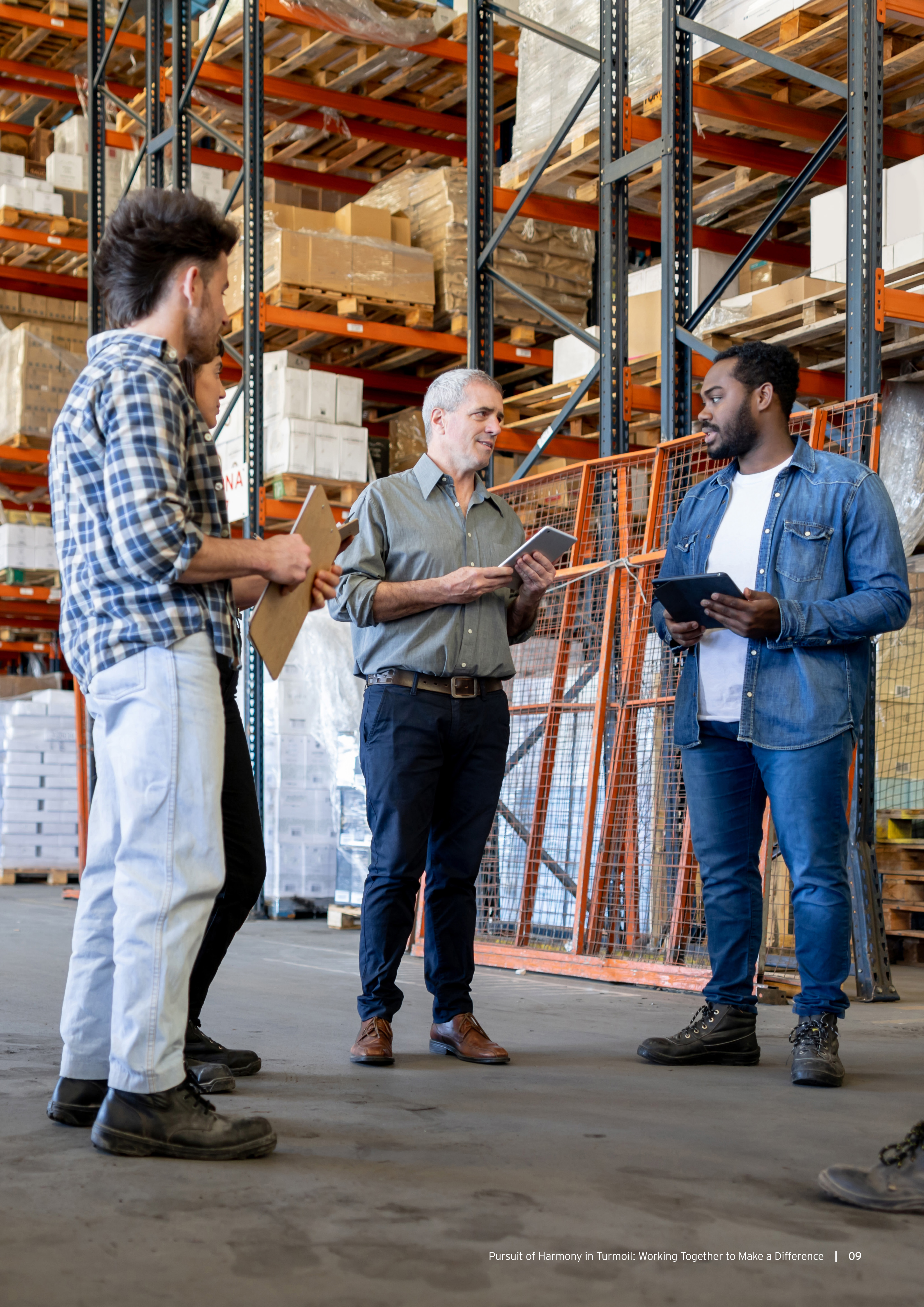
I think that one of the big learnings of the last few years for a lot of companies is, 'How resilient is your supply chain, and what do you need to do to make sure it's more resilient going forward?' As with any crisis, this has, for many companies, highlighted an opportunity for improvement on this front.

Brian McNamara
CEO, Haleon plc



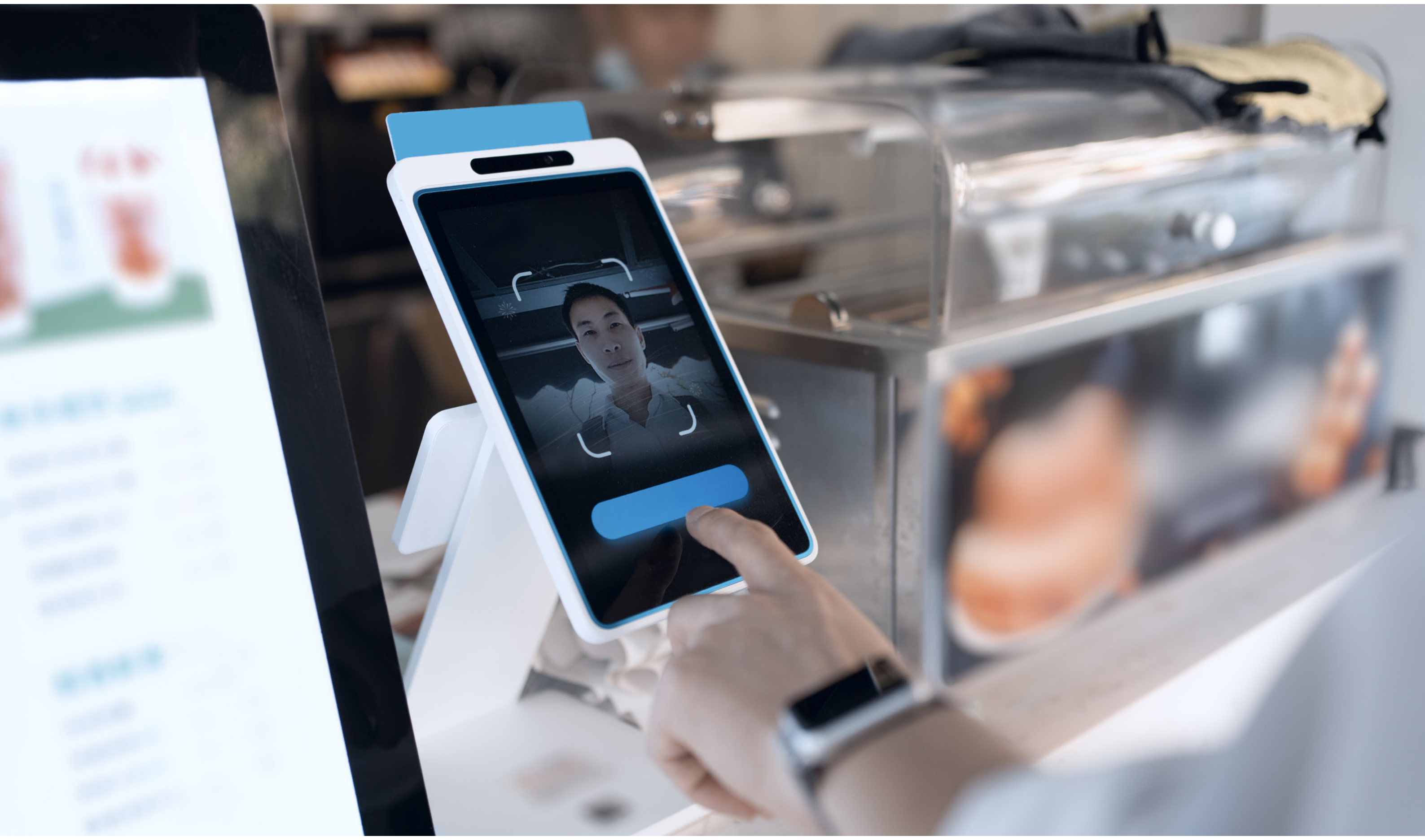
Balancing the needs of today with the goals of tomorrow

"The more volatile the environment is, the more important your long-term goals are. Volatility has pushed us even further on our brands and how we want to position them, on our sustainability goals, on the culture of our company. These are the things which help you stand the test of time."
Alexis Perakis-Valat, President, Consumer Products Division, L'Oréal S.A.

In the rush to meet short-term challenges, companies can be tempted to let their long-term goals slide. Trade-offs are a common reaction to any market shock. In the current climate, they are inevitable. According to the EY CEO Imperative Series – which surveys leaders to understand their approach to market trends – 44% of CEOs are delaying planned investments until the current geopolitical situation improves. A high proportion is focused on addressing near-term issues such as reconfiguring supply chains (41%), relocating operational assets (36%), and exiting certain markets (34%).

But a balance must be struck. Companies cannot put long-term plans on hold indefinitely. Social, environmental, political, demographic, and technological changes are transforming the operating environment and driving new market values. A myopic focus on today's problems risks irrelevance tomorrow. This is not lost on industry leaders. The CEO Imperative Study found that while 40% of leaders were focused on increasing strategic investment in operational areas; 39% were focused on social and environmental issues; 38% were investing in innovation; and 36% were investing in talent. While the challenges of today cannot be ignored, those of tomorrow must also be accommodated.

"Climate change, social impact, demographics: these challenges affect the entire planet. Improving the balance and sharing value to impact positively people and the planet is critical."
Nathalie Roos CEO, LIPTON Teas and Infusions



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There are changes in the world that are going to happen that we still do not know are going to happen. So, making our people adaptable, making our people open for change, making our people able to forecast short-term scenarios and change the planning cycle without losing the long-term big priorities is key.

Carlos Mario Giraldo Moreno
CEO, Grupo Éxito

Four key long-term themes emerged from the CEOs interviewed:

1. **Staying connected to the changing consumer**
   As James Quincey, Chairman and CEO of The Coca-Cola Company put it: *“The enduring challenges tend to be keeping brands relevant over time.”*

2. **Meeting long-term sustainability goals**
   Yoshinori Isozaki, the President and CEO of Kirin Holdings, commented that: *“our sustainable growth depends on the existence of a sustainable society.”*

3. **Deploying new technologies for digitally led businesses**
   Daniel Rodríguez, the CEO of FEMSA, noted that: *“We recognize that we need to be a much more digital organization. First, to improve the customer value proposition, and second, to make our processes more efficient.”*

4. **Securing talent to accommodate change**
   Malina Ngai, the CEO of A.S. Watson (Asia & Europe), saw this as crucial: *“Talent acquisition and retention is one of the biggest challenges. To attract and retain the best talent, it’s important to ensure the company has a clear purpose that is shared by employees.”*

Continued prioritization of long-term goals is crucial to maintaining a license to operate in the future. But consumer companies do not have limitless capital. Inflation, cost controls, and price sensitivities are paramount, so investment must be targeted to where it generates real impact. This creates a duality dilemma where investments must meet current needs while also building tomorrow’s capabilities.

“When you think about where you’re investing, it’s difficult to invest against uncertainty. How do you build redundancy into the system? That can be very expensive and a terrible waste of money if you never need it. You have to build agility in a way that helps you continue to produce.”
Steve Cahillane, Chairman and CEO, Kellogg Company

Preparing for what might come next

The challenges of tomorrow will not be the same as today

"Times will remain dynamic and challenging, and we need to be flexible to react quickly to unforeseen changes."
Lionel Souque, CEO, REWE Group

As Donald Rumsfeld, two-time US Secretary of Defense, once said, "There are things we know we know. We also know there are known unknowns; that is to say, we know there are some things we do not know. But there are also unknown unknowns – the ones we don't know, we don't know." While criticized at the time for stating the obvious, this analysis resonates strongly with the challenges businesses are facing in planning for the future. For example, current price sensitivities are known knowns to consumer companies, who are cutting costs to preserve margins. The length and severity of the war in Ukraine and the long-term impact of generative AI are both known unknowns. Unknown unknowns are impossible to predict but must be prepared for. Climate-related weather events, pandemics, large-scale terror attacks, unexpected conflicts, and economic shocks have all happened since the turn of the century but have recently occurred with increasing regularity.

The future is likely to be equally unpredictable. In 2022, The Atlantic Council, an American think tank, surveyed 167 leading global strategists and foresight practitioners. 95% of respondents expect at least one economic crisis on the scale of the 2008-2009 global financial crisis to occur within the next decade. 65% expect at least one pandemic with the scale and impact of COVID-19. These will be compounded by other issues, such as digitization, evolving talent, and consumer demands, increasing regulatory scrutiny, demographic changes, and sustainability priorities.

The much-quoted mantra of "resilience and agility" is far easier to say than to execute. Given unlimited funds and infinite time, most consumer CEOs could build an organization to weather any market shock. Unfortunately, no CEO has these resources. Instead, they must rapidly define investment priorities that will materially develop their businesses tailored to their unique organizational priorities. Managing this level of complexity can be paralyzing.

"I always say, 'I have one very important job which is the increasing demand on delivering financial results year after year.' That alone is a major challenge. Then there is ESG which is becoming a major agenda item. Then you add onto that the digitalization that is accelerating. After that, there are external challenges related to geopolitical, regulation, taxation, and talent. I think one of the biggest problems is that we are facing everything all together."
Dirk Van de Put, Chairman and CEO, Mondelēz International Inc.

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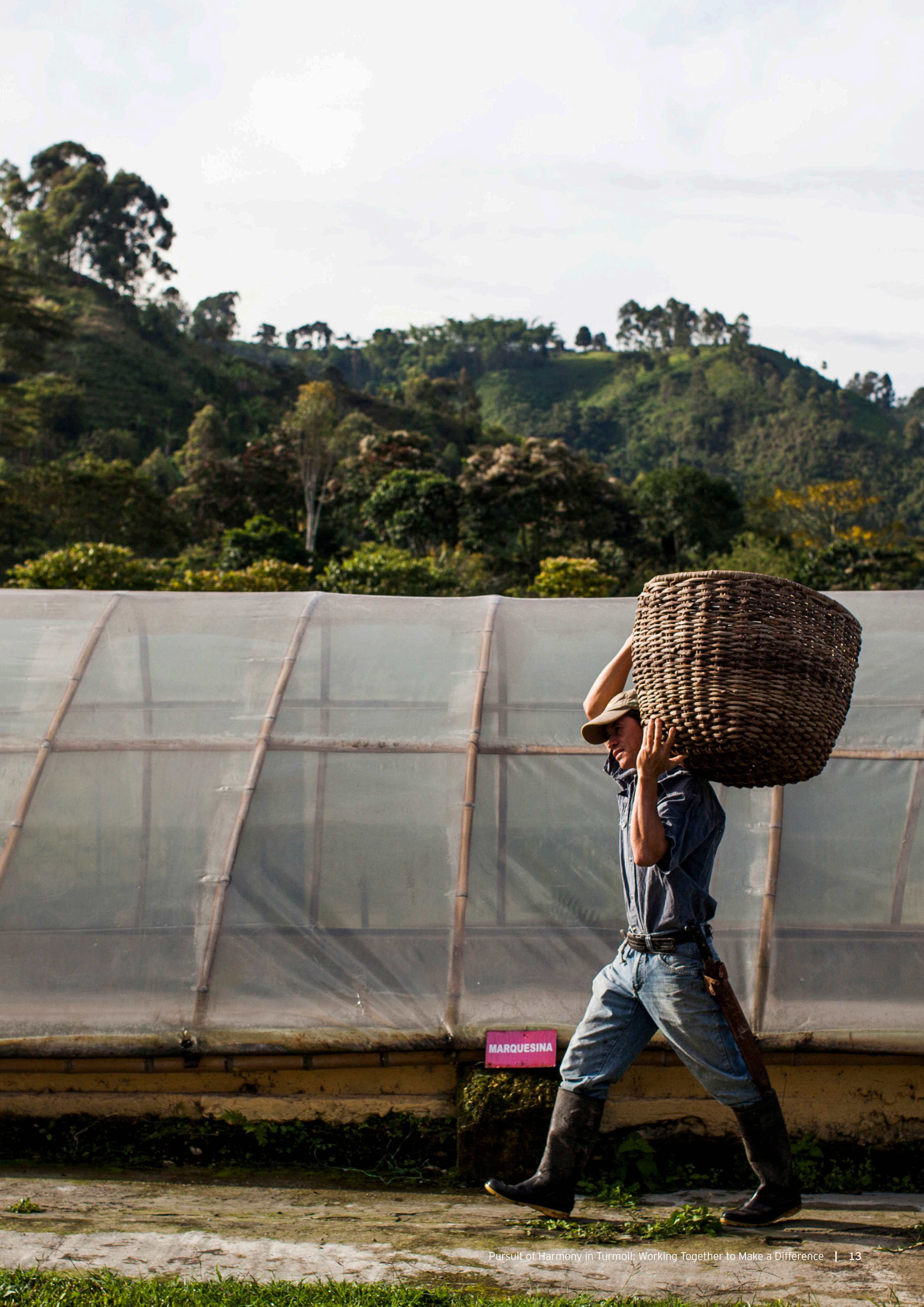
There's a whole set of ongoing changes by the consumer, by the customer, by society, and by government. It's the future trajectory of business. They tend to be changes that play out over a number of years, but it's a constant feature of business that you need to engage across this spectrum to productively think about the future.

James Quincey
Chairman and CEO, The Coca-Cola Company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Creating the mindset to thrive, not just survive

"You have to make a conciliation between the long-term and short-term. You cannot lose sight of the big long-term priorities like innovation, omni-customer focus, ecosystem, monetization. But every year, the way to get to them differs."
Carlos Mario Giraldo Moreno, CEO, Grupo Éxito

It is impossible to predict the future. But companies are increasingly applying scenario planning to understand the effects of a variety of possible short-term shocks and-long term trends that could impact their business. As Steve Cahillane, the Chairman and CEO of Kellogg Company, puts it: "Scenario planning has gone to a whole different level because nobody saw the last three years coming, and so, 'What could the next three years hold?'"

All the interviewees can draw on different experiences and capabilities to address the challenges they face. Some can learn from past lessons to face the future with a positive mindset. As James Quincey, The Coca-Cola Company's Chairman and CEO, puts it: "We have the benefit of having over 130 years of global history. And so, we're able to go back and look at how the business bounced back on every previous occasion. The first thing is to start from the premise that this can be done, that we can, not just survive the crisis, but we can emerge stronger."

At the other end of the spectrum, Haleon, which spun off from GlaxoSmithKline in 2022, was born into disruption, so it can draw on an organizational structure that is more resilient and less prone to legacy issues. As Brian McNamara, CEO at Haleon plc, puts it: "It's an unprecedented time, but the portfolio we have has been more resilient than most, and we're optimistic about our ability to grow and win in an environment like this."

METRO AG, which is changing its business model for underlying trends, relies on an integrated strategy that uses long-term capability building to help withstand short-term shocks. Dr. Steffen Greubel, Chairman of the Management Board of Metro AG adds: "We continue focusing on the implementation of our strategy called sCore, expanding into a multichannel wholesale business model. We found that countries which completed the first steps regarding the implementation of sCore show a strong resilience towards external influences such as short-term supply chain disruptions."

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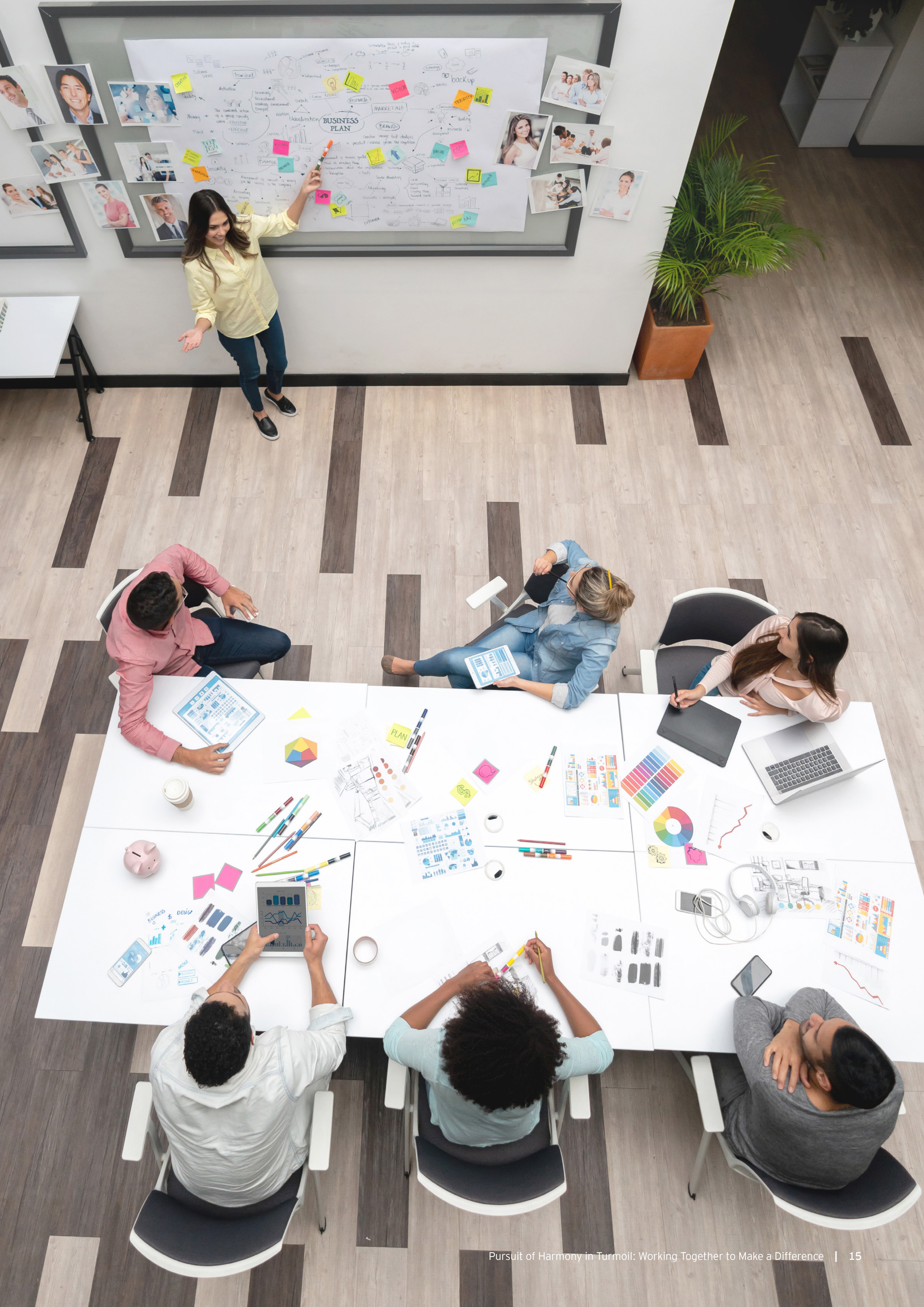
Given that there will always be geopolitical risk, we need to have as many different scenarios available to us as possible. There are many companies that adopt a policy of withdrawal, but I always think of things from the opposite perspective. If everyone else is thinking about withdrawing, I will look for opportunities to fill those gaps in some way.

Taro Fujie
President and CEO, Ajinomoto


BUSINESS PLAN
backup
PLAN

New challenges, new opportunities, new values

"We're building the company in the context of what's happening in real time, I would say it's been very fluid, but of course it's been influenced by what was happening and what we think the world is going to look like going forward."
Steve Cahillane, Chairman and CEO, Kellogg Company

Although a long-term strategy is essential, it should not be set in stone. Success also depends on flexibility in adapting to changing dynamics and expectations without losing focus. The consumer landscape is changing dramatically, and agile companies have altered their plans accordingly. But, while consumers may be price sensitive in the short-term, underlying trends remain.

"On a global basis, health consciousness has increased significantly. We have found a level of certainty that consumers need much healthier food and lifestyle behaviors that we can act on."
Jeffrey Lu, CEO and Executive Director, China Mengniu Dairy Company Limited

Changing perceptions in health and wellness have driven new behaviors and regulations to which companies must adapt. An increased focus on mental well-being, immunity protection, plant-based products, and dietary fads are changing consumption habits. High fat, salt, and sugar (HFSS) products are coming under greater regulatory scrutiny. Companies must manage these factors into their long-term objectives. As Dirk Van de Put, Chairman and CEO of Mondelēz International Inc., comments: "We're working very hard to fully understand how the consumer can evolve to a place where our products can be part of a healthy diet, in moderation, and how we educate the consumer to get there."

Then there is the roller coaster ride of how to prioritize ESG. Magnus Groth, President and CEO of Essity AB, noticed that "during the pandemic, we saw a huge increased interest among consumers to actually pay more for products with sustainability claims." But more recently, cost has become king, shifting priorities once more. According to the EY Future Consumer Index, 68% of consumers are deterred from buying sustainable products by high prices and 58% will mainly take environmental actions if it saves them money. Strategies need to balance sustainability with affordability. This is a clear priority for Galen G. Weston, Chairman and President, Loblaw Companies Limited: "When you reduce food waste, you save cost, so there's a strong alignment between the economic imperatives and the cost or price imperatives in our industry for reducing food waste."

Managing social and environmental priorities is complex. Consumer companies must address emissions, resource intensity, waste, plastic pollution, supply chain-wide labor practices, diversity, equality, inclusion, and many other factors. Simplifying these in an agile way is key to keeping commitments on track. As Dr. Steffen Greubel, Chairman of the Management Board at METRO AG, describes: "Essentially, our ESG strategy consists of three topics. The first deals with climate and carbon in our operations, logistics and supply chain, the second addresses social standards and responsibilities, and the third covers diversity, inclusion and well-being of our workforce. Out of all connected targets, two are now linked with the long-term incentive system for leadership team at METRO. We now have a coherent and simple system for our goals. We review it on a continuous basis and can decide every year if we should add more KPIs to the system. We need to focus in a way that the company can understand so that we won't drown in an ocean of all sorts of things."

Over the last three years, many companies have revisited and reinforced their long-term social and environmental commitments. Many more will follow.

"We know that a strong social purpose has become more important than ever-before. So, we have strengthened this aspect in our business by accelerating our sustainability targets and setting our vision for 2030."
Malina Ngai, CEO, A.S. Watson (Asia & Europe)

Another challenge is how to address disruptive technology and accelerating digital adoption. While technology is an enabling force for supporting long-term goals, it also presents challenges. Consumer companies must recruit new talent as they scramble to build digital capabilities. There is also the rapid pace of technological change which influences the way consumers behave and businesses operate. As Daniel Rodríguez, CEO of FEMSA observes: "We need to be a much more digital organization and digital is from two ends. One is all what we are doing in terms of how we improve the customer value proposition, and the second is how we leverage technology to make our processes more efficient."

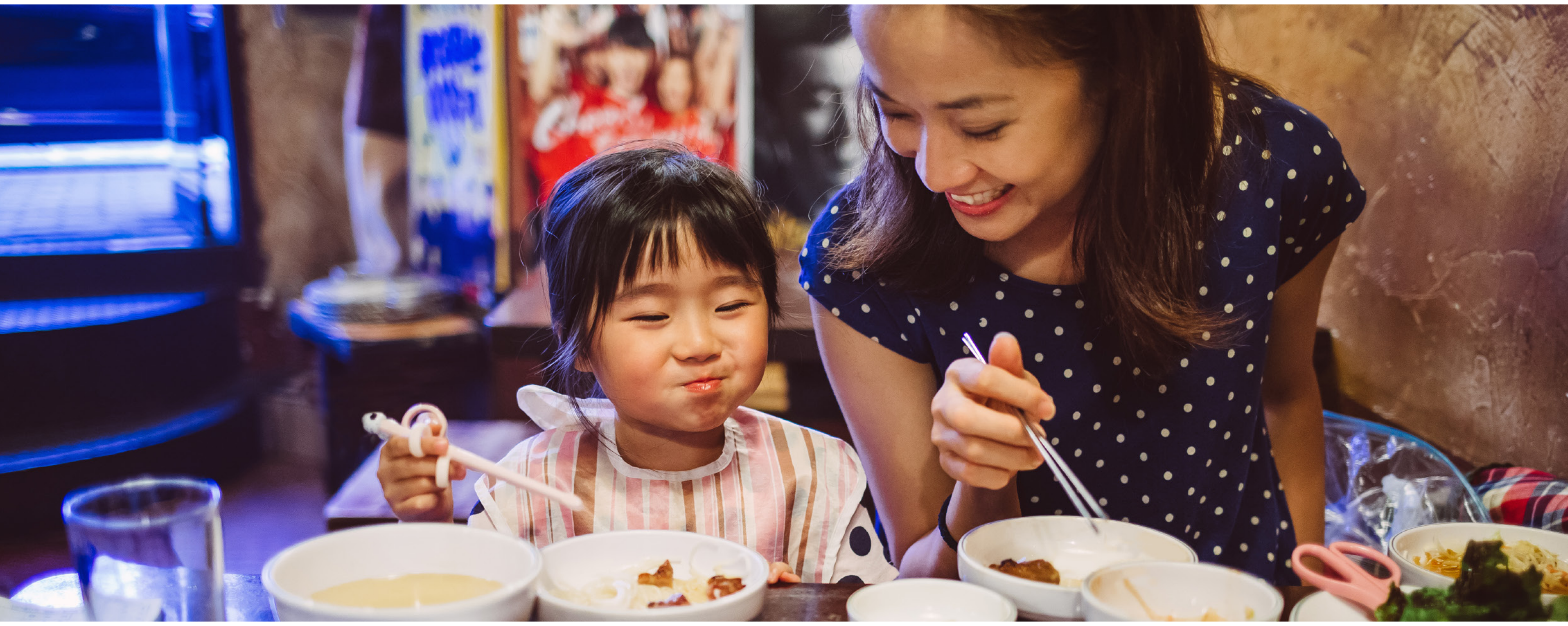
COVID-19 prompted consumer companies to upgrade digital platforms, creating an overwhelming wave of consumer data. If this is correctly analyzed, it will create valuable new insights. Frans Muller, President and CEO of Koninklijke Ahold Delhaize N.V., discussed these opportunities, both for consumers and business: "Digital and technology, in all its complexity and cost, is going to be an important enabler to improve the lives of people by providing healthy and affordable food."

But there are pitfalls too. Technology changes quickly. The rush to generative AI has overtaken interest in the Metaverse, forcing some companies to pull back Metaverse investment. Building infrastructure and analytics capabilities also requires caution. Leaders must choose the right technology and attract the right talent. As Carlos Mario Giraldo Moreno, CEO of Grupo Éxito, comments: "Data-driven organizations are key. It sometimes becomes a general saying without execution because in organizations where you have so many millions of customers with interactions as frequent as we have online and offline, data is so abundant that if you do not manage it, it is lost."

This creates different priorities for different leaders in different subsectors. Manufacturers can leverage AI, automation, and enterprise analytics for efficiency and speed. As brands, the same tools can deepen their engagement and understanding of consumers to enable direct relationships. For retailers, physical-first and digital-first retailers have different needs. The former focus on increasing their online footprint and adapting legacy infrastructure for new digital tools, while the latter are exploring technology investments in physical environments such as payment systems and in-store analytics.

Disruption is also changing working practices through new talent needs, new technologies, remote working, and evolving workforce expectations. Younger generations are putting more emphasis on purpose, flexibility, diversity, inclusion, and equality. Rewards may not always be motivated by money.

"People are the source of all our capabilities. We must strengthen our internal human resources in terms of both specialization and diversity. We will recruit new talent from outside the company while at the same time building the required capabilities among our existing staff by means of reskilling and upskilling."
Yoshinori Isozaki, President and CEO, Kirin Holdings



Emerging from a polycrisis

"Climate change isn't going away, the regulatory environment for plastic waste isn't going away, nor are the human rights and sustainability expectations around supply chain, that's not going to get less important just because we have more present priorities. So we have to manage both."
Galen G. Weston, Chairman and President, Loblaw Companies Limited

There are three typical responses to a crisis. The first is to simply hunker down, streamline operations and rein in capital expenditures. The second is to reactively invest in new capabilities to address fresh challenges. The third is to keep calm and carry on by maintaining investment in long-term goals, regardless of the current environment.

All three have benefits and drawbacks. Hunkering down is pragmatic but shuts the door on opportunities. Reactive reorganization addresses current challenges but strains finances on issues that may be irrelevant tomorrow. Carrying on as normal stabilizes enterprise focus but could be derailed by sudden market changes. In isolation, none is adequate for today's multiple crises. Organizations cannot hunker down when there is no respite on the horizon. Investing to mitigate one crisis is unsustainable when faced with a multitude of them. Simply carrying on is impossible when the value chain, from source to consumer, is in a state of flux. Instead, companies must balance the three – reallocating capital to address the most material challenges without undermining longer-term ambitions. As Taro Fujie, President and CEO of Ajinomoto, puts it: "We will set our vision for 2030 and medium-term management indicators and then back-cast to create a roadmap toward achieving them. Recognizing the volatility of the changing business environment, we are creating a system so we will always be ready to quickly and flexibly revisit and revise a plan if conditions change."

Long-term strategies should always be directionally aligned but adaptable enough to move with sudden change, especially as short-term changes can have sustained impact. Jeffrey Lu, CEO and Executive Director of China Mengniu Dairy Company Limited, believes short-term supply chain impacts will change long-term strategies: "The entire cost of the supply chain is going to be more expensive because of all the disruption. This will have a long-term impact to the business." Magnus Groth, President and CEO of Essity AB, says that his company's response to short-term challenges will ultimately support his long-term goals: "An obvious way to be futureproof is not only having strong brands, market positions, and a strong innovation pipeline, but also to always be the most cost-efficient player. That brings you a long, long way."

The current operating environment may be anything but business as usual, but many capabilities required to navigate today are the same as those that will deliver tomorrow. Lionel Souque, CEO of REWE Group, has broadly fixed his long-term plans, with some flexibility: "In general, we do not change our long-term strategic perspective and goals. What we do is adjust the priorities within each of our strategic focus areas, depending on changing external challenges."

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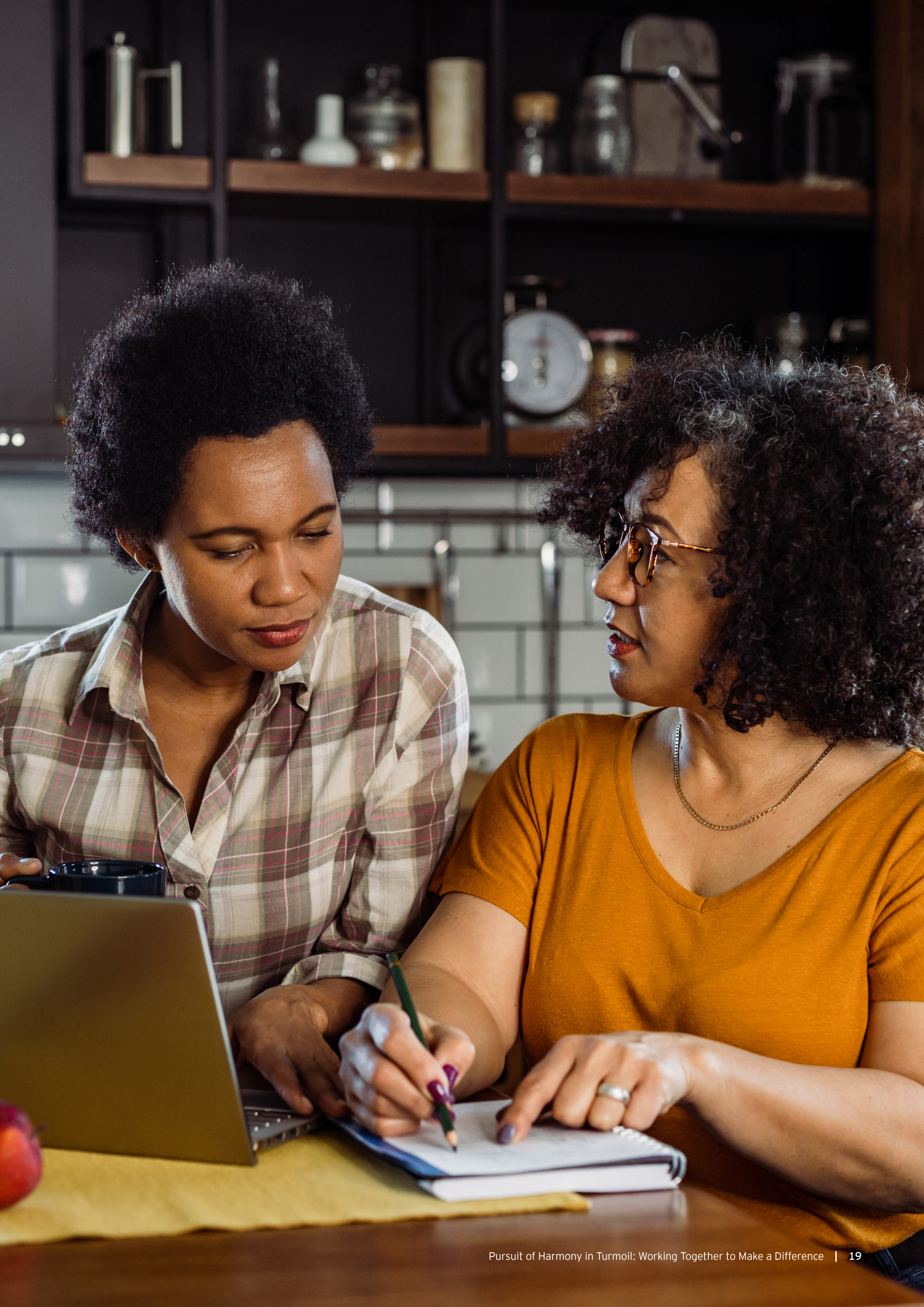
Our purpose is to create economic and social value. And that has been the case over the last 130 years, and that is clearly our intention, going forward.

Daniel Rodríguez
CEO, FEMSA



Technology as a disruptor, and an enabler

"Technology, you can call it disruption, I call it also a big enabler."
Frans Muller, President and CEO, Koninklijke Ahold Delhaize N.V.

Unsurprisingly, technology was high on the agenda for all the CEOs interviewed. While the industry has been buffeted by many shocks, none have been as fast-changing and sustained as technological development. The pandemic accelerated the adoption of ecommerce and remote working, forcing a step change in both consumer behavior and the industry's enterprise technology. This rapid digitization generated a tidal wave of data, providing a far deeper understanding of consumers and operations.

More recently, technology investment accelerated in areas such as improving transparency and efficiency in the supply chain and increasing protection from cyberattacks and data breaches. Dr. Steffen Greubel, Chairman of the Management Board of METRO AG, believes some in the industry have underprioritized cyber-risk: "Structurally, this is one of the most underestimated topics in the economy. No one is really talking about it and it won't go away. Cyberattacks inflict damages of around €200b on the German economy every year and it is also a massive act of economic sabotage."

In addition to upgrading technology capabilities in ecommerce, data management, cybersecurity, and supply chain, consumer companies have also had to address the growing interest in the Metaverse, which dominated headlines in 2022. This gave way to surging interest, and investment, in generative AI. If there is one thing that the market turmoil of the last few years has been unable to disrupt it is the progress of disruptive technology itself.

Disruptive technologies impact consumer behaviors, but they also impact business processes too. Brian McNamara, CEO of Haleon plc, discussed how his organization is using digital to drive professional engagement: "A key focus for us is healthcare professionals. So, we've invested heavily in our health portal, where healthcare professionals get education on our products. That's extended our reach and is a key part of what we do."

The acceleration and accessibility of these technologies are also creating opportunities for value creation. Frans Muller, President and CEO of Koninklijke Ahold Delhaize N.V., believes that using consumer data in new ways can benefit both the business and consumers: "There's an opportunity to find new revenue streams on retail media monetization. You can use that to be more relevant to customers, make the shopping experience more effective, fund better offerings and get better insights. Quality of data is key, consent and privacy and ethical use of data is key, and it's also a new revenue stream."

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I am sensing this as a pivotal moment in terms of technology. Crucial capabilities we need to capture AI for include creative services and services such as administrative work and tax.

Alexis Perakis-Valat
President, Consumer Products Division, L'Oréal S.A.

If digitization programs are to succeed, consumer companies must invest in the skills to first identify the right technology investments and then manage them. The requirements can change as rapidly as technology evolves. For example, many companies have recently deprioritized their Metaverse investments in favor of generative AI. However, investments in core analytics capabilities are continuing, given the rising tide of data. As Steve Cahillane, Chairman and CEO of Kellogg Company, advises: "You can talk all day long about empowerment, but unless you have the data, analytics, and the capability to make the right decisions at the right level, you won't be agile."

Digitization promises to transform companies' operations, from improved supply chain transparency to automation across business functions. It will provide early adopters with a competitive edge but can quickly become a basic expectation as technology continues to progress. Jeffrey Lu, CEO and Executive Director of China Mengniu Dairy Company Limited, believes sharing data across the supply chain improves transparency and drives business efficiency: "Supply chains need to be much more transparent in exchanging data to understand costs, meaning logistic costs, feed costs. We have to be much more transparent in order to be more efficient." Many of the interviewees are using digitization to unlock new enterprise-wide efficiencies. Magnus Groth, President and CEO of Essity AB, identified multiple use cases: "The big opportunities are now automating processes both in the supply chain, but also as a way of improving efficiency everywhere. There are opportunities to improve the whole supply and demand planning process and reduce working capital."

These applications do not just generate efficiencies. They also challenge organizational structures. James Quincey, Chairman and CEO of The Coca-Cola Company, observed that "The pandemic put an accelerated focus on remote connectivity for office workers. And technology is continuing to change the nature of work." Functional and leadership roles must evolve for a digital future. Dirk Van de Put, Chairman and CEO of Mondelēz International Inc., expects significant disruption in sales and marketing: "Sales these days is all about Revenue Growth Management and digital tools. It's no longer about talking well and being in front of your client. Our next CMO could come from our digital group rather than somebody that grew up in brand management."

While technology is transforming engagement and how operations are organized, the human element should never be forgotten. Consumer trust will always be built on people and purpose, not automation and artificial intelligence — which are only enablers. Dr. Steffen Greubel, Chairman of the Management Board of METRO AG, cautioned that "This has a lot more to do with attitudes and human aspects than with digital aspects. People need to welcome technology into their life and not perceive technology as an adversary." For all the value that disruptive technology can unlock, the CEOs are united in their desire to build their cultures and strategies around people. It is something Carlos Mario Giraldo Moreno, CEO of Grupo Éxito, is particularly passionate about: "We speak about productivity, digital transformation, technology, but we forget that all this is useless if you do not connect people, if you do not connect hearts, if you do not connect the minds of our different generations with a long-time purpose. An algorithm with a heart."

Working together to make a difference

Success is impossible without collaboration

"In general, social issues are increasingly complex and serious. However, every company has different strengths to bring to their resolution, so we feel it is essential not to work alone but rather to collaborate with other companies in the same industry or in other industries."
Yoshinori Isozaki, President and CEO, Kirin Holdings

The consumer industry is large and complex, and so are the challenges it faces. Retailers, brands, platforms, and manufacturers that create and sell everything from soap to smartphones have a broad and diverse array of needs to address. Tackling business-specific issues and those that are holistically faced across the industry cannot be done alone. Companies must look beyond piecemeal collaboration that solves a single problem within a closed ecosystem. Instead, collaboration is needed at scale and across a range of topics to reflect the diversity of different parties.

Collaborations can work at three levels: within the value chain, the business ecosystem, and the expanded stakeholder ecosystem. Value chain collaboration occurs both upstream and downstream. Alexis Perakis-Valat, President of the Consumer Products Division at L'Oréal S.A., says upstream collaboration is an essential part of delivering long-term sustainability goals: "Right now, we are focusing on upstream partners of value chain because, as a company, we want to promote green beauty science and transform the ingredients we use into much greener ingredients. That can only happen if there is a lot of work upstream with our suppliers."

Downstream collaboration between manufacturers, brands, and retailers is just as crucial. Using data to understand how consumers are changing at an individual level and in targeted segments is a key area of collaboration for James Quincey, Chairman and CEO of The Coca-Cola Company: "Data can provide a competitive advantage, but you need to intersect it with collaboration to generate greater value. Retailers can provide detailed insights regarding their shoppers, whereas we have a broader understanding of people. There is an intersection there that can generate value for both parties."

Business ecosystem collaboration occurs between industry peers, competitors, and other companies. While this may put some competitive differentiation at risk, it has much greater potential rewards. This approach enables scale, improves procurement, sets industrywide standards, and makes innovation more effective. Frans Muller, President and CEO of Koninklijke Ahold Delhaize N.V., explained how pre-competitive collaboration with industry peers is essential: "We have a big job to do as an industry, and there we need standardization, harmonization, and commitment to get to common standards. The key thing there is working together, which also means pre-competitive collaboration. Otherwise, we don't get the critical mass."

Further value can be unlocked by expanding collaboration to include policymakers, investors and consumers. While stakeholder collaboration adds complexity, it will – if coordinated effectively – optimize strategic outcomes by identifying the best way to regulate, communicate and educate. Dirk Van de Put, Chairman and CEO of Mondelēz International Inc., believes broader stakeholder collaboration is essential to delivering healthier lifestyles, especially from a consumer education standpoint: "We need to work with NGOs, governments, and industry, and retailers on holistic solutions that really work. Certainly, consumer education is one important piece."

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As the world grows the importance of sustainability initiatives, of technological disruption, of platforms for online and offline, of last-mile delivery, of new service offerings grows. Clearly, we are not able to do it all on our own. We don't have all the know-how and we don't have the speed to deliver that. So, creating a spirit of managing partnerships as well as being great partners of start-ups and innovation ecosystems is absolutely key.

Carlos Mario Giraldo Moreno
CEO, Grupo Éxito

Collaboration is already working

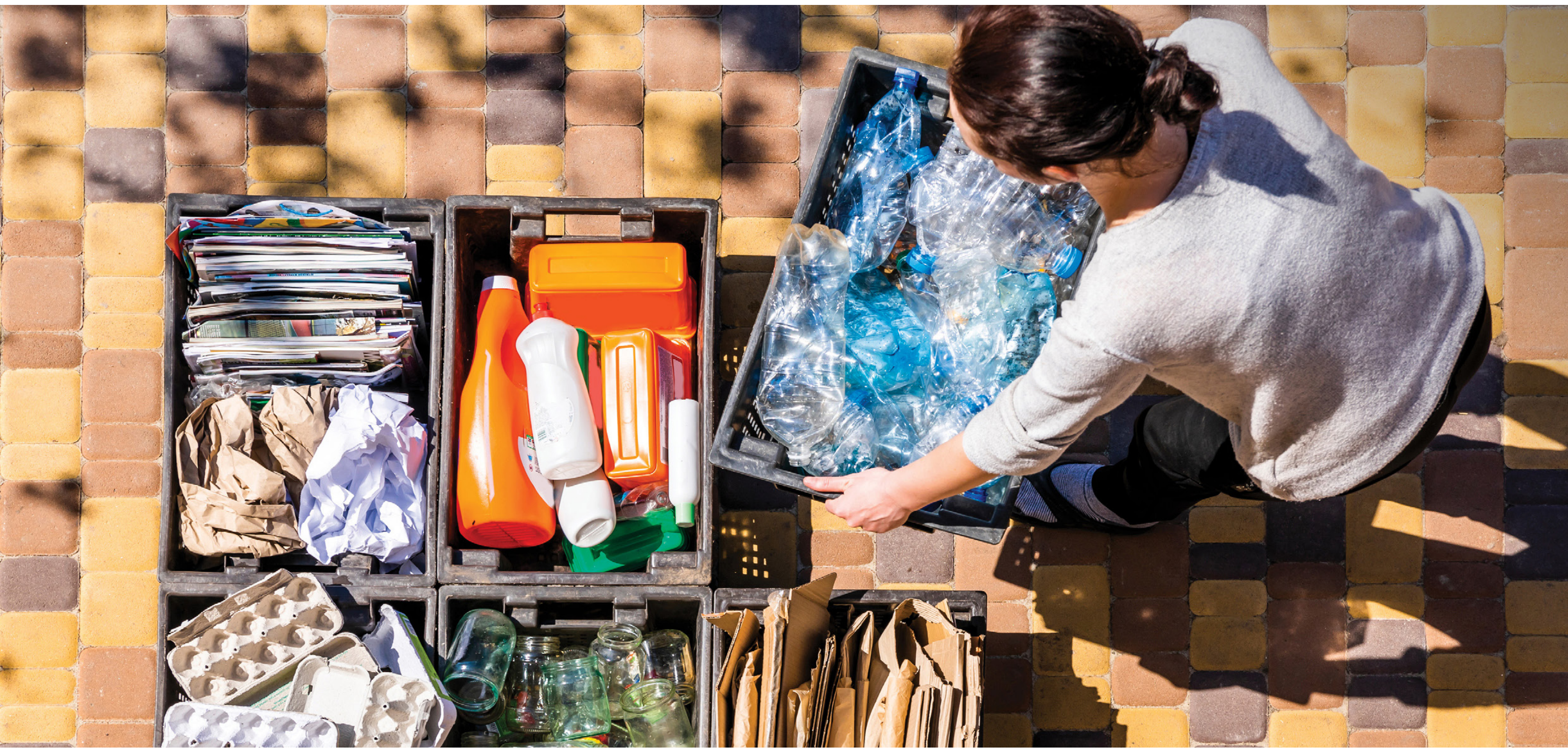
"We've all learned the art of the possible. Collaboration is stronger than it's ever been, and the expectations are as high as they've ever been."
Steve Cahillane, Chairman and CEO, Kellogg Company

The good news is that many, if not all, consumer companies are establishing or deepening their collaborative efforts. Even better is that collaboration is not limited to a few single isolated issues. Instead, it is addressing a broad and growing range of short- and long-term challenges.

One key area where there is a clear opportunity to work together lies in sustainability. Alexis Perakis-Valat, President of the Consumer Products Division at L'Oréal S.A., discussed how collaboration helps guide more sustainable choices: "If you look at the total impact of consumer goods companies, a significant part is in the consumption phase. To help consumers make sustainable choices, companies need to come together beyond the boundaries of competition. For this, we have created the EcoBeautyScore Consortium, which includes beauty companies and retailers to help consumers make sustainable choices."

Another opportunity comes in applying scale and innovation to improve consumer health. Taro Fujie, President and CEO of Ajinomoto, described his ambition to build a wide group of stakeholders to deliver consumer health: "To fulfill our mission to unlock the power of amino acids to resolve food and health issues, we will form an ecosystem of companies, new start-up firms, academia, local communities, and consumers that share our objective, so we work together to create social value."

Malina Ngai, CEO of A.S. Watson (Asia & Europe), is one of many CEOs who are collaborating to improve consumer experiences by using technological expertise: "By joining forces with technology companies as well as University students, we can create more innovative tools to improve customer experience."



The coordinating role of the Consumer Goods Forum

"We are very involved in the CGF because we want to have an impact, and the way to have a meaningful impact is to try to move the industry and the systems and the things that are getting in the way. I don't think any company can do that on their own."
Brian McNamara, CEO, Haleon plc

Two key challenges hinder effective collaboration. The first is ownership and desired outcomes. The accountability and strategic priorities of the different parties may differ significantly. If not managed properly, these disagreements will cause friction. The second is trust. Consumer companies operate in a deeply competitive environment. Anything that provides a competitive edge — innovation, efficiency, technology, presence, talent, leadership, and purpose — is closely guarded.

However, no single player can overcome the many challenges they face today. Systemic solutions can only be created through collective action. Convening organizations like the CGF play an essential role in creating a balance between collective action and individual interests. As James Quincey, Chairman and CEO of The Coca-Cola Company, states: "There's a set of issues — often bigger issues from a societal point of view — that are impossible for one company to solve on their own. That's part of why the CGF can be a very useful entity as it can help galvanize action — particularly among manufacturers and the retailers on a number of issues that require everyone to come together to make progress."

The CGF convenes eight Coalitions of Action spanning health and wellness, sustainability, the value chain, and food safety seeking to resolve some of the industry's systemic issues.

Many of the CEOs interviewed discussed the value that these coalitions bring. By sharing best practices, holding each other accountable, and exploring pre-competitive solutions to deliver scaled benefits to all.

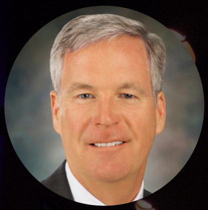
Five of the eight Coalitions of Action focus on sustainability, reflecting its importance to the industry. For example, plastic waste is a complex issue that affects all consumer companies and can only be resolved through deep and extensive collaboration on targeted topics. Galen G. Weston, Chairman and President of Loblaw Companies Limited, agrees: "I think plastic is a number one priority. It's a place that our collective influence can essentially solve the problem. We design the packaging, we commission the packaging, we run the value chain that the packaging runs through, and ultimately, we sell the product to consumers."

By bringing companies together, convening bodies can also unite them behind shared targets. Magnus Groth, President and CEO of Essity AB, sees benefit from the CGF in promoting net zero targets: "It was good how the Consumer Goods Forum rallied more companies to the net zero challenge. That was an area where the Consumer Goods Forum really made a difference." Malina Ngai, CEO of A.S. Watson (Asia & Europe), also discussed the role of targeted health programs: "The recent addition of preventive care and wellness to the Coalition of Action for Healthier Lives is a great initiative to ensure both food and non-food retailers and manufacturers work together for bigger impact."

Beyond sustainability and health and wellness, the CGF's Coalitions of Action are addressing issues in supply chain, product data, new technologies, and geopolitics. Jeffrey Lu, CEO and Executive Director of China Mengniu Dairy Company Limited, emphasized the value generated by sharing with industry peers: "The CGF is a great platform for us to work together, sharing, creating more transparency, exchanging information and data so that we know what's changing and how we should adapt. It is great for us to cooperate even more on these short-term challenges and the volatilities of the world."

The goal of any forum is ultimately to bring together like-minded groups to share information and opportunities and network together. They create better outcomes for all and are essential for any leader navigating the current turmoil.

"All of us as leaders at the Consumer Goods Forum have a responsibility to raise the level of trust in our companies, in our management teams, and in our products. It is not a one-person job, nor is it a one-company job. At LIPTON Teas and Infusions, we believe that by collaborating with our peers, sharing best practices, and leveraging our complementary strengths, we can build a better world, one cup of tea at a time."
Nathalie Roos, CEO, LIPTON Teas and Infusions



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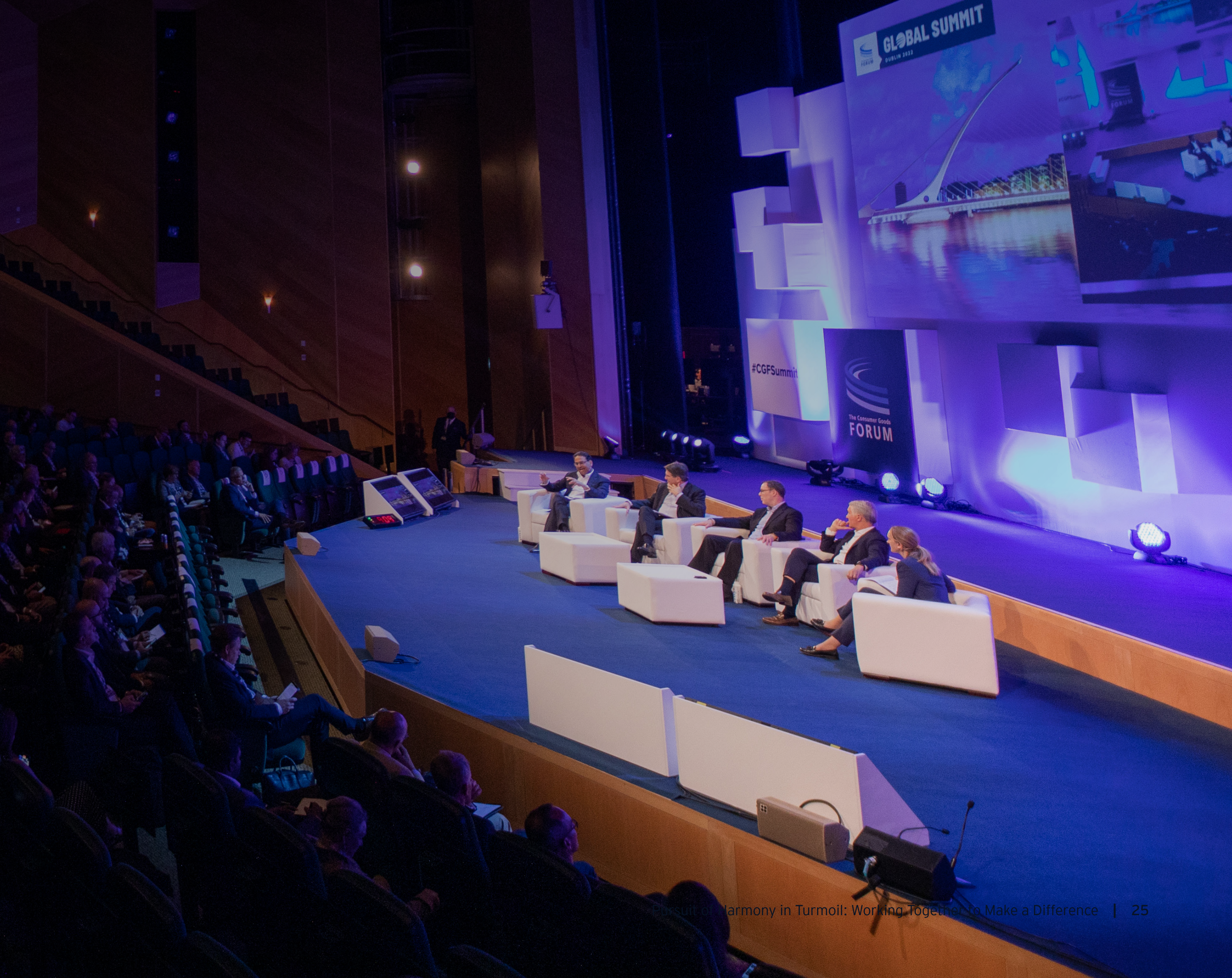
You have the biggest retailers and the biggest suppliers, joined around common initiatives that they can’t do apart but can do together. It’s the right forum, it’s the right agenda, and it’s really a matter of execution now.

Steve Cahillane
Chairman and CEO, Kellogg Company



Conclusion: Harmony from turmoil

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During this upheaval, companies will need to stay focused on the North Star of delivering a sustainable future for their business, people, and the planet. To achieve this, companies will need to double down on their efforts to collaborate with greater business harmonization, providing an oasis of calm in a turbulent operating environment. Through this cooperation will come opportunities for consumer companies to progress their strategic goals and help deliver a more sustainable and profitable future.

Malina Ngai
CEO, A.S. Watson (Asia & Europe)

"I think it's important to set the tone for the organization about thriving, not surviving. It can be done. It's certainly been done in the past and therefore there is a path to be found."
James Quincey, Chairman and CEO, The Coca-Cola Company

The consumer goods and retail sectors face significant headwinds. Consumers face the steepest price increases for a generation and the highest interest rates in over a decade. Emerging technologies will provide new scalable solutions but will also create uncertainty in job markets. New skill sets will become essential and others less relevant, creating bottlenecks in the supply and demand of talent. The tools used to scrutinize ESG performance will become more accessible, while the impact of climate change and social inequality becomes more keenly felt. We are in a new era of geopolitical uncertainty defined by conflicts, economic nationalism, increased polarization, and emerging – potentially contradictory – changes in consumer behavior.

Some disruption will be temporary. Some will endure. The landscape will shift constantly. Given this environment, collaboration is no longer a strategic option. It becomes an essential activity. Our analysis identifies three takeaways:

1. Recognize that you cannot do everything all at once

"We are careful to stop doing certain things and do less of other things so that we can focus on doing what is most important to us."
Taro Fujie, President and CEO, Ajinomoto

Successive crises have had a compounding effect on business operations. The actions that companies must take in response can overwhelm organizational capacity and cause spiraling costs. Many of the CEOs interviewed discussed the problems of trying to simultaneously address so many issues. In practice, trade-offs must be taken to protect capital and capacity.

Challenges must be prioritized to ensure that progress can be made without suffering the paralysis of trying to deal with everything. Many CEOs have created this list of priorities. They make them manageable by creating distinct and relatively autonomous workstreams, sharpening organizational focus. As Daniel Rodríguez, CEO of FEMSA, summarized: "Your purpose should be to put the customer and the consumer at the center, and you build your value proposition from there."

2. Focus on building resilience rather than reacting

"In this highly uncertain period, we must reform our business portfolio based on the changing business environment and increase our business resilience."
Yoshinori Isozaki, President and CEO, Kirin Holdings

Consumer companies demonstrated their resilience during COVID-19. Organizational models, product portfolios, and digital and physical footprints quickly adapted to new market dynamics. These transformative changes were born of necessity but lay a strong foundation to address new challenges. Building resilience does not just depend on strategy but should be embedded into talent, culture, and operating models. Workforces need to have a high degree of flexibility in their capabilities, and leaders need to trust their talent to adapt to new challenges and opportunities as they arise. Technology can be a key enabler here. Applying the right blend of disruptive new technologies, optimizing existing processes and digitizing functions will improve efficiency, automation and agility across the enterprise, especially as predictive tools make businesses more adaptive to market changes.

Most interviewees emphasized the importance of resilience to navigate disruption and achieve long-term goals over the tactical actions taken in response to disruption. For Lionel Souque, CEO of REWE Group, following these long-term goals is key: "We have a good strategy in place which we stick to. External influences such as the economic crisis do not stop us from following our strategic goals."

3. Share for success

"The business challenges today require us to be even more open and cooperative. Collaboration with our supply chain partners and even with our competitors. Before, you had a loop and everybody just followed that loop. Today, what you need to do is to work with them to find a solution."
Jeffrey Lu, CEO and Executive Director, China Mengniu Dairy Company Limited

Coalitions can never be one-sided. Clear lines must be drawn to protect companies' competitive edge, but open and reciprocal sharing within an extended ecosystem brings benefits to all. James Quincey, Chairman and CEO of The Coca-Cola Company, observed: "One company can't solve the big picture, it takes the collective industry. Knowing the answer and not sharing it is hardly a competitive advantage."

Last year's Top of Mind report focused on the United Nations' Sustainable Development Goals (SDGs), a broad and ambitious global program that aims, by 2030, to deliver on 17 goals and enable a sustainable future for people and the planet. While the report was being written, fresh disruptions were sweeping the world. Russia's invasion of Ukraine was underway, and inflation quickly rose. Turmoil, in all its forms, became a market norm. Although the cumulative waves of disruption may impact the ability to deliver the SDGs, commitment to them remains strong.

Of all the SDGs, one stands out as a mantra for consumer companies: Goal 17 — Partnerships for the Goals. It does not just apply to meeting the SDGs. In the current environment, it frames company strategies. When companies face volatility daily, collaboration has never been more vital.

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 serves 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 EUR 4.6 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises more than 55 manufacturer and retailer CEOs.

For more information, please visit: www.theconsumergoodsforum.com.

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Yoshinori Isozaki
President and CEO, Kirin Holdings

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CEO and Executive Director, China Mengniu Dairy Company Limited

Brian McNamara
CEO, Haleon plc

Carlos Mario Giraldo Moreno
CEO, Group Éxito

Frans Muller
President and CEO
Koninklijke Ahold Delhaize N.V.

Malina Ngai
CEO, A.S. Watson (Asia & Europe)

Alexis Perakis-Valat
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Daniel Rodríguez
CEO, FEMSA

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