

Global Consumer Products Retail | March 2021

The CEO Imperative: Accelerate to get ahead of the changing consumer

The EY Future Consumer Index finds people want a different future. Here are five strategies for CEOs to meet consumers where they are headed.

People are becoming more worried, not less, about the impact of COVID-19

Consumers want to fundamentally change their lives once the pandemic is over

Companies now need to be bolder and accelerate their transformation

Consumer products companies have adapted well to the [COVID-19 pandemic](#). The consumption shift to the home, together with the increased importance of health and hygiene, has boosted growth and profits for many. And they've changed much faster than anyone thought possible: 84% of consumer companies conducted a comprehensive strategic and portfolio review in 2020.¹ After a tumultuous year, it could be tempting to take your foot off the gas, at least for a while. That would be a mistake.

The consumer you've adapted to serve today is not the consumer that will make you profitable tomorrow. As people around the world emerge from the crisis, they plan to fundamentally change how they spend money and live their lives. Our sixth [EY Future Consumer Index](#) finds they are more worried about their health, their families and their futures than four months ago. Many expect life to get harder, not easier. People's concerns and what they value will continue to evolve, including:

Affordability is becoming critical

63%

of consumers say price will drive their choices three years from now

Purpose matters more than ever

69%

of consumers believe brands must positively change the world

Consumers embrace data sharing

62%

of consumers would share personal data for healthier product recommendations

Can you use your recent performance to [accelerate the transformation of your business](#), to get ahead of the emerging needs identified in our research? It won't be easy. It requires going beyond making your current portfolio more affordable, demonstrating the benefits of your products, innovating incrementally, and [experimenting with direct to consumer channels](#). You must be bolder about meeting the needs and expectations of the changing consumer.

This article in our CEO Imperative series, which provides critical answers and actions to help leaders reframe the future of their organizations, identifies five steps to help you transform more quickly:

1

Redesign your business around how people live, not what consumers buy

2

Compete for shoppers wherever and whenever they are

3

Rebuild your supply chain around the consumer

4

Change your operating model to make it "asset right"

5

Look at value through a wider lens

The COVID-19 crisis is continuing to have a transforming impact on the lives of consumers. While the boom in at-home consumption is unlikely to last, other consumer changes will only accelerate.

Consumers are more concerned, not less

So, what's changed since our [EY Future Consumer Index](#) last October? Despite the stabilization and recent decline in the impact of COVID-19 as vaccines are increasingly released and administered, people are more worried than ever.

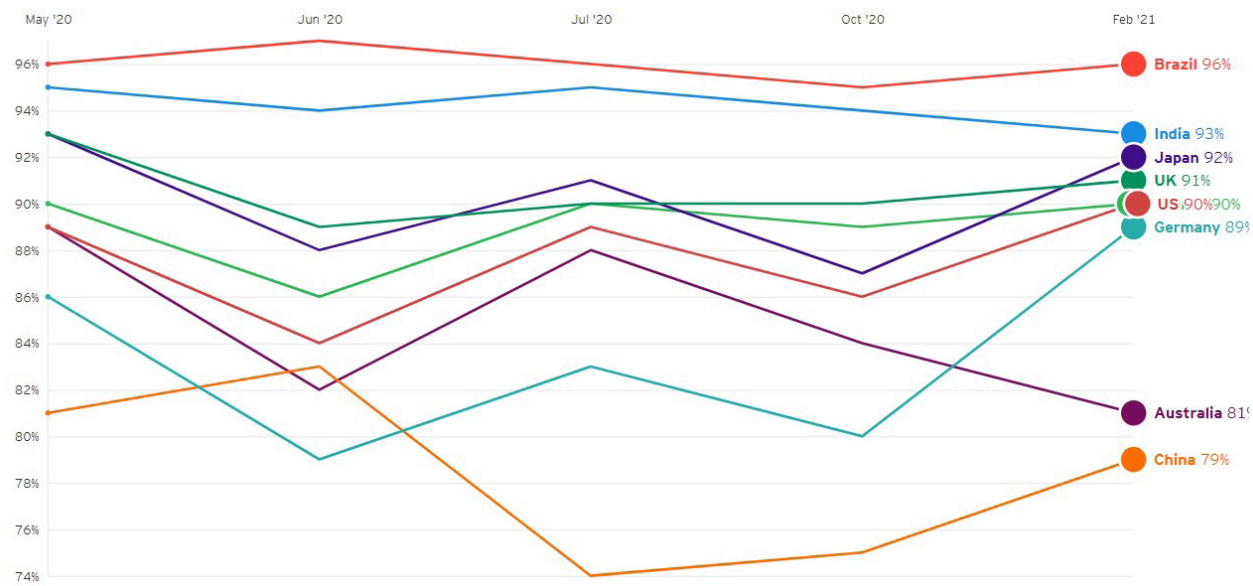
Four months further into the pandemic, the percentage of people who think they will live in fear of COVID-19 for at least another year has risen from 37% to 40%.

Some 59% of people now say the pandemic has changed their life significantly, up from 53% in October. And 64% of those who say COVID-19 has changed their life believe it will remain changed even after the pandemic has been brought under control.

People are increasingly concerned about the health of their family, access to necessities, personal finances, and basic freedoms. This differs around the world.

Consumers' concern about the impact of COVID-19 on their lives is on the rise in most countries

Percent of consumers who are concerned

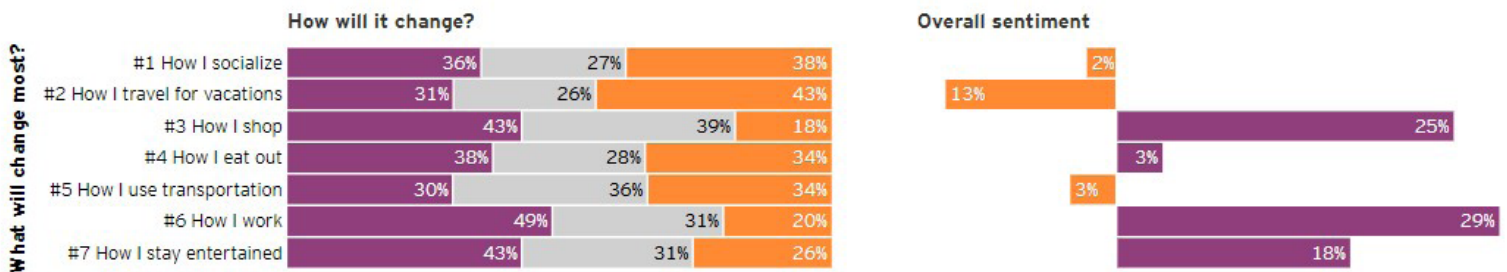


[Experience the interactive chart](#)

Consumers will continue to make deep and permanent changes to their lives. Some of these shifts have been forced on them, but many are the result of choices to live differently. Some 48% of consumers globally believe post-vaccine life will be better than before the pandemic, and 36% say COVID-19 accelerated changes they had always wanted to make, reflected in their attitudes around online shopping, product affordability, personal health, and sustainability.

Some of the long-term changes to people's lives resulting from COVID-19 will be for the better

Get better Stay the same Get worse



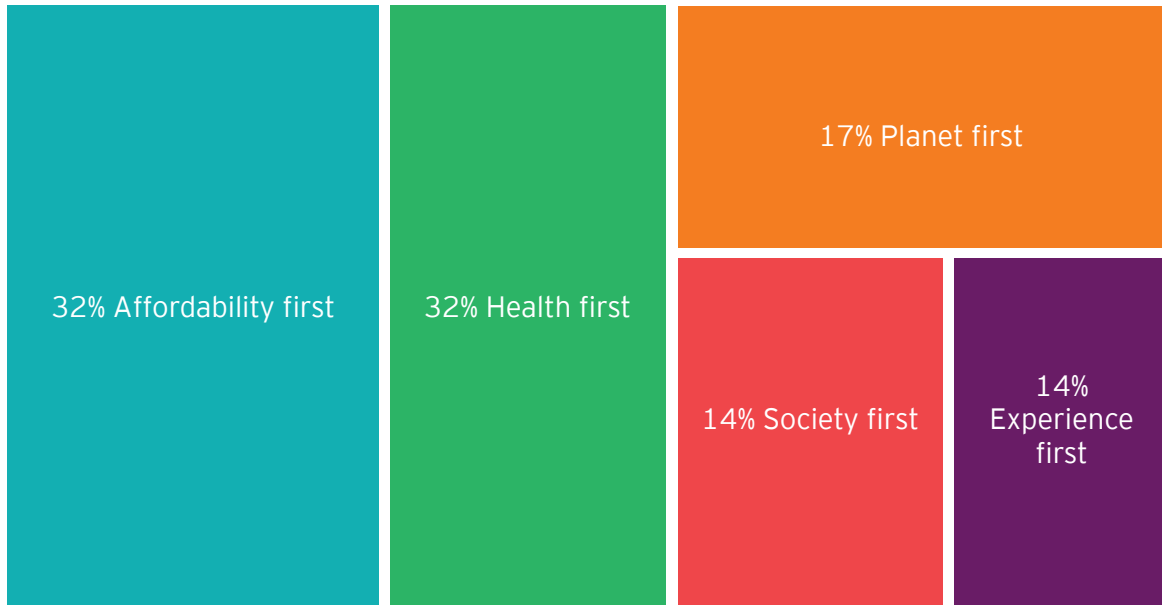
The rank of "What will change most?" is for consumers globally. "Overall sentiment" is equal to the percent of consumers reporting "get better" minus the percent reporting "get worse"

[Experience the interactive chart](#)

How consumer behavior will change

Beyond the pandemic, consumer spending will reflect [the different ways people expect to live their lives](#), how they will make choices, and what really matters to them. Most consumers will prioritize affordability or their health. Others will focus on environmental or societal purpose, but a minority intend to catch up on lost time and live in the moment.

Future consumer priorities differ among countries



▶ [Experience the interactive chart](#)

While geographic differences around affordability, health, sustainability, social impact and experience define our consumer segments, these issues concern all consumers globally:

Affordability

Globally, 58% plan to be more aware and cautious of their spending in the longer term and 63% say price will be the most important purchase criteria for them three years from now.

Health

57% of consumers want to make healthier choices in their product purchases in the longer term; 43% say health or "what's good for me" will be the most important purchase criteria for them three years from now.

Sustainability

49% will prioritize the environment and climate change in how they live and the products they buy; for 26%, sustainability will be their most important purchase criteria three years from now.

Social impact

56% will be more likely to buy from companies that ensure what they do has a positive impact on society; 38% will buy more from organizations that benefit society, even if their products or services are more expensive.

Experience

37% will be less inclined to get involved in experiences outside the home on account of health and safety concerns; 76% have changed the way they stay entertained.

A CEO agenda for the future consumer

Over two-thirds of companies (68%) plan to spend more on transforming their business and operating models in the next three years.² Yet they may want to be even bolder, as only 28% say their business model is the area they will change most in response to current trends.³ Here are some key actions for CEOs to meet consumers where they are headed:

1 **Redesign your business around how people live, not what consumers buy**

CEOs have long talked about putting the consumer at the center of their business. Few have come anywhere near achieving this. One reason is consumers have been reluctant to share the data required; another is companies have lacked the capabilities to make the right use of it. The pandemic has driven an explosion in the sharing and use of consumer data: for example, 62% of people will share data in exchange for healthier product recommendations.

Consumer products companies need to become listening organizations, using powerful analytics and AI to manage a repository of data that provides a single version of the truth for each consumer served. A listening organization has the agility to meet constantly changing consumer needs and can adapt products and services for segments it wants to engage.

2 **Compete for shoppers wherever and whenever they are**

There have never been more ways to reach shoppers, or more brands scrambling for their attention. During the pandemic, 77% of consumers have changed the way they shop. This will continue, but only 36% of companies are currently investing to accelerate the digitization of customer journeys and business processes.⁴

If you don't understand all the possible ways your business can engage with shoppers and how to optimize each one, you'll struggle to win. Capitalizing on the changing way people shop requires tracking and connecting with people across social and digital media and within your own channel ecosystem.

3 **Rebuild your supply chain around the consumer**

Channel shifts, stockpiling, store closures, and border issues have wreaked havoc with the consumer goods supply chain over the last year. And 56% of companies expect the supply chain to be the part of their business that changes the most over the next three years.

The supply chain of the future can act as an engine for growth and a key competitive differentiator. But it must be agile, flexible, efficient and resilient. It also needs to be digitally networked, so that visibility improves. Leaders should reimagine their supply chain operating model. There are strategic choices to make about what gets done locally, regionally and globally; how warehouses and manufacturing sites best fit into the chain; how to create real-time, end-to-end visibility and monitoring; how to rationalize SKUs; and how to reduce environmental impact and waste.

4 Change your operating model to make it "asset right"

Many consumer products CEOs have experimented with outsourcing and partnering during the pandemic, often as an agile response to supply-chain disruption. This should continue and accelerate, as it's the only way to meet changing consumer expectations with the speed and efficiency the future demands, without taking on excessive risk.

You need a clear vision of which capabilities give you differentiated value and where you want to outsource or share value creation with an ecosystem of partners. This is the "asset right" model that will give you the ideal blend of in-house, outsourced or partnered capabilities. Today, while 72% of consumer products leaders are making significant investments to develop and manage their business partnerships,⁵ 82% have not yet clearly defined their role in future ecosystems.⁶

5 Look at value through a wider lens

As channels and occasions blur, companies need to look beyond siloed profit measures and at the wider impact on their business. For example, consumers have embraced home delivery, but they don't like paying for it. It is their number one frustration with online shopping. Given the rapid growth of e-commerce since the beginning of the pandemic, the business case for re-evaluating your e-commerce model to create profitable cost to serve has never been more important. The fact that most consumers are willing to share personal data makes the e-commerce business case even stronger.

While such activities viewed in isolation may not make sense, they're essential to your success when you look at them in the wider context. They create immense value outside their direct profits (or losses). So, look again at all your capabilities and take a "systemic approach" to profitability.

Summary

A crisis is a great opportunity for change. Companies have changed, but they can't stand still. Those that are bold now will sustain the gains they've made and shape a more profitable future.

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1: [Capital Confidence Barometer](#), 23rd Edition, Consumer Products insights

2: EY CEO Imperatives, 2021, Consumer Products insights

3: EY CEO Imperatives, 2021, Consumer Products insights

4: [Capital Confidence Barometer](#), 23rd Edition, Consumer Products insights

5: EY CEO Imperatives, 2021, Consumer Products insights

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