MBS Intelligence

The Phoenixes and Bastions of the consumer sector

How companies have responded to Covid-19

MBS

Contents

Introduction

Over the past few years, the world has seen some extraordinary developments that few could have predicted. 2020 has proven to be the pinnacle so far, with Covid-19 generating permanent change in the corporate, political and societal spheres. In the consumer-facing industries specifically, the pandemic has overhauled entire sectors, forcing business leaders to re-think their operations and accelerating existing trends at a phenomenal speed.

As we approach the autumn and enter the next phases of Covid-19, this report looks back at the last few months, exploring the ten areas where Covid-19 has had the greatest impact. Based on conversations with our sector's most influential leaders, this report is a collection of insights and analyses which reflect the view of businesses globally, covering FMCG, retail, travel, leisure and hospitality, fashion and luxury and digital.

Some of the changes brought about by Covid-19 are immediate and obvious, while others are subtle and slow-burning. By tabling the ten themes now, we hope to revisit them towards the end of 2020 and assess which predictions have come to pass, and which were never fully realised.

It is, and will continue to be, an incredibly turbulent time for the consumer sectors. Sadly, businesses will fail, and well-known brands will disappear. Some will last, and some will be reborn. This has always been the case, of course, but the pandemic will act as a major catalyst for business success and failure. Which organisations will be the bastions of the consumer world, and which will be the phoenixes we welcome back from the ashes?

Talent will be key. Human capital has been at the heart of the pandemic from the beginning and we have seen some extraordinary developments in mass furloughing, key worker recognition and boards which are now primed for disruption. In this report, we consider what impact Covid-19 has had upon the talent landscape, and what the disruption might mean for companies seeking survival, or opportunistic prosperity, through their hiring plans.

Digital acceleration

How Covid-19 has accelerated digital adoption and transformation

Across the consumer-facing sector and beyond, Covid-19 has fast-tracked digital transformation at an extraordinary pace. Speaking on the matter recently, CEO and CTO of Accenture Paul Daugherty posited that the world has seen three years' worth of digital transformation in just three months. The crisis has revealed that digital credentials are no longer simply a 'nice to have': they are crucial for survival and will be a vital part of emerging stronger from this period.

Nowhere is this more clear than in retail, where ecommerce has burgeoned. According to the Office for National Statistics, online sales reached a record high in May, accounting for 33.3% of total retail sales. While this figure dipped slightly in June to 31.8%, Covid-19 is still expected to add a significant £5.3bn to the UK's ecommerce sector by the end of the year.

The same is true in international markets. Even in China, which already accounts for 45% of global ecommerce transactions, businesses are scaling their online propositions at a rapid rate. Moreover, a recent survey from McKinsey found that 55% of Chinese consumers are likely to continue to buy groceries online after the crisis has died down.

Covid-19 has propelled businesses with strong online propositions to the forefront of the sector, forced traditional businesses to rethink their digital capabilities and increased the long-term need for organisations to make digital hires.

Digital businesses coming out on top

The landscape of the consumer-facing sector has shifted in the last few months – resulting in the accelerated success of digital-first businesses.

For professional organisations, Slack, Zoom and Microsoft Teams have allowed businesses to communicate and continue operating remotely. We can expect to see much more growth in this area, as businesses fight for market share. Indeed, Slack's user base grew more in February and March than it had in the six months prior and has recently pooled its communication capabilities with Amazon in an effort to take on Teams. Cybersecurity is set to be a key competitive differentiator in this space, with widely-aired concerns over Zoom's security credentials sending shares down 18% in April.

Competition has also driven further innovation. With Zoom, Houseparty and the Nextdoor app winning market share from Facebook, the established big tech responded with the launch of Facebook Messenger Rooms.

We have also seen plenty of activity in the entertainment and gaming space: ByteDance hired 10,000 new employees to cope with the TikTok boom, the newly-launched Disney+ garnered more than 50 million subscribers in its first month and Netflix raised $1bn of fresh capital.

Covid-19 has also exposed the strength of online retail over bricks-and-mortar. In fashion, the luxury ecommerce business Farfetch reported a 90% uptick in revenue, while the European online retailer Zalando expanded its customer base by more than 20% during the first half of 2020.

Moreover, businesses which previously invested in their digital proposition have reaped rewards during Covid-19. L'Oréal – widely regarded as a digital leader in the beauty space – enjoyed a 53% spike in online sales during lockdown, thanks to its strong ecommerce framework. In workforce management, Amazon was able to leverage its automation technology to screen more than one million job applicants when needing to fill 100,000 warehouse roles.

Overall, in the digital arena, Covid-19 has worked to speed up existing consumer trends and increased the gap between digital laggards and leaders.

20,000 The number of hires made by Tesco to help meet online demand

31.8% The proportion of total UK retail sales made online in June

50m The number of the new Disney+ subscribers in its first month

The online grocery boom

One of the most significant developments in the consumer sector has been the race by grocers to roll out, or expand, their online delivery propositions – and a quick look at the major players proves that a digital foundation is a critical requirement for adaptability and crisis management.

Case studies can be found in Morrisons, which teamed up with Deliveroo to roll out home delivery; Aldi, which fast-tracked its ecommerce offering to provide pre-packed food boxes; and Tesco, which added 120,000 extra delivery slots and hired 20,000 new staff to meet demand.

There have certainly been bumps in the road. At the start of lockdown, for example, many grocers struggled to meet unprecedented levels of demand and received backlash from customers who were unable to secure a delivery slot. But despite the initial issues, grocers have expanded their online proposition at a never-before-seen pace and scale, and welcomed entirely new customer demographics who are now shopping online for the first time. Research in 2019 by IGD predicted online could be worth as much as 14% of the total grocery market by 2024. In light of Covid-19, a long-term consumer tendency towards staying at home and the delivery transformation we are seeing in the grocers, it will be interesting to see if online does not amount to well beyond 14%.

Indeed, Ocado has made a bet on the continued growth of grocery delivery, in June committing to raise £1bn to build to new infrastructure. Speaking on the matter, Tim Steiner, Ocado's founder and chief executive said that online grocery is experiencing an 'inflection point', with Covid-19 proving a catalyst for permanent channel shift.

"Businesses must ensure they have the right skills to consolidate short-term progress into lock term success"

Impact on talent

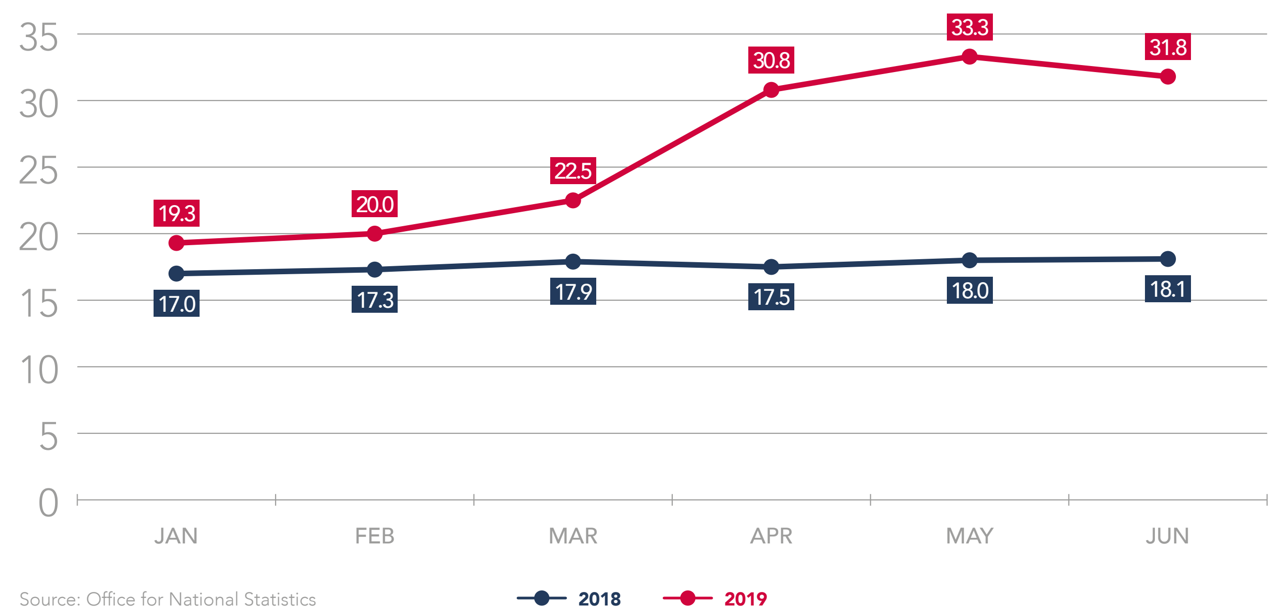
The agility, innovation and resourcefulness demonstrated by IT leaders at the start of the crisis will need to become the norm – and businesses must ensure teams have the right skills to consolidate short-term progress into long-term success. Indeed, a recent Bain report posited that less than 50% of businesses are likely to achieve their automation performance goals, despite 80% of companies having accelerated automation initiatives since Covid-19 – thereby highlighting the need to hire the right talent to guarantee sustained digital development.

Even more so than before, there will be a scramble for digital talent in the months and years ahead. In every sector, we can expect to see an increased need for data-literacy; even in traditional, offline roles. In fashion, for example, analysts may prove as valuable as traditional creatives as the entire industry shifts online. Indeed, the existence of initiatives such as Microsoft and London College of Fashion's incubator means that the next generations of talent are going to be fully tech-literate.

Certain positions will change considerably: the decline in out of home (OOH), trade activation and event marketing versus digital, for example, looks set to make a permanent impact on marketing. The jury is out on whether transformations such as wholesalers going direct to consumer are permanent or whether interim support is required.

A warning for digital-first businesses is that their talent pool has just become even more in demand, and will face an intense talent retention challenge going forward. We can also expect wider implications on salary inflation and overly accelerated career trajectories.

Proportion of UK retail sales made online (%)



Source: Office for National Statistics

Investments, mergers and acquisitions

The impact of Covid-19 on mergers and acquisitions, private equity and venture capital

This is a unique time for the consumer-facing sector, with widespread disruption simultaneously leading to the collapse of businesses and the emergence of new trends and technologies. Amidst the uncertainty, there are opportunities for private equity firms and investment funds to capitalise, as well as for businesses to develop their portfolio with mergers and acquisitions.

Private equity

This is a unique time for private equity funds. Over the course of Covid-19, we have seen funds increase levels of engagement with their portfolio businesses, while simultaneously watching the market for investment opportunities. Indeed, recent research from The MBS Group found that 69% of funds that operate in the consumer-facing sector are either 'very likely' or 'likely' to invest in our industries in the next twelve months – with funds highlighting the digital, food and drink and beauty spheres as key areas of interest.

We have already seen this play out, witnessing funds making bets on certain sectors, or else capitalising on the economic fallout of Covid-19. At the outset of the crisis, for example, Blackstone agreed a £120m deal to buy a portfolio of logistics sites, rightly predicting a boom in ecommerce in response to Covid-19. At the beginning of April, EQT acquired the French industrials group Air Liquide, which produce a range of hygiene products including hand sanitisers, and in May, KKR acquired a majority stake in the US multinational beauty company Coty for $3bn – a figure well below what Coty was valued at pre-crisis.

Despite evidence of funds taking advantage of lower prices, research from The MBS Group found that funds are not interested in distressed investments. Private equity funds are looking to help repair the balance sheet of businesses that had a strong EBITDA before the crisis, rather than snapping up distressed businesses and overseeing a whole company turnaround. Funds told us that they felt that companies which were distressed pre-Covid-19 are unlikely to survive in the 'new normal', unless they can access packages of state support. For funds looking to invest in the consumer-facing sector, a strong digital proposition, a healthy pre-crisis EBITDA and a clear purpose are all necessities.

> "Private equity appetite is geared towards digital businesses"

Moreover, our research found that there is a particular appetite for asset-backed companies. Companies are less frequently being assessed on a balance sheet and cashflow basis, but more often on the value of their assets, like infrastructure, inventory and freehold property. As a result, we can expect to see pubs and hotels being bought by private equity funds and their property assets repurposed.

Digital investment

It will come as no surprise that there has been plenty of activity in the digital sphere in the last few months.

In line with the shift in consumer behaviour towards online, the recipe box business Gousto raised £33m in a round led by Perwyn, BGF, MMC Ventures to fund its growth. Netflix also raised $1bn to double down on original content.

Private equity appetite is also geared towards digital businesses. Research from The MBS Group found strong digital credentials to be the number one priority for funds looking to buy assets. Indeed, we have already seen this play out, with private equity firm Novator leading a Series D funding round into the luxury consignment marketplace Rebag, for example.

There is an expectation of more M&A in tech, as founders seek to bolster their balance sheets and the balance of power shifts to investors.

Supporting struggling businesses with funding and M&A

In sectors that are disproportionately impacted, in particular travel, leisure and hospitality, we can expect to see a flurry of M&A activity in the future, as access to cash becomes key.

For example, as racing and sports were cancelled, the bookmaker Flutter Entertainment (parent company of Paddy Power and Betfair) secured a £10bn merger with The Stars Group to help them weather the crisis. Interestingly, Flutter was the biggest gainer (up 36%) on FTSE 100 in April.

Similarly, we have already seen plenty of businesses raise funds to bolster their balance sheets during this time. With nobody travelling, Expedia raised £3.2bn to ride out the pandemic, while Airbnb raised $1bn from private equity firms Silver Lake and Sixth Street Partners.

In fashion, struggling heritage businesses have been bought by larger players, such as the acquisition by Boohoo of Oasis Warehouse Group's online operations after the brand fell into administration.

Businesses adapting their portfolio with mergers and acquisitions

As businesses across the sector think holistically about where their organisation will fit in the 'new normal', we can expect to see businesses making strategic acquisitions in order to trade more effectively and cater to new consumer demands.

This will be particularly true in the digital arena, as businesses acquire new technologies to further their online offering.

Moreover, the demand for local products will benefit local FMCG companies and may mean global brands have to adjust their portfolio accordingly.

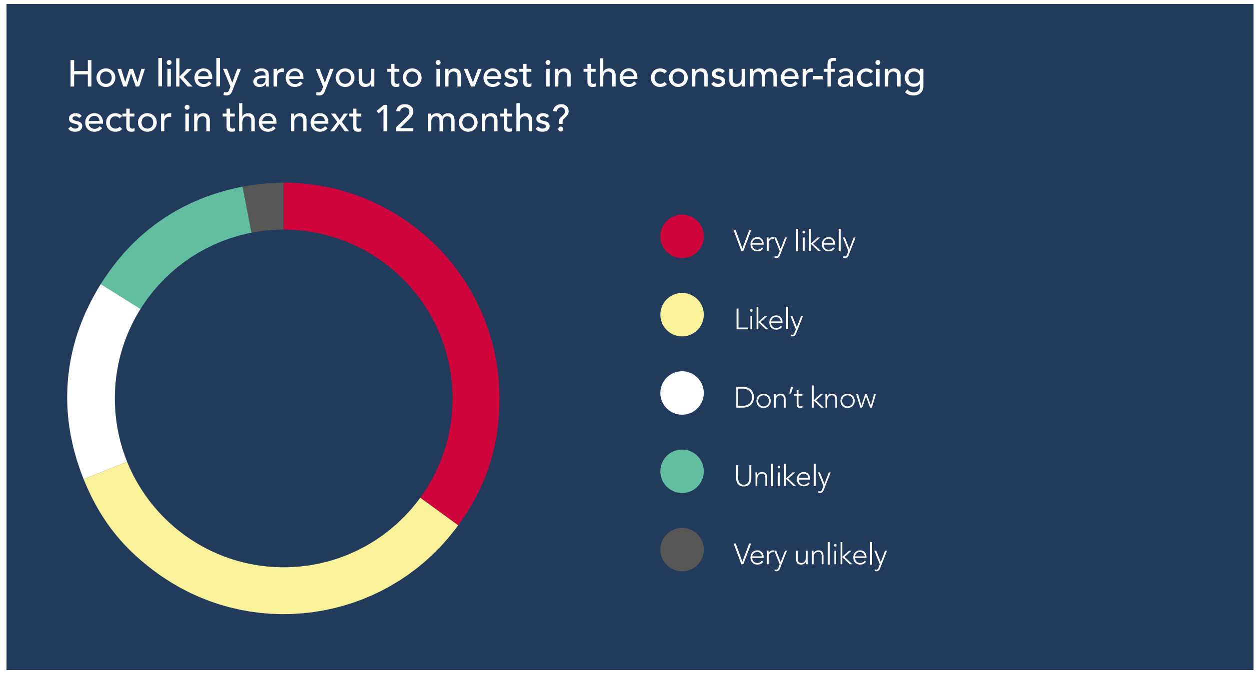
Impact on talent

Going forward, businesses will need to hire the right M&A talent to delineate between short and long-term opportunities. We are in a position where previously unthinkable M&A/PE activity is plausible, and companies will need the right talent to make shrewd acquisitions and conduct appropriate due diligence in an environment where a different set of considerations have come to the fore. On the other hand, target businesses must think strategically about hiring talent to lead 'defence' and ensure they are not the subject of opportunistic takeovers.

Key-person security, geographic mix, robustness of the supply chain and the seasonality of businesses, for example, will have to be considered post-Covid-19 when making an investment.

Even more than usual, there will be a need to distinguish between the short- and long-term, with a question mark over who is well-placed to make the right judgment calls. Private equity portfolio companies, indeed anyone operating in the M&A space, will need to hire talent with exceptional judgement – as, very often, they will be looking to acquire brands and companies whose value has become clear only in the context of the pandemic and which may be different from those previously acquired.

With M&A likely to be a very prominent feature of the consumer-facing sector in the next few years, hiring decisions will have to be made around whether to cultivate M&A leaders with industry experience, hire seasoned dealers (such as those from investment banking), or bring in commercial strategy consultants.



Source: The MBS Group research

Corporate social responsibility

How Covid-19 has shone a light on 'doing the right thing'

Corporate social responsibility – as part of a wider understanding of environmental, social and governance considerations – has been rising up the agenda for some time. Covid-19 has fast-tracked this, shining a light on the corporate responses to the pandemic and setting in motion a flurry of CSR activity that looks set to wave in a new era of corporate governance and customer relations.

Covid-19 fast-tracking the CSR agenda

In the last few years, there has been increased visibility around how businesses drive positive change and support social and environmental causes in their communities. Indeed, in some cases, doing the right thing by one's colleagues, customers and communities has become just has important as delivering shareholder value or achieving profitability.

Covid-19 has accelerated this trend. At the outset of the crisis, for example, donating funds or products to the NHS or vulnerable communities became the norm for businesses in our sector. Across the industry, we saw companies – even those for which CSR and charity is not usually a priority – donating care packages, offering discounts for NHS staff and offering a percentage of their profits to organisations tackling the crisis.

> "A company's stance on key social issues is becoming an important differentiator"

Five months on from the beginning of the UK's lockdown, CSR is still high on the agenda. With companies like IKEA repaying its furlough payments back to the government, and Kurt Geiger pledging to donate to the NHS until Christmas, it seems as though an awareness of the importance of CSR isn't going away.

Moreover, as evidenced by the Black Lives Matter movement in recent weeks, a company's stance on key social issues is becoming an important differentiator for consumers – and organisations that fail to take a stand and do the right thing will fall out of favour.

Focus on fashion

In fashion, Covid-19 is set to have a long-term impact on the industry's conversation around CSR. For bricks-and-mortar retailers, pureplays and luxury fashion houses alike, sustainability has been a key item on the agenda for quite some time, and Covid-19 has directly affected two key issues: seasonality and excess travel. As businesses face billions of pounds worth of excess stock, we can expect to see the seasonality and mass-produced nature of the industry change; many will be looking into sustainable resale and upcycling opportunities.

Similarly, with global travel restrictions disrupting fashion weeks around the world, luxury fashion businesses found digital solutions to continue with shows and shoots. Looking ahead, Covid-19 may well be a watershed moment for CSR in the fashion industry, as well as mark a new way of thinking about both luxury and fast fashion.

15% The pay increase M&S gave its store and supply chain staff

25% The proportion of his wealth that Jack Dorsey pledged to tackling the pandemic

4,000 The number of third-party sellers Amazon expelled from its platform for price gouging

Brand-building in grocery

Covid-19 has increased the visibility of many businesses in our sector – and none more so than supermarkets. With a key role to play in keeping the nation fed, the last few months have served to propel the grocery sector further into the national consciousness than it ever has been before.

Against this backdrop, the many positive measures, schemes and initiatives rolled out by supermarkets over the period have acted as phenomenal brand builders.

When panic-buying struck the UK, for example, the major players in grocery swiftly announced measures to protect customers and staff and safeguard supplies for those who needed them. Trading hours were adjusted to give priority to pensioners and health workers, and purchases of essentials were limited. Some announced plans to pay their smaller suppliers with immediate effect (see Partners) while others established hardship funds for struggling staff. M&S, for example, gave store and supply chain staff a 15% pay increase.

Perhaps more notable than the individual initiatives themselves was the level of collaboration that emerged amongst grocers. When the leading supermarkets jointly penned a letter to consumers at the beginning of the outbreak, urging against stockpiling, it served as a symbol of unity and set the tone for the months to come.

Taken together, the CSR activities of our grocers have not only increased the visibility of their individual brands, but also highlighted the vital role that the UK grocery sector plays in our wider society. Looking ahead, it will be interesting to witness the impact this crisis has on the grocery sector, and, from a talent perspective, whether the sector has become more attractive to ambitious individuals looking to drive societal change.

> "The world's biggest tech firms have shouldered CSR well during the crisis"

CSR for reputational recovery

For some businesses, Covid-19 has presented an opportunity to win back public trust and build a more positive reputation.

For example, in response to criticism that the gambling industry was exploiting people stuck at home, the Betting and Gaming Council announced that firms had voluntarily agreed to stop advertising during the lockdown. In a more significant shift, brewers and distillers – long accused of undermining public health – became lifesavers by pivoting to manufacture hand sanitiser. Big pharma, and even tobacco, both similarly demonised, found themselves in the vanguard of work to develop vaccines.

CSR at technology companies

Tech companies, meanwhile, have found themselves simultaneously playing a critical role in national infrastructure while also being at the heart of some of the emergency's most heated debates.

On the one hand, tech businesses have stepped up to the plate to deploy their capabilities in supporting the fight against the virus. Google and Apple took the lead in developing a tracking app; the World Health Organisation launched health alerts on WhatsApp; and Facebook Messenger is partnering with governments and the United Nations on health messaging texts.

Similarly, the crisis has driven a change towards regulation which is supported by the sector's behemoths. With sanitisers and protective clothing in high demand, eBay introduced measures to tackle price gougers; Amazon expelled 4,000 third party sellers from its site for profiteering from the pandemic; and Twitter expanded its safety rules in a bid to curb the spread of misinformation.

There have also been examples of purpose-driven leadership in technology companies. Netflix, Amazon, Apple, Facebook, Disney and YouTube each downgraded their video quality in Europe after the EU expressed fears about the load on internet infrastructure caused by the combination of mass home-working and home-entertainment. Led by Netflix, this development begs the question whether CSR could be the key to ingraining a 'first-mover' mindset in tech.

In general, the world's big tech firms have shouldered CSR well during the crisis, with almost all using their platforms to feature stay at home messages during the lockdown. Most prominently, Twitter CEO Jack Dorsey pledged more than a quarter of his wealth to tackling the pandemic.

Impact on talent

Looking ahead, it will be interesting to see whether those responsible for CSR take a more central role in business strategy. As the topic becomes more visible to consumers, we may see board level roles dedicated to CSR and a higher number of strategic partnerships between CSR and marketing functions. Other roles relating to CSR – such as the chief sustainability officer – may also be propelled forward post-Covid-19.

From our conversations with Chairs and Non-Executive Directors, it became clear that this community feel that it is their role to ensure that CSR remains firmly on the agenda in these times of crisis.

People strategies

How Covid-19 has impacted workforces across the consumer sector

Covid-19 is set to have a lasting impact on workforce management in the consumer-facing sector. After all, the labour market has been significantly disrupted: while mass redundancies took place across the sector, Tesco alone hired 45,000 new employees. The crisis has also fast-tracked conversations around key workers, and increased the visibility of employees in our industries.

As a result, the human resources function has become more visible than ever before. Especially at the outset of the crisis, Human Resources Directors (sometimes called Chief People Officers) were tasked with balancing long-term priorities such as employee wellbeing with the immediate - and highly complex - matters of furloughing, redundancies and pay cuts. Looking ahead, Covid-19 looks set to permanently change how companies think about their people, and the human resources function is sitting at the centre of this development.

Workforce visibility

The discussions surrounding key workers and feeding the nation have increased the visibility of the UK's wider workforce like never before. At the outset of the crisis, retail employees, delivery drivers, farmers, and other essential workers were thrust into the spotlight and received wide recognition for their contribution to keeping the nation moving. Indicative of the national mood, Vogue's July edition featured essential workers on its cover.

Moreover, in line with CSR and ESG agendas, businesses are paying more attention to their people internally during this stressful time. Companies such as Tesco and Aldi have expanded their health and wellness propositions during the crisis, and Heineken has made a 'no lay-offs' guarantee to its employees until the end of 2020. Those businesses which look after their employees' physical and mental wellbeing – and continue to do so beyond the crisis – will benefit from increased loyalty among both colleagues and customers.

Looking ahead, when it comes to hiring and securing the best talent, employers should expect to be asked by potential hires how they treated their employees during Covid-19.

Focus on the gig economy

Many of those still working throughout lockdown were part of the 'gig economy', occupying short-term, sometimes multiple roles. This structure of employment has been widely criticised in the past for its reliance on zero-hour contracts and lack of sick pay and other employee benefits. Looking ahead, we may see businesses change their attitude towards gig workers, and employ more empathy and understanding when drawing up policies. Uber, for example, which has previously been accused of being exploitative, committed $50m during the crisis to provide its drivers with safety equipment, and set up a 'gig hub' for drivers to find other short-term jobs during Covid-19.

A renewed understanding of the importance of the so-called 'unskilled' workers in the domestic labour market could also influence the debate around post-Brexit immigration policy - though there is little sign of this yet.

Restructuring

Covid-19 has also led to mass restructurings across the consumer sector, and plenty of cross-sector collaboration as employees from hospitality and travel businesses were redeployed to work in the food industry. Looking ahead, we may well see this sort of movement of people happening more often between sectors.

Internal upskilling

As businesses adapt to the changing consumer landscape, but work to avoid the costs of making new hires, we can expect to see a renewed focus on upskilling current employees. This is particularly true in areas such as digital marketing, ecommerce and data analytics. The multinational beauty and personal care company Natura, for example, made a statement committing to increase its internal digital training capacities, to support a 250% spike in ecommerce sales since Covid-19.

Flexible working

How organisations operate has been transformed in the last five months. With the boom of Teams, Zoom and other virtual project management programmes, businesses world-over have maintained productivity while working remotely, and this experience looks set to wave in a new era of flexible working patterns. Twitter CEO Jack Dorsey, for example, announced in May that the company would allow colleagues to work from home as long as they see fit, and in July, Google followed suit, making a statement to say employees would be working remotely until at least summer 2021.

The fallout from this structural change will be broad-reaching and long-lasting, impacting everything from where cafes, restaurants and bars choose to open to businesses' policies around childcare. Indeed, historically, the lack of meaningful opportunities for flexible working has been a barrier to achieving diverse leadership. The last few months have shown us all that remote and flexible working is effective – possibly even more effective than we originally thought – and should no longer be a barrier to progression.

> "Never before have companies needed the very best HR Director as much as they do now"

Impact on talent

Never before have companies needed the very best HR Director as much as they do now.

The crisis has required capable and resilient people leaders to keep colleagues healthy and mentally well, oversee vast remote working networks and handle the complexities of retrenching, furloughing and deciding whether to cut jobs, salaries or working hours. CEOs have been telling us over the last few of months that their HR leader has become their most trusted advisor and, in some cases, their de facto number two.

Looking ahead, we can expect this crisis to raise visibility of the human resources function further, which will lead to more HRDs sitting around the main board table.

Much has been written about how to elevate the HR position, and why 'people people' are so consistently under-represented in the boardroom - indeed, of the 723 non-executive directors who sit on FTSE 100 boards, just 3% have any prior HR experience in their executive career. This comes despite the fact that HR Directors have a well-balanced and thorough understanding of how businesses work. Considering the 'our people are our biggest asset' rhetoric adopted by so many senior leaders, and the prevalence of the HR function during the crisis, we can expect to see more former and current HR directors around the board table in the months and years ahead.

9.6m The number of people on furlough in the UK

10.2% The proportion of the US population that is unemployed

5m The number of Chinese citizens who lost their job in the first two months of 2020

Partnerships

How Covid-19 has strengthened strategic partnerships across the sector

Covid-19 has highlighted the need for collaboration and strategic partnerships. By forming partnerships with one another, businesses from across the consumer-facing sector have been able to continue serving customers effectively.

Moreover, the intense disruption caused by Covid-19 has fast-tracked conversations about transparency in the supply chain. Now more than ever, businesses must know – and engage with – their supply partners.

Suppliers

Covid-19 has brought supplier relations to the fore, especially in retail. Since the beginning of the pandemic, we have seen grocers roll out support for their suppliers. Such examples can be found in Sainsbury's and Morrisons, both of which revisited their supplier payment terms to speed up payment and help save small businesses on the risk of collapse. Supporting homegrown producers rose up the agenda, too, with Aldi promising to stock more British beef and M&S launching a campaign to support and champion British farmers. In FMCG, Unilever pledged €500m to support its supply chain through such moves as extending credit to select small-scale retailers that rely on the company.

This issue is closely aligned to corporate social responsibility, and comes with major PR implications. Primark, for example, pledged to create a fund to pay garment workers' wages after facing severe criticism from the likes of the Bangladesh Garment Manufacturers and Exporters Association when billions of pounds of clothing orders were cancelled across Asia, leaving millions without work. Brands including H&M, M&S, PVH Corp and Adidas also committed to paying suppliers despite deadstock.

Cross-sector partnerships

Covid-19 has served to reveal the interconnectedness between consumer sectors: alcohol manufacturers are dependent on pubs; food producers are reliant on restaurants and much of the beauty industry is dependent on salons operating as usual.

As a result, Covid-19 has encouraged many displays of cross-sector support. In a show of support for on-trade, Diageo pledged £1m to support bartenders who had lost their jobs, and Campari UK gave £100,000 to launch the Shaken Not Broken fund supporting hospitality workers. Such moves were not purely charitable, but recognised mutual dependencies. Whether this will prove the start of a transition to a new normal of more collaborative supplier relationships remains to be seen.

Digital partnerships

Perhaps most predominantly, we have seen dozens of new digital partnerships during Covid-19. In the early stages of the pandemic, retailers and restaurants forged new collaborations in order to keep trading and reach customers during lockdown. Case studies can be found in Morrisons, which teamed up with Deliveroo to roll out home delivery; in Pret, which partnered with Amazon to sell coffee products; and in the countless restaurants which worked alongside food delivery giants to continue trading to customers in their homes. In March alone, Deliveroo said that it registered more than 3,000 new UK restaurants to its platform. Going forward, it will be interesting to see which businesses commit to long-term digital partnerships and which withdraw from collaborations in order to focus on traditional routes to market.

> "Covid-19 has revealed the interconnectedness between consumer sectors"

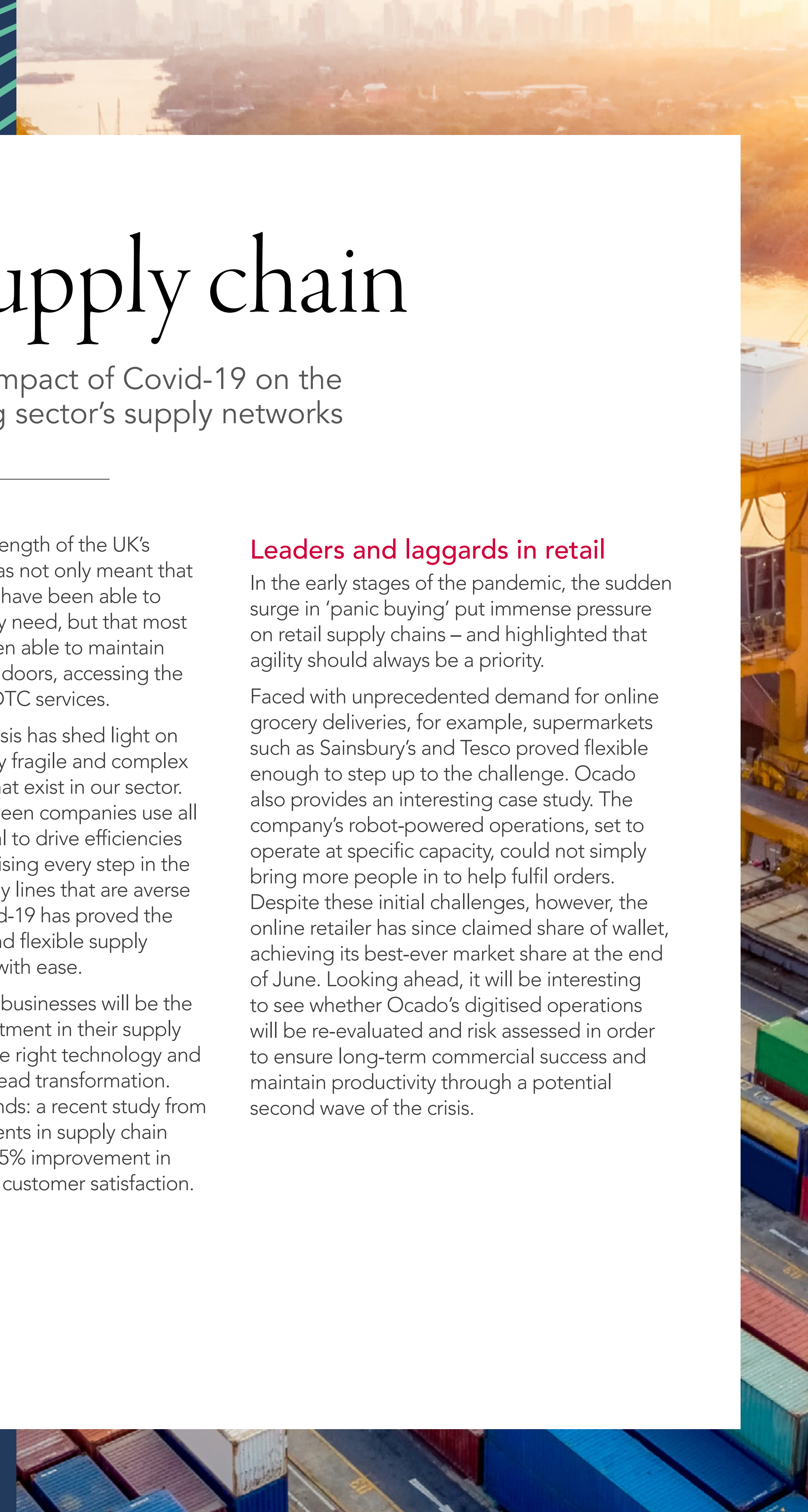
Keeping customers safe

Throughout Covid-19, we have also seen countless partnerships designed to reassure customers as health, safety and cleanliness becomes a key competitive differentiator. At the outset of the crisis, for example, Hilton Group announced a partnership with Reckitt Benckiser, the maker of Lysol and Dettol, aiming to develop a 'new standard' of hotel cleanliness. In this case, collaborating with a well-known name such as Reckitt Benckiser raised Hilton's profile, and acted as a marketing strategy to encourage customers back to its hotels. We have also seen businesses partnering with technology companies to trial new ways to keep their customers safe. In late July, for example, Asda teamed up with the technology company WasteCare Group to trial a new trolley cleaning machine that kills 99.9% of bacteria in just fifteen seconds.

Impact on talent

The increase in cross-sector collaboration could see the rise of the partnership director to handle strategic relations. In retail, new partnerships could affect the commercial and buying functions.

More generally, as businesses from different sectors team up – such as healthcare and tech – it may be necessary to address how best to execute partnerships between companies with very different corporate cultures. Indeed, one medium-sized business CEO told us that the most notable impact in her organisation during Covid-19 was the ability to negotiate. For all of her leaders, regardless of function, negotiations have become part of their job description. These have ranged from asking for delayed payment terms, to increased delivery speed to lower rent rates.



The supply chain

The long-term impact of Covid-19 on the consumer-facing sector's supply networks

During Covid-19, the strength of the UK's supply chain networks has not only meant that vulnerable communities have been able to access the vital food they need, but that most UK households have been able to maintain their normal lives from indoors, accessing the same food, goods and DTC services.

At the same time, the crisis has shed light on the shortfalls of the many fragile and complex supply chain networks that exist in our sector. The last few years have seen companies use all the tools at their disposal to drive efficiencies and reduce costs; optimising every step in the chain and creating supply lines that are averse to sudden change. Covid-19 has proved the need for simple, agile and flexible supply networks that can pivot with ease.

Looking ahead, winning businesses will be the ones that prioritise investment in their supply chain, and implement the right technology and hire the best people to lead transformation. Doing so will pay dividends: a recent study from Bain found that investments in supply chain resilience can deliver a 25% improvement in output and a 30% rise in customer satisfaction.

Leaders and laggards in retail

In the early stages of the pandemic, the sudden surge in 'panic buying' put immense pressure on retail supply chains – and highlighted that agility should always be a priority.

Faced with unprecedented demand for online grocery deliveries, for example, supermarkets such as Sainsbury's and Tesco proved flexible enough to step up to the challenge. Ocado also provides an interesting case study. The company's robot-powered operations, set to operate at specific capacity, could not simply bring more people in to help fulfil orders. Despite these initial challenges, however, the online retailer has since claimed share of wallet, achieving its best-ever market share at the end of June. Looking ahead, it will be interesting to see whether Ocado's digitised operations will be re-evaluated and risk assessed in order to ensure long-term commercial success and maintain productivity through a potential second wave of the crisis.

Understanding your supply line: transparency and analytics

Effective supply lines also require transparency at every level – and achieving this requires rapid digitalisation.

During the Covid-19 crisis, many manufacturers demanded greater visibility into their supplier's own supply chains – and this practice is certainly worth continuing. Integrating data across the supply chain, and utilising 5G and blockchain technology will allow leadership teams to gain real-time visibility and calibrate supply and demand during normal times, as well as react to supply and demand shocks. The ability to compare production capacity with real-time demand will be a critical to achieving agility and flexibility.

Investing in digital analytics tools will surely pay dividends in the years to come. A recent report from Bain showed that advanced analytics can improve supply forecast accuracy by up to 60%.

Focus on fashion

When the Italian government put the country's northern region under quarantine, the fashion industry's long-standing dependence on Italy was brought to the forefront of the conversation. The issue was exacerbated by Asia, where stores were reopening and luxury retailers were placing orders.

Fast forward to today, and the impact of the crisis on fashion supply lines may well be a catalyst for lasting change. We can expect to see a return to far less seasonal industry, and for luxury fashion houses and brands to turn to local suppliers, designers and manufacturers.

Faced with billions of pounds worth of excess stock, high street and luxury brands alike will have to find creative, sustainable and cost-efficient ways of shifting unwanted products. In May, for example, Primark reported that it was sitting on £1.5bn worth of excess stock.

> "Companies are now taking steps to construct flexible networks of suppliers"

Swapping global for local

The Covid-19 crisis has undoubtedly exposed the weaknesses of globalised supply chains. At the very height of the crisis, for example, the FMCG business PZ Cussons reported difficulties sourcing the raw materials for soap from its overseas suppliers – arguably its most important product at that time.

Kevin Moore, chief commercial officer of Greencore, predicts the development of local and regional supply chain networks in the consumer-facing sector as a result of businesses re-evaluating their operations. Indeed, companies are now taking steps to construct flexible networks of suppliers and manufacturing partners. That means setting up alternative suppliers, manufacturing sites and assembly locations and developing digital analytics tools to measure progress.

We may see businesses move their offshore manufacturing onshore, or at least closer to key markets to improve response time and be more receptive to local demand. Toyota, for example, reduces risk by having one supplier produce 60% of the needed parts, while two additional suppliers each produces 20%.

From a consumer standpoint, we may see demand increasing for local products as fears around health and safety and sustainability concerns continue to mushroom.

As a counter point, however, global supply lines will always be needed so long as a consumer appetite remains for region-specific products, such as French champagne or Scottish whisky.

Impact on talent

A complete re-evaluation of supply networks will require new talent, especially in developing digital solutions to improve transparency and agility long term. Indeed, a report from Bain demonstrates this, finding that while 80% of companies were accelerating automation initiatives, less than 50% were on track to achieve their automation development targets. It is therefore imperative that businesses introduce the right people who can oversee supply chain transformation and consolidate short-term progress into long-term success.

We are also seeing an increase in consumer scrutiny around supply lines and ingredients. It remains to be seen whether this will drive a 'local for local' approach – as many leaders attest – or whether it will result in greater sophistication around technology that provides consumers with instant insight into the make-up of a product and its journey.

Supply chain leaders need to maintain an outward-facing view, and partner with their marketing teams to ensure they are up to speed with the latest technologies.

Blockchain has long been an area of focus, and as such, tech-educated supply-chain leaders will be increasingly in demand.

Resilient supply chains build competitive advantage

Accelerate revenue growth

40%-60% decrease in prodcut development cycle

15%-25% increase in plant output

Improve customer satisfaction

20%-40% increase in perfect order rate

20%-30% improvement in customer satisfaction

Increase savings and cash flow

1%-2% lower operating expenses

10%-20% lower transporatation costs

10%-40% increase in inventory turnover

Mimimize risk and increase resilience

Buffers reduce disruptions to the network

20%-60% improvement in forecasting accuracy with advanced analytics

Source: Bain & Company analysis

Corporate collaboration

How bodies, businesses and organisations worked together to tackle the pandemic

In April, the Consumer Goods Forum launched the New Coalition on Collaboration for Healthier Lives, aiming to help its members "drive more impactful collaborations that benefit both people and planet and seize the opportunities offered by purpose-driven business models". While this initiative had been planned well before Covid-19, its timely launch was indicative of the overall mood of the consumer-facing sector during the crisis.

After all, in the last few months we have seen an unprecedented level of corporate collaboration and knowledge sharing taking place between businesses. At the height of the crisis, for example, leaders from each of the sector's biggest food businesses were meeting virtually on a weekly basis to share insights and discuss how to help each other in keeping the nation fed. In an industry usually fraught with competition and fierce rivalries, Covid-19 has served to prove what can be achieved when businesses work together.

Some of the biggest challenges in the consumer-facing sector, from sustainability to diversity to food poverty, will require connectedness and collaboration between businesses in the sector. If companies continue to cooperate to the same extent as during Covid-19, we can expect our sector to grow, develop, innovate and become an incredibly exciting place.

Swapping competition for collaboration

In March, the UK government relaxed competition laws to allow retail businesses to work together to meet the unprecedented demand brought on by stockpiling. This development came to define the early stages of the crisis. The spirit of collaboration could also be seen in tech, with rivals Apple and Google teaming up to develop Covid-19 tracing apps.

It will be interesting to see whether this period will foster a new normal of cooperation and a potential wave of collaboration on other industry challenges, from privacy to diversity.

"Trade bodies have played a vital role in the battle against Covid-19"

Redeploying staff

As some sectors experienced unprecedented demand and others ground to a halt, the consumer-factor proved its interconnectedness, and leveraged its workforces to redeploy staff where needed.

In many cases powered by industry bodies such as The FDF or WiHTL, thousands of people moved between sectors at the beginning of March. One of the most prominent developments was food businesses bringing on employees from the then-closed hospitality sector. Other examples include easyJet and Virgin, where staff went to work at the NHS Nightingale hospitals.

These sorts of developments may well encourage innovation in employee-matching technology, especially as more businesses streamline their number of sites or close their doors completely. Finding redeployment solutions within the sector could be a key area of interest going forward.

Joining forces for positive initiatives

There is a plethora of examples of businesses coming together to launch charitable schemes and fundraisers. Indeed, Covid-19 has exposed the mutual reliance that exists between industries – especially between food and drinks manufacturers and the hospitality industry, for example. Campari UK's Shaken Not Broken initiative is indicative of this. In partnership with TiPJAR and The Drinks Trust, the drinks giant created a relief fund for the hospitality industry's front-line workers, and itself committed £100,000.

Neighbourly is another example of corporate collaboration driving positive change. Danone UK & Ireland, Coca-Cola European Partners, M&S, Lidl and Aldi joined forced to create Neighbourly, a fund to support organisations helping those most at risk during the crisis.

Similarly, the anti-food waste charity FareShare has gained significant mainstream momentum during Covid-19. In June, the organisation joined forces with the Premier League footballer Marcus Rashford, committing to providing more that 3.7 million meals per week to vulnerable people.

Trade bodies and UK government

Industry bodies have played a vital role in the battle against Covid-19, providing a forum for business leaders to connect and mobilising critical action.

The British Retail Consortium, Food and Drink Federation, IGD, Walpole, UKHospitality, The British Fashion Council and the CBI have underpinned many of the sector's activities, often liaising with the UK government or providing connections between adjacent businesses.

Among such initiatives has been the work of IGD working with the Department for Environment, Food and Rural Affairs (Defra) and foodservice companies to manage the sourcing and delivery of food parcels to those normally reliant on foodbanks.

During this time, former FDF president and Premier Foods CEO, Gavin Darby, has become chairman of The Felix Project, the London food distribution charity which has stepped up from delivering 10 to 40 tonnes a day to feed the capital's hungry. The crisis has exposed the value of good leadership in such organisations and the need to hire the right talent. IGD, the research and training charity, has been bringing industry and government together to ensure food and other essentials keep flowing through the supply chain, while the Food and Drink Federation has been sharing supply chain jobs.

Much of this work has been supported by the action of government, both national and devolved, with the furloughing programme, liquidity support and targeted initiatives such as the Holyrood administration's £10m Scottish Seafood Business Resilience Fund. Images of empty supermarket shelves were a salutary reminder of the fundamental importance of retail/FMCG to the functioning of the country, yet it remains to be seen whether the government becomes more attentive to the sector as a result. Ministers have other challenges to resolve first, not least in addressing the dilemma of which businesses the government should prioritise for post-lockdown recovery.

Challenges in the coming months include the need for the hospitality sector to work with local authorities to adapt their businesses to social distancing requirements, and for travel – especially airlines – to work with governments. Return to work planning has seen Hilton announce it will collaborate with RB and consult with the Mayo Clinic to deliver an industry-defining standard of cleanliness and disinfection in their properties.

Moreover, public-private partnerships between healthcare and private tech look set to be accelerated as a result of Covid-19, with Apple and Google working on a tracing app and the NHS using Microsoft Teams for virtual visits. Government's role as a partner and funder for innovation can be seen with the launch of a £1.25bn Future Fund to help UK start-ups, with similar ventures worth €4bn in France and €2bn in Germany.

Again, government has stepped forward with helpful flexibilities. To cope with demand from shoppers and ensure adequate supplies, competition laws were relaxed to encourage collaboration and data-sharing between the grocers in a move that raises questions about what the relationship between supermarkets - and some of their new partners - will be like in the longer term. Some collaborations, such as Deliveroo's partnerships with Morrisons and Marks & Spencer, make sense in lockdown, yet the economics of these arrangements will be scrutinised with different eyes in recovery.

Impact on talent

The collaboration between businesses and sectors has exposed the number of transferable skills that exist in our industry. Looking ahead, we may well see an increase in hires being made from adjacent sectors, and more senior movement between industries as businesses grow increasingly interconnected.

Changing consumer behaviour

The seismic shift in consumer behaviour and what it means for the sector

That consumer behaviour has shifted dramatically during Covid-19 is indisputable. In the short-term, consumers world-over have moved online, and in the UK alone, more than half the population has used a new cashless form of payment since Covid-19 began.

Longer-term, businesses face the challenge of identifying which parts of the economy will spring back to where they were pre-Covid, and which shifts are likely to prove permanent.

Due to the unavailability of past data and few existing case studies to help drive decision-making, it is difficult to envision how exactly the crisis will impact society. However, history tells us that crises cause fundamental shifts in both social attitudes and the way in which businesses operate: WWII brought women into the workforce, 9/11 redefined security policy, and the SARS outbreak sparked an increase in ecommerce, for example. Businesses need to think holistically, strategically and steadily about their future, and determine where they fit within the 'new normal' for consumers – whatever that may look like.

Accelerating trends

Covid-19 has fast-tracked a number of existing trends, forcing businesses world-over to re-think their long-term strategies.

The most notable development has of course been the move towards digital adoption. When asked about the pace of change, the CEO and CTO of Accenture Paul Daugherty suggested that the world had seen three years' worth of digital transformation in just three months. Specifically, Covid-19 has encouraged an entirely new demographic to turn online. The notion of the 'silver surfer' has always been well-established, but it will be interesting to see what investments businesses make to encourage their older customer base to stay online.

Covid-19 has also fast-tracked the trend towards homeware and interiors, triggered by consumers re-evaluating their surroundings when spending more time indoors during lockdown. In the middle of the crisis, for example, sales of candles at Diptique grew by 536%. Moreover, the fast fashion platform PrettyLittleThing recently announced its move into the homeware category.

Other trends are forming new hybrids. In consumer goods, digital combined with a resurgence of home cooking has accelerated the rise of meal-kit recipes. The model was not new, but it has found its moment in the crisis, as was confirmed when Gousto raised £33m mid-way through lockdown. In a similar way, Peloton – already a burgeoning brand – hit one million subscribers through lockdown and is predicting its total revenue for the year will increase by 89%.

The 'new normal'

The entire consumer sector will have to adjust to a world of social distancing and fears around health and safety. Some businesses, such as cafes and retailers, have been quick to adjust – but such agility is more difficult for others, such as airlines, hotels and cruise businesses.

Organisations will have to show that they are taking health concerns seriously, which may shift the balance of power in the market. Will a certified hotel environment prove more appealing than a semi-unregulated Airbnb? Federico J. González, President and CEO of the Radisson Hotel Group, thinks the new competitive differentiator will be not just price but safety protocols, trust and experience. Will European holidays via Eurotunnel Le Shuttle or a ferry crossing in the safety of one's own car feel a safer option than a flight, or will there be a reluctance to travel far at all?

Bars, restaurants and entertainment venues will have to decide how best to encourage and accommodate customers who may be reluctant to venture out and whether changes - to premises and even business models themselves - should be permanent or interim. Many restaurants have already developed ways to reach consumers at home, capitalising on the growing trend for home cooking that has emerged from lockdown. Nando's, for example, has teamed up with the recipe box business Mindful Chef to allow customers to cook its recipes at home.

> "The entire consumer sector will have to adjust to social distancing and fears around health and safety"

There are businesses which have proved their agility and have adapted their proposition or developed their offering to cater to new consumer needs. Personal shopping, for example, has resurged with Harrods offering the comfort and security of personal shopping to its most valued customers as the first phase of its return to opening. Farfetch, NAP, and Moda Operandi also identified the need for private client divisions early on.

Leaders can take lessons from their peers in other regions. In China, for example, the luxury department store Lane Crawford introduced a 'trunk service', whereby entire new wardrobes were picked out by personal stylists and sent directly to customers.

Barclays' Global Consumer Staples report shows that washing hands more regularly is the biggest behavioural change in the UK in response to the spread of the virus, predicting that this practice will remain in place for many months and will be a major social norm even after the pandemic passes. With this in mind, it will be interesting to see which FMCG businesses diversify into hand washing products. Also in FMCG, channel mix will become an increasingly crucial feature in a business model. Nestlé, predicting a decrease in footfall to convenience stores, has taken the proactive measure of partnering with Deliveroo's Essentials platform.

Coping with recession

The economic fallout from Covid-19 will be felt for years to come, and businesses must adapt their propositions with this in mind. As consumers find themselves with less disposable income, buying habits and purchasing decisions will be disrupted – a McKinsey survey of consumers in China, for example, found that 42% of young consumers intend to save more as a result of the virus.

In some businesses, we will see a move towards lower-cost products. The surge in upmarket nail polish purchases during lockdown is indicative of the 'lipstick effect' – the theory that consumers will always buy luxury goods, but opt for less expensive items. Indeed, the market research group NPD reported a double-digit increase in sales of nail polish during Covid-19.

Looking ahead, brands will have to will have to think carefully about product development to ensure commercial success. Indeed, this could mark an exciting period for the sector, as a more difficult economic environment sparks innovation, and established businesses must prepare for increased competition from start-ups in every field.

> "Effective chief strategy officers will make insights-driven predictions about consumer buying habits"

Impact on talent

The need for innovative and entrepreneurial responses to a new commercial reality will put a premium on chief strategy or transformation officers. Effective chief strategy officers will make insights-driven predictions about consumer buying habits, as well as support CEOs who are likely to be focusing on ensuring the survival of their business.

A focus on thinking around the customer may also see the rise of the chief customer officer.

We have already seen some roles, such as the personal shopper, given a new lease of life during Covid-19; highlighting the need to hire the best talent to optimise spending. The move to ecommerce in developing markets such as Russia raises questions as to whether local knowledge or digital expertise is of more value.

In FMCG, we are likely to see an evolution of functions in insights, consumer market knowledge and route-to-market planning as major corporations try to stay one step ahead of the consumer behavioural changes.

Overall, businesses must ensure that their senior teams are agile, and comfortable with a fast-moving, often ambiguous consumer landscape. The ability to think on one's feet and make critical decisions at pace has been proved a requirement for crisis management, and should be carried through to the next phase of Covid-19.

Agility

Why senior leaders must take Covid-19's lessons in agility with them into the new normal

According to a survey by Bain, businesses that reported an increase in agility during the crisis were 2.5 times as likely to report an increase in productivity, along with better decision making, more innovation and more cross-functional teaming.

During Covid-19, the consumer sector has played host to a plethora of agile businesses, from adapting ways of working to adopting entirely new business models. Executives must take the learnings of flexibility and speed with them into 'business as usual', or otherwise expect to be outrun by more agile competitors.

People

Faced with social distancing restrictions, many businesses proved highly agile in their people and operations policies. At the outset of the crisis, Asda, for example, closed its in-store counters and focused resources on online trading while M&S redeployed staff from its Clothing & Home to its Food unit.

This period has proved working from home is possible and investment in technology such as Microsoft Teams, Slack and Zoom has helped to keep work colleagues and customers connected. This is likely to remain a feature of the workplace post-Covid.

The demonstration that working from home can be done on a major scale, albeit with some attendant downsides, may make it harder for companies to resist requests for more flexible working such as job shares and more consistent working from home arrangements. The crisis may have encouraged some people to assess priorities, which could include spending more time with family and less on the daily commute, with consequences for talent retention.

Business model

Throughout the course of the pandemic, we have seen countless displays of agility from businesses in the consumer-facing sector. Across our industries, leaders have employed quick thinking to pivot business models at pace, either as immediate solutions to the national lockdown or in line with long-term shifts in consumer behaviour.

At the beginning of Covid-19, for example, some of the cleverest pivots came from companies that threw their commercial might behind solving national problems. One such example is LVMH, which began producing hand sanitiser for free distribution to healthcare services at some its perfume and cosmetics factories, or the Scottish brewer BrewDog which organised donations of its new Punk Sanitiser. And in fashion, brands world-over reconfigured factories to produce personal protective equipment such as masks, gloves and robes for healthcare services.

These sorts of quick pivots proved in a very short space of time that innovation need not take months. In many cases, these moves also had high PR value, and worked to further CSR agendas. It will be interesting to see whether the temporary adaptation of business models becomes a key feature of the corporate world in the future, becoming a symbol of both humanity and efficiency.

> "Executives must take the learnings of flexibility and speed with them into business as usual"

Faced with a national lockdown, we also saw dozens of businesses re-think their operations in order to continue reaching customers and bringing in revenue. The complete shutdown of the foodservice and hospitality sector saw the wholesalers Brakes, Bidfood, JJ Foodservice and Savona Foodservice all set up direct-to-consumer ventures. Restaurants and bars also fast-tracked their own digital channels at an impressive pace to begin delivering food directly to customers' doors.

A number of cross-sector partnerships also sprung up in this phase of the crisis, allowing organisations to trade in news ways and adopt multi-channel approaches. The decision by Pret A Manger to strike a deal with Amazon may have been surprising pre-Covid-19, but served to help offset losses from café closures during lockdown.

Perhaps unsurprisingly, tech companies across the world were quick off the mark to adapt their propistions when Covid-19 hit. Deliveroo was swift to adopt a 'no contact drop-off' for those self isolating, and in Russia, Yandex confirmed its transformation from search engine into ecommerce platform to counter a decline in revenues from online advertising.

Constant change is now becoming the new norm. As we move into the next phases of Covid-19, businesses must prioritise agility, flexibility and speed in order to adapt to fast-moving consumer trends and ways of living. It will be interesting to see which company pivots will be long-lasting, and which organisations will opt to return to the old ways of doing things.

Impact on talent

The importance of flexibility in a crisis means we may see hiring decisions swing towards candidates with proven agility, rather than those suited to delivering a pre-set plan.

Indeed, recent research from The MBS Group found that agility is now one of the key characteristics looked for in a new hire. One Chair told us explicitly that: "we used to look for individuals who could implement a pre-prepared strategy. This is no longer the case: we want people who can adapt, who can think on their feet and who can demonstrate flexibility when making business-critical decisions at pace."

In particular, company founders have proved themselves to be invaluable during Covid-19. With a deep understanding of the costs and mechanics of their business, founders have been able to pivot with ease. Moreover, adopting a 'start-up mentality' has helped leaders make business-critical decisions fast. Being able to adopt this same mentality in the recovery stage of Covid-19 will be highly valuable.

As such, we can expect to see a greater desire among blue chip organisations to bring in more entrepreneurial vision and pace from SME talent pools.

Additionally, in such a period of unprecedented uncertainty, there will be an impact on the capacity of finance departments to conduct effective financial planning and analysis.

Deprioritised areas

Has anything been forgotten?

Covid-19 survival strategies have rightly dominated the corporate agenda over the last few months. But other business priorities – such as ESG and innovation – have not fallen by the wayside. Instead, and perhaps surprisingly, the pandemic has fast-tracked conversations around sustainability and diversity, arguably waving in a new era of responsible capitalism. Similarly, when it comes to innovation, Covid-19 has required organisations to adopt agile approaches to product development, and employ creative thinking to bring new products to market as they're needed.

In a recent interview, former Unilever CEO Paul Polman affirmed this view, saying: "if this crisis has shown us anything, is that it's time for ESG. It is time for more responsible, sustainable, long-term business models." From an investor standpoint, ESG remains firmly on the list of priorities. In June, for example, the private equity firm EQT took out a borrowing facility committed to funding portfolio businesses which meet certain targets around sustainability and diversity.

Diversity

We hope to see Covid-19 fast-track the conversation around diversity in businesses.

Practically speaking, the last few months have shown us that remote and flexible working is effective – possibly even more effective than was originally thought – and should no longer be a barrier to progression.

In line with the increased visibility around a company's people, there has been a rise in conversations around empathy and inclusion. Businesses should carry these values with them into the next phase of Covid-19.

There is also a new opportunity to rebuild with D&I at front of mind. Research by The MBS Group and WiHTL shows that a blocker to progress in creating diverse leadership teams is the slow rate at which senior leadership roles have historically been replaced. This is especially true in functions such as Operations, where incumbents have often been in post in senior roles for long periods of time, preventing progression opportunities for diverse talent in the layers beneath. Undoubtedly over the coming months, many businesses in our sector will be forced to restructure to reflect their new trading reality – and as companies rebuild teams and organisational structures, it will be possible for different, more diverse, leaders to emerge.

> "Those businesses which fail to attract and retain diverse leaders will find themselves out of favour with the consumer"

Indeed, building teams with diversity and plurality of thought has never been more important, as companies seek to know their customer demographic and cater to their needs in the 'new normal.'

One area of complexity is digital. While we can expect to see businesses make hires in digital transformation, the male-dominated nature of this space may be a blocker to progress on D&I.

Conversations with NEDs and Chairs in the consumer-facing sector have confirmed that diversity is firmly on their agenda. Penny Hughes, Chair at The Gym Group noted this in a recent webinar hosted by The MBS Group: Penny explained: "there is no playbook for the situation we are in and nobody has the right answers. As such, it has been imperative to bring in as much diversity of thought as possible on a regular basis."

Moreover, as evidenced by the Black Lives Matter movement in recent weeks, diverse leadership teams will become an integral part of businesses' 'social licence' to operate – and those which fail to attract and retain diverse leaders could well find themselves out of favour with the consumer.

Sustainability

When Starbucks turned away reusable cups, and bakeries wrapped each individual item in plastic bags at the beginning of the crisis, it certainly seemed as through sustainability had slipped down the list of priorities. But months on – and it is clear that Covid-19 has actually fast-tracked the long-term sustainability strategies of businesses in our sector.

This is clearest in the fashion industry, where travel restrictions and social distancing measures have forced luxury houses to finally take action on the long-running debate around the environmental damage of fashion weeks. Moreover, conversations around how to cope with excess stock have led to businesses considering more sustainable approaches to trading, such as upcycling unused stock and adopting a less strictly seasonal approach.

In general, Covid-19 has opened the door for companies to shorten supply chains and make them more transparent, socially conscious and environmentally friendly.

Moreover, as consumers make more considered purchasing decisions in the future, brands are likely to face more questions about their sustainability credentials and may need to adapt products and services to answer them. Key investors certainly think so. BlackRock, for instance, has committed to raising environmental standards for proxy votes to back company directors' re-election. Companies with strong ESG credentials have proved to be safe bets during the market disruption.

Innovation

Covid-19 has certainly disrupted innovation in the consumer-facing sector. While it would be easy to assume that matters of immediate survival would eclipse long-term innovation strategies, we have actually found the opposite to be true. Many organisations have accelerated their long-term innovation plans. A case study can be found in Volkswagen Group, where executives have said that Covid-19 has acted as a 'natural accelerator' towards electrification, driven partly by the public's desire to see cleaner air as experienced during lockdown.

Moreover, with a recession looming, brands will have to think carefully about product development to ensure commercial success, as consumers make increasingly more considered purchasing decisions. This could mark an exciting period for the sector, as a more difficult economic environment sparks innovation – and established businesses must prepare for increased competition from start-ups in every field. We have already seen Covid-19 encourage innovation in the digital sphere, as Facebook rushed to develop its Messenger Rooms feature to compete with rivals Zoom and Houseparty.

Impact on talent

In the weeks and months ahead, survival and transformation will remain key business priorities for executives. With this in mind, the Non-Executive community have a role to play in driving long-term positive change on these issues. NEDs and Chairs should put pressure on their executives to act with sustainability and diversity at front of mind while grappling with day-to-day issues.

The HR function will have a particularly integral part to play when it comes to diversity. Additionally, as we experience rapid change, the programme management function should also be reviewed.

About Us

About The MBS Group

For more than 30 years, The MBS Group has been a leading sector-specialist executive search firm advising all consumer-facing industries.

Clients consider us to be the partner of choice when searching for critical leadership roles that make a difference. We work at board level and on executive positions across all functions of strategic importance. For more information, visit www.thembsgroup.co.uk

Acknowledgements

We would like to thank our team at The MBS Group – Moira Benigson (Chair and Founder), Elliott Goldstein (Managing Partner), Huw Llewellyn-Waters, Thirza Danielson, Joseph Ball, Daria Koren, Ronan Busfield, and James Wardlaw – for their invaluable contribution.

With special thanks to Imogen Sewell and Simon More for writing and editing this report.

Further reading

You can read more of our insight and analysis of the key issues facing the consumer sectors on our website at www.thembsgroup.co.uk/mbs-intelligence/, where you will find our most recent reports and weekly columns, including:

[Covid-19 and the beauty industry: Where are we now, and what comes next?]()

[Responding to Covid-19: A new talent landscape, and a new role for private equity?]()

[Never waste a good crisis: time to change the dial on diversity]()

[Balancing leadership priorities in the new normal]()

[The role of the Non-Executive Board in a crisis]()

The MBS Group
3 Primrose Mews
Off Sharpleshall Street
London, NW1 8YW

+44 (0) 20 7722 1221
info@thembsgroup.co.uk
www.thembsgroup.co.uk