

# Driving Responsible Growth in Consumer Goods

Innosight's Key Takeaways for Leaders from the Consumer Goods Forum's Global Summit

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**M**embers of the Innosight consumer practice team attended the Consumer Goods Forum’s Global Summit in Dublin Ireland in June 2022. There, more than 700 industry leaders shared insights over three days about the challenges that suppliers, brands, and retailers face pursuing responsible growth, today and over the long term. At Innosight, our focus is on growth strategy and innovation, which were top of mind for leaders especially given the uncertainty in the macro environment. Here are three key takeaways:

## **1. The operating environment is changing rapidly — with global inflation and potential recession in the near-term and disruptions in the long-term.**

Unsurprisingly, the specter of global inflation was front and center during the summit. Leaders at consumer brand names, which have seen some success in passing on pricing in recent months, talked about working with retailers to make sure their value proposition is clear to the consumer. Retail executives talked about hard choices in how and where to pass pricing on to the consumer, ensuring there are opportunities to trade up and trade down.



Innosight’s Scott D. Anthony and Claudia Pardo presenting their I-Talk “Dispelling the Myths of Customer-Centricity” at the Consumer Goods Forum Global Summit 2022.

Coming out of the summit, there are still ambiguous signals as to whether inflationary pressures will persist, and whether a recession looms. Two inflationary forces that are likely to endure are continued barriers to globalization and decarbonization of major upstream sources of CO2 such as steel, cement, and aviation.

In the longer term, incumbents will have to learn how to reach consumers in the Metaverse, where they are increasingly spending meaningful amounts of time.

Indeed, the macroeconomic environment and technology changes are only the latest in a string of issues leaders have had to deal with, including the shock of COVID-19, the challenges of hybrid work, supply chain issues, rising geopolitical tensions, to name a few. The implication: operational agility will be critical, as will be having strategic plans and planning processes that take a discovery-driven approach.

## **2. Sustainability is strategy.**

Industry leaders echoed a common theme: sustainable practices ought to be a fundamental part of the long-term corporate strategy. Increasingly, to achieve the many specific decarbonization

and other commitments companies have made, sustainability has to be integrated into business and product lines, not a separate function or an “also.”

There has been a gap in terms of consumers stated preferences around sustainability and their willingness to pay more for sustainable goods. Yet some of the discussions suggested a mindset shift — from sustainability as an operating tax, to sustainability as an opportunity to rethink the business in a more holistic way. Notably, Unilever chief executive Alain Joppe strongly urged his industry colleagues to reject the notion that sustainable products must always come with a price premium. As well, retail executives shared examples of how economic incentives can produce behavior changes in consumers, and they’ve seen those behaviors stick even when the incentives disappear.



Finally, sustainability must include Health and Wellness, as **we have written about previously**. As is becoming increasingly clear, consumers link concerns about their environment to a broader sense of their own wellbeing and that of their communities. A corporate sustainability strategy must address not just climate impact but also social determinants of health of their target consumers. In addition, the consumer defines health broadly, idiosyncratically, and in terms of the out-

comes that they value as individuals. A broad definition of wellness will include mental health and a sense of purpose.

### **3. Driving growth and innovation will take courageous leadership — complacent decision-making will lose in the long run.**

Solutions that will drive industry growth and innovation abound. The challenge for incumbents is to learn how to deploy these for impact at scale. This will require leaders to think in new and bold ways about their business models — their value propositions, the resources and processes that deliver the value proposition, and how they create and capture value.

The consumer is living in a world where choices proliferate. It’s easier than ever to try new brands and retail experiences, and they don’t have to put up with broken or suboptimal steps in the consumer journey. Malina Ngai, chief executive of A.S. Watson Group, put it this way — retailers don’t just compete for consumer’s share of wallet, but share of time. Across the industry, then, commanding the consumer’s attention anew means being unafraid to test and learn in a more systematic way.

The playbook for bold leadership, how to identify and seize attractive growth opportunities, how to orient around a powerful long-term strategy, how to build systems and structures to enable growth — these are all within the grasp of industry leadership teams. But aligning on the hard choices these moves imply is not easy.

Although industry disruption was not a nominal theme of the global summit, it was hard to miss throughout the three days. **We have previously written** about three key disruptive forces that

will reshape the consumer goods industry — value chain disintermediation; the erosion of scale advantages; and rapidly changing global consumer demographics and preferences. It's clear that these are urgent topics for forward-thinking leaders in the space. These are complex issues, which will require adaptive systems-based responses and bold thinking. Those companies that rise to these challenges will set the pace for the industry.

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## About Innosight

Innosight is a strategy and innovation consulting firm that helps organizations navigate disruptive change and manage strategic transformation. Now a member of the Huron Consulting Group, we work with leaders to create new growth strategies, accelerate critical innovation initiatives, and build innovation capabilities. Discover how we can help your organization navigate disruption at [www.innosight.com](http://www.innosight.com).

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