

Preparing for tomorrow's consumers today:

The future of consumer markets



Introduction

The COVID-19 pandemic has raged on for almost a year and continues to create significant challenges for a variety of business sectors. As countries around the world struggle with crushing multiple waves of infection, new lockdowns and slow vaccine distribution, changes in the way we work, live and shop have become embedded. The long-term effects might be most deep and lasting for consumer-facing companies, which are on the front lines in dealing with the upheaval.

At the beginning of the crisis, many industry trends accelerated as people rapidly adapted their behaviours to meet health and safety requirements. Consumers, many of whom had already embraced e-commerce, jumped onto the internet in even greater numbers, buying more groceries and other goods online and selecting from an array of outside-the-store fulfilment options, such as curbside pickup and home delivery. In one example

of just how fundamental this shift has been, the share of e-commerce sales in the retail sector is expected to increase from 13.9% in 2019 to 22.4% by 2023, according to data from Statista. In the first six months of the COVID-19 crisis, it was also clear that a pre-pandemic movement towards more socially and environmentally conscious buying quickly gained steam, as many people increasingly considered not just their own health and well-being but that of society and the world at large.

Now, many months after consumers have settled into these and other behaviours, we are seeing the future of consumer markets more clearly. In this paper, we'll outline the five trends that are already shaping tomorrow, and we'll give you a plan for overcoming uncertainty and challenges in order to capitalise on opportunities.



19%

Almost one in five respondents say they shop daily through an online channel

PwC's Global Consumer Insights Pulse Survey, March 2021



A vision of the post–COVID-19 world

As difficult as disruption can be, it often nudges us—or thrusts us, in the case of the pandemic—into a future state.

Exhibit 1: Five consumer markets macro trends

Fundamental shifts that were already occurring in consumer markets accelerated with the onset of the pandemic. Our report highlights five global macro trends that we see transforming the industry. We also examine how to adapt to and capitalise on these shifts.

- 1 The store of the future:** The store of the future will be omnichannel and experience-rich, and will fuse the physical and digital worlds.
- Technology will continue to revolutionise online and physical retail, forcing rapid change and innovation.
 - Consumers will expect frictionless, tech-enabled experiences.
 - Traditional channels will continue to blur as retailers and manufacturers embrace a direct-to-consumer model.
 - The fulfilment experience will become an increasingly critical execution point.
 - Health and safety concerns will linger for retail.

- 2 Brand relevance:** Socially conscious consumerism will continue to grow as people seek brands that they trust and that align with their values.
- Consumers keep raising their expectations for the brands they engage with.
 - They will continue to seek purpose-driven brands that are responsive to an array of environmental, social and governance (ESG) concerns.
 - Brands will have to articulate meaningful value propositions to win customers.
 - The world of social media will increasingly influence brand perception and reputation.



- 3 The digital supply chain:** The supply chain of the future will operate with near autonomy, making ‘smart’ decisions to self-regulate.
- Rapidly changing consumer expectations and behaviours are forcing supply chains to be more responsive and transparent.
 - Omnichannel shopping, multiple fulfilment points and geopolitical issues will add to supply chain challenges.
 - End-to-end visibility will be the number one requirement for effective supply chain management.
 - Digital enablement will be key in evolving the supply chain.

- 4 The future of food:** Consumer demand for healthier products, along with expectations for greater transparency and sustainability in the food value chain, will increase.
- Three main trends will influence the world of food: the local, the mass-produced and the personalised.
 - As digital direct-to-consumer business models develop, there will be further blurring of the lines in how and where retailers and consumer packaged goods companies compete for customers.
 - Concerns about individual health and environmental sustainability and a desire for personalised products will continue to revolutionise the food industry.

- 5 ESG ascendance:** Pressure from regulators and boardrooms to focus on ESG will continue to intensify.
- An embrace of ESG initiatives will be essential to long-term value creation.
 - Regulation to spur stronger action on ESG issues is possible. Companies will have to embed ESG goals and ideals into the corporate culture and daily operating behaviours.

1

The store of the future

The store of the future will be omnichannel and experience-rich, and will fuse the physical and digital worlds.

The store as we know it will continue to evolve. An ongoing migration towards all things digital and the influence of modern retailing giants such as [Amazon](#) in the US and Alibaba in China will continue to force innovation in physical and digital retail spaces. Even strides made by companies in other sectors, such as Uber's pioneering ease-of-payment model, have ramifications for the store experience because they instill in customers an expectation for digital solutions in all aspects of their consumption.

You'll have to meet consumers where they are, whether through a website, on a smartphone, in a bricks-and-mortar store, on Instagram or TikTok, or through third-party partners such as product subscription boxes and delivery services. Companies that can't reimagine their in-store products and services in the digital realm will be left far behind.

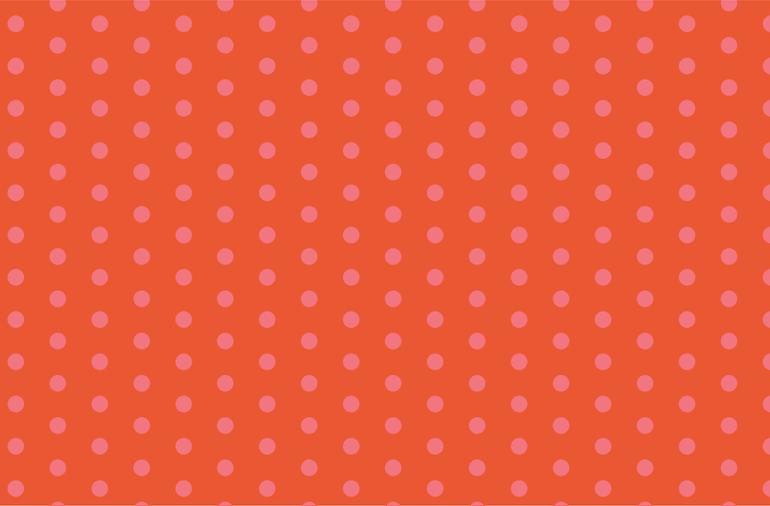
As these changes accelerate, the demarcation line between retailers and manufacturers is growing fainter, and the direct-to-consumer (D2C) path is becoming more crowded. Parts of the consumer markets value chain are increasingly intertwined, and more than one player is courting the consumer. Manufacturers have long wanted to leapfrog their retail partners. With the help



“

COVID put a sharp focus on the need for CPG companies to have a pulse on the consumer so they can serve them with relevant value propositions. The D2C trend is changing the game for retailers and CPGs.

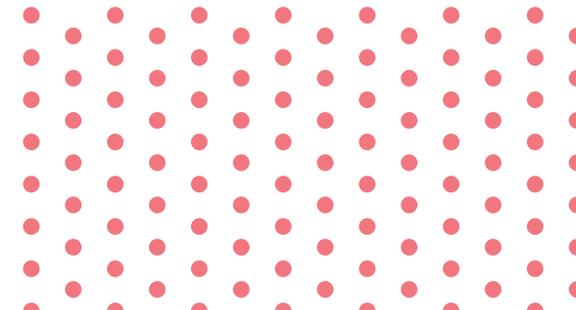
Paul Leinwand, global managing director of capabilities-driven strategy and growth for Strategy&, PwC's strategy consulting group, PwC US



of now-ubiquitous digital tools, they will have more opportunities than ever to appeal directly to consumers—skipping over the physical and digital stores. Major players such as [PepsiCo](#) and [Procter & Gamble](#) are doing just that.

Digital discovery will reign, which will, of course, impact the physical store. The customer journey increasingly begins online, with robust product information and feedback from reviews and influencers. Store browsing is being complemented and even usurped by online browsing—especially in the era of COVID-19. And among online modes for discovery, it's clear that mobile should be a priority. Shopping via mobile phone and smartphone continues to be the fastest-growing channel, according to our soon-to-be-published March 2021 consumer research. There's no doubt that digital discovery will continue to grow; it only remains to be seen how much it will grow and how quickly.

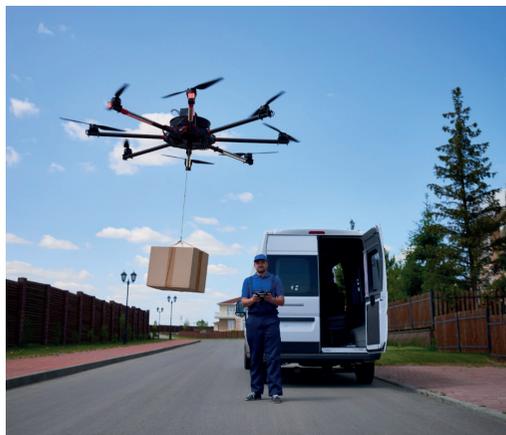
Another trend affecting the future store is the increasing expectation among consumers for frictionless retail. As a retailer, you'll have to create a transaction experience that's as hassle-free as possible by making payments easier and offering omnichannel service, enabling technologies and contact-free delivery options. Amazon's [Just Walk Out](#) contactless payment technology, now being sold to other vendors, is a great example, and many startups are competing with [similar innovations](#). Retailers such as Carrefour are experimenting with [facial recognition](#) to ease payments, and the largest bank in Russia, Sberbank, has collaborated with supermarket chain Azbuka Vkusa to introduce [biometric payment](#) services in stores throughout the country. Nike's 'speed shopping' option, in which shoppers reserve shoes online that they want to try on in store, is another example. When customers arrive at the store, the shoes are waiting for them in a locker and can be purchased via mobile payment, with no need to interact with a person.





The fulfilment experience may be the game changer going forward.

Josh Goldman, advisory principal, PwC US



The ‘outside-the-store’ fulfilment experience has become the new battleground for retailers of all stripes and one that’s ready for ongoing innovation. The consumer journey might start online, but it increasingly ends at the front door or car trunk. And the standards set by fulfilment innovators such as Walmart—which has introduced a [home-delivery service](#) that includes purchases, prescriptions and returns—will put increased pressure on all industry players, even those that aren’t direct competitors.

Consumers expect transparency around order status and delivery, and some also want near-instant fulfilment. This experience is fast becoming a key differentiator, one that’s closely tied to perceptions of service and quality. Our upcoming March 2021 consumer insights data underscores this, with 42% of global respondents saying that fast and reliable delivery is among the top three most important attributes to them when shopping online.

Although the fulfilment verdict is easy for consumers to reach—either they received their delivery in a fast and reliable manner or not—many behind-the-scenes factors contribute to the last mile experience. A retailer can’t just ‘bolt’ delivery on through a partner and forget about this crucial customer touchpoint. Delivery partners or not, it’s still the retailer’s supply chain linking the customer order, store operations and product delivery to create a customer experience worthy of the store of the future, while allowing the retailer to manage sales growth at the same or better profitability.

Lingering health and safety concerns will present ongoing challenges to the store of the future, especially to the concept of experiential retail. Although the showroom

experience will still have allure, consumers now rank health and safety measures among the top attributes they want for in-store shopping, according to our upcoming consumer research report. Asked which attributes were most important to them when shopping in physical stores, 33% of global consumers surveyed ranked being able to see and touch the products in their top three most important attributes, but almost as many (31%) ranked increased health and safety as equally important. With consumers’ embrace of e-commerce, many already-struggling bricks-and-mortar retailers face even tougher odds, especially those that were behind on the digital transformation curve. Nonfood retailers, in particular, will struggle to find their niche in the increasingly digital post-crisis world.

Although the physical store will not go away anytime soon, to thrive, those of you with bricks-and-mortar stores will have to realise that experience is everything. You’ll need to create retail experiences that give people a purpose for visiting but that also prioritise health and safety. For example, you could use your stores to offer a useful service—as the Kroger grocery chain has done by offering COVID-19 testing and vaccines in its pharmacies. Or, your stores could serve as a community hub or convenient micro-fulfilment centre. Alternatively, you might give consumers an opportunity to interact with products and other consumers who share their love for a brand. Vans did this recently with a [store in Los Angeles](#), a mecca of the skater lifestyle, that mixes retail with exhibition and entertainment space. Stores also offer the chance for people to simply experience the best that the brand promise—and technology—has to offer, such as virtual reality and augmented reality tools.

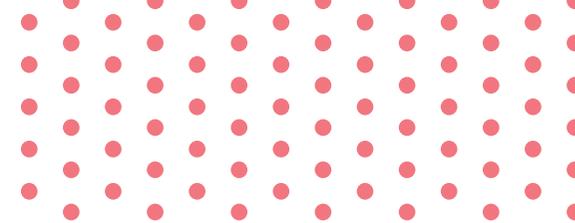


Exhibit 2: The physical store of the future

Many elements of the future store are already here or on the horizon. Some features of this high-tech new world include:



- 1 Information at your fingertips:** A range of emerging and mature technologies, including the internet of things, magnetic chips, geolocation capabilities and QR codes now allow consumers to use their mobile phones or other digital tools to access product information on demand, including specifications, consumer reviews and inventory status, replicating the online shopping experience.
- 2 Hyper-personalised marketing offers:** Geolocation marketing, AI-driven algorithms and other emerging tech tools are giving retailers more levers to pull to influence consumer behaviour. For instance, when consumers arrive at their local grocery store, the store's app can register their arrival and send them notifications about that day's deals, tailored to their buying habits.
- 3 Ease of payment:** If consumers have their way, standing in line to pay for a purchase will become a thing of the past. Retailers are implementing a range of frictionless and cashier-less payment methods.
- 4 Experiential retail:** Successful bricks-and-mortar retailers of the future will need to give consumers a purpose-driven reason to walk through the doors and will have to find ways to enrich the customer experience using technology.
- 5 Next-level automation:** Automation will continue to reshape the retail experience as inventory-checking robots, smart shopping carts and drone delivery move from the conceptual to the common.

2

Brand

relevance

Socially conscious consumerism will continue to grow as consumers seek brands that they trust and that align with their values.

Consumers keep resetting—and raising—their expectations for the brands they choose to embrace. They're seeking purpose-driven brands that mirror their values and beliefs, and they want companies to demonstrate their social consciousness in practical, tangible ways. The pandemic has broadened consumers' world of concerns. Matters such as paying suppliers on time, honouring pension obligations and giving employees COVID-related sick leave have suddenly gained sway over people's purchasing decisions. We expect socially conscious consumerism to continue to grow, presenting

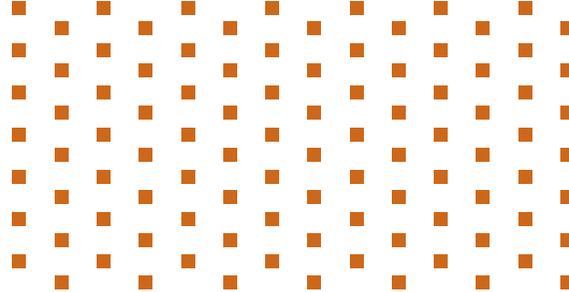
an opportunity for you to reinforce or clarify your brand proposition and its relevance.

It's well-documented that both consumers and employees value companies that put people over profits and demonstrate that they're good corporate citizens. Global communications firm Edelman, which tracks this trend in its annual global survey on brand trust, found in its [2020 survey](#) that 71% of respondents agreed that if they perceive that a brand is putting profit over people, they'll lose trust in that brand forever. This finding dovetails with research from PwC US, which shows that 70% of consumers surveyed saw trust as the most important factor when buying from a brand. In fact, brand trust is increasingly on par with other important purchase considerations such as quality, value and convenience.

“

Consumers used to demand quality, which is still important, but now they're also looking for things like environmental consciousness, diversity and inclusion. These are all elements of a brand now.

Samrat Sharma, global CMO advisory principal, PwC US



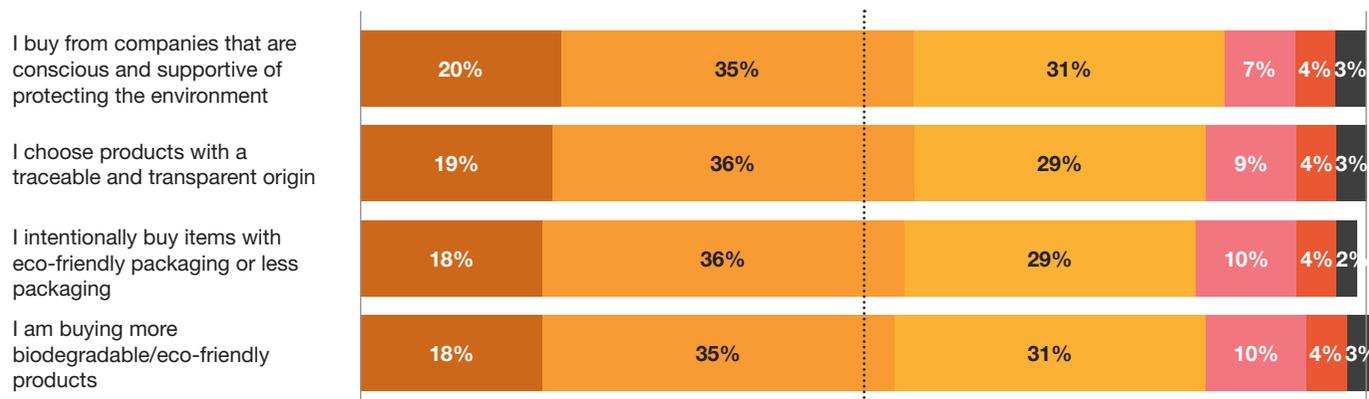
A proven way to build a brand with both consumers and employees is intentional experience management. PwC’s return on experience (ROX) research has shown that measuring and quantifying the interactions with both employees and customers helps drive value, including in faster top-line growth, higher profitability, and boosted ROI on specific customer and employee experiences.

Consumers and employees also want the companies and brands they embrace to engage and advocate on issues that affect them. A vast majority of global respondents (80%) in the Edelman survey said they want brands to “solve society’s problems.” And a [PwC consumer survey](#) of just US residents found that 75% of consumers believed companies should maintain changes made during the pandemic that have positive environmental impacts.

Notable examples of corporate activism include Nike’s ads highlighting racial injustice, the decision of German-based food company [Knorr](#) to change the racially offensive name of one of its soup products, and [Procter & Gamble’s](#) high-profile campaigns promoting female empowerment and gender equality and its acquisition of natural deodorant brand Native. Consumer goods companies including [Dove](#), Jack Daniel’s and [IKEA](#) launched pandemic-themed ‘we’re all in this together’ ads to foster goodwill and empathy with consumers while also letting them know what the company is doing to be of assistance during the pandemic. Brands and retailers are also highlighting their commitment to [diversity and inclusion](#) through actions such as donating to equality initiatives, improving representation within their own organisation, and carrying more products from minority- and Black-owned businesses. These examples illustrate how corporate leaders have taken note of the need to

Exhibit 3: Global consumer survey shows more than half value sustainability

Q: Please indicate to what extent you agree or disagree with the following statements around shopping sustainability.



■ Strongly agree
 ■ Agree
 ■ Neither agree nor disagree
 ■ Disagree
 ■ Strongly disagree
 ■ Don't know

Base: All respondents (8,738)

Source: PwC’s Global Consumer Insights Pulse Survey, March 2021

50%

expand their concerns beyond the balance sheet, and they offer a precedent for what the future will demand.

Although corporate actions can help define a brand, brand relevance is increasingly shaped by the online world, where friends, other consumers and social media influencers hold sway. This trend is here to stay for the foreseeable future. According to our soon-to-be published consumer research, more than half of global consumers surveyed interact with the top four digital platforms: YouTube, Google, Facebook and Instagram. Expanding your presence on various platforms and enhancing relationships with influencers, along with everyday customers, can help you cultivate socially

active communities and reach new consumers—for example, through TikTok, which is especially popular with consumers ages 18 to 24.

Trendy retailer [Fashion Nova](#) has figured out the social media formula for building brand relevance. With a network of more than 3,000 influencers on Instagram, including celebrities, the company has become so popular with its target customers that it’s often referred to as a ‘viral brand.’ The company forges strong bonds with consumers through frequent and relevant online interactions, making a point to always comment positively when customers tag themselves wearing the brand, and even resharing some customer posts.

3

The digital supply chain

The supply chain of the future will operate with near autonomy, making ‘smart’ decisions to self-regulate.

Supply chains are under pressure as consumer behaviours and expectations change dramatically and trends such as omnichannel shopping and multiple fulfilment points make it harder to predict and shape demand. Other factors are also affecting supply chains, including the pandemic, extreme weather, labour shortages and the rise of economic nationalism, as seen with Brexit and rising trade tensions with China. Even after the pandemic and related crises end, complex issues will continue to challenge supply chains.

Against this backdrop of uncertainty, end-to-end visibility will be the number one requirement for effective supply chain management. You’ll have to have a clear understanding of the location and status of inventory and the movement of stock, and an accurate view of customer demand. You’ll also need to ensure that your supply chain is responsive and flexible.

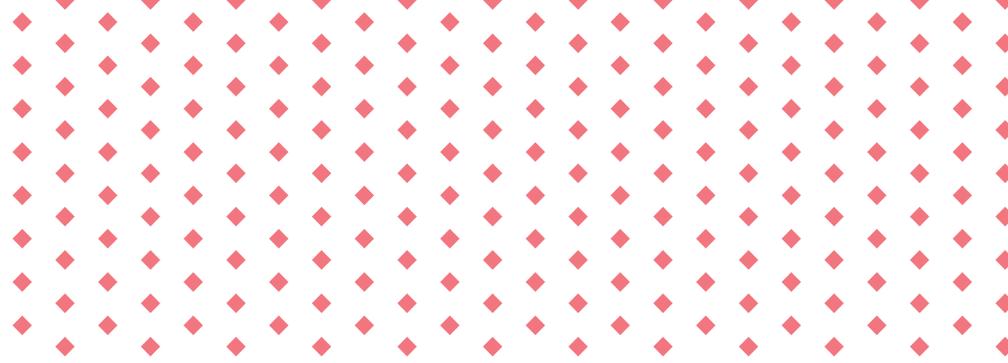
AI and other analytical tools will provide the foundation for a high-functioning digital supply chain. Innovators such as China’s e-commerce giant [JD.com](https://www.jd.com) and trendy European fashion retailer [Zara](https://www.zara.com) have demonstrated that investing in technology can give a company a powerful competitive advantage in a world where having the right products available at the right time and speedy product fulfilment are essential.

“

The supply chain has always been important, but the pandemic emphasised how important it is to the end-to-end fulfilment picture.

Steven Zhong, consulting partner,
PwC China





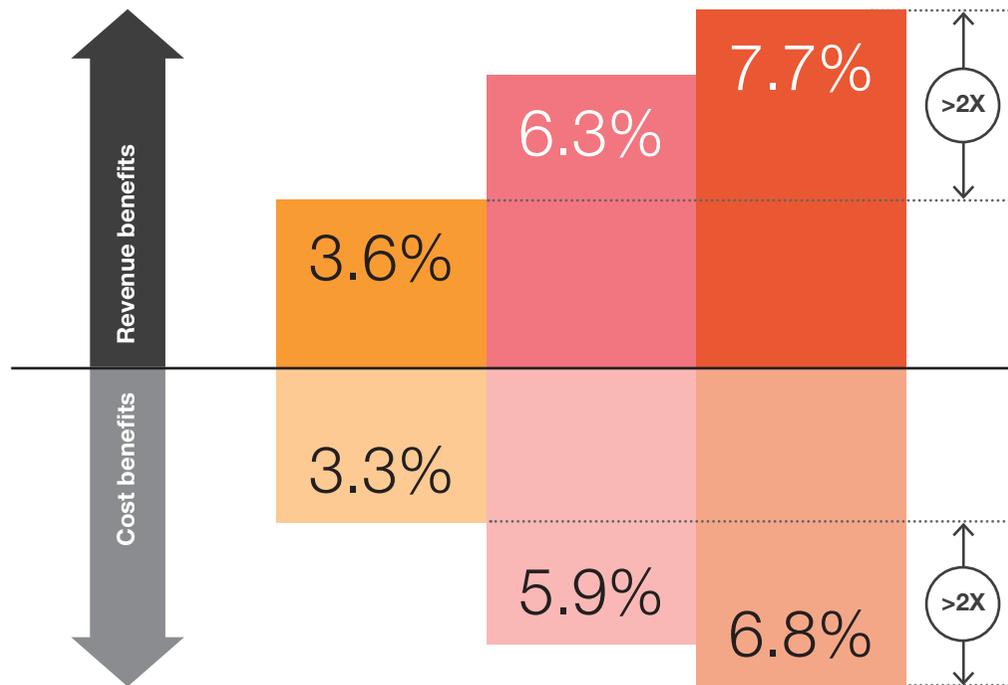
The [digital supply chain](#) will continue to connect all relevant internal functions—such as merchandising, category management, store operations, finance and tax—and integrate supply chain partners, including suppliers, logistics service providers, customers and innovation partners. This connectivity will form a self-guided ecosystem that can operate with near autonomy, making ‘smart’ decisions related to procurement, production, warehousing and logistics.

The [digital supply chain](#) of the future will also be more customer-centric, enabled by AI to sense and link demand and supply. Rather than pushing products at consumers, you’ll be able to gather more fluid data on consumer demand from a range of tech touchpoints and use this information to inform and power your supply chain. In the future, consumers, not manufacturers, will truly dictate what’s happening in the supply chain on an almost real-time basis.

This ability for supply chains to dynamically self-adjust to changing demand will, among other benefits, enable you to address some of the logistical challenges inherent in ‘[last-mile delivery](#).’ Increased transparency in the supply chain can also be a catalyst for greater accountability and sustainability, with blockchain technology making it possible to track a product’s full [chain of custody](#).

Exhibit 4: Companies reap benefits from investments in advanced supply chain capabilities

Q: What revenue and cost benefits did you gain last year from your investments in advanced supply chain capabilities?



■ Digital novices ■ All companies ■ Digital champions

Base: 1,601 companies

Source: “Connected and autonomous supply chain ecosystems 2025,” PwC, 2020



Supply chain data needs to be viewed at the same level of value as customer data.

Brian Houck, advisory principal, PwC US



More than half of consumers (56%) say transparency and traceability in the supply chain is an important factor when buying products.

PwC’s *Global Consumer Insights Pulse Survey*, March 2021

4

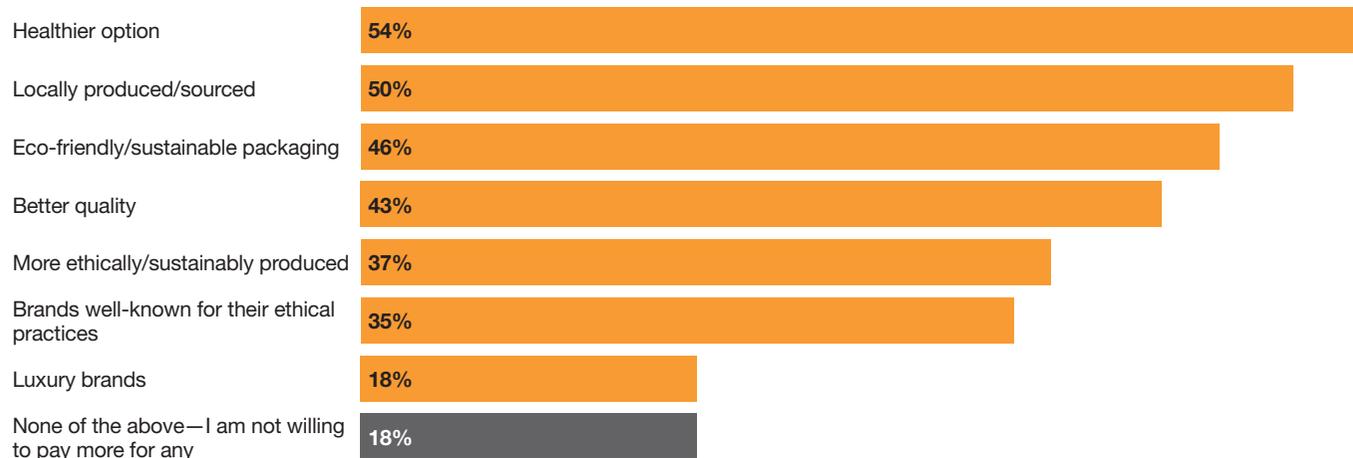
The future of food

Consumer demand for healthier products, along with expectations for greater transparency and sustainability in the food value chain, will increase.

Many of the trends shaping the future of consumer markets, generally, will have a pronounced effect on the future of food. Even before the pandemic, consumers were demanding healthier and more sustainable wellness and food products, restricting certain food groups and taking supplements. Our March 2021 consumer research reveals that half of global respondents said they are including more plant-based foods in their diet in an effort to eat more sustainably. We expect this trend to accelerate and intensify.

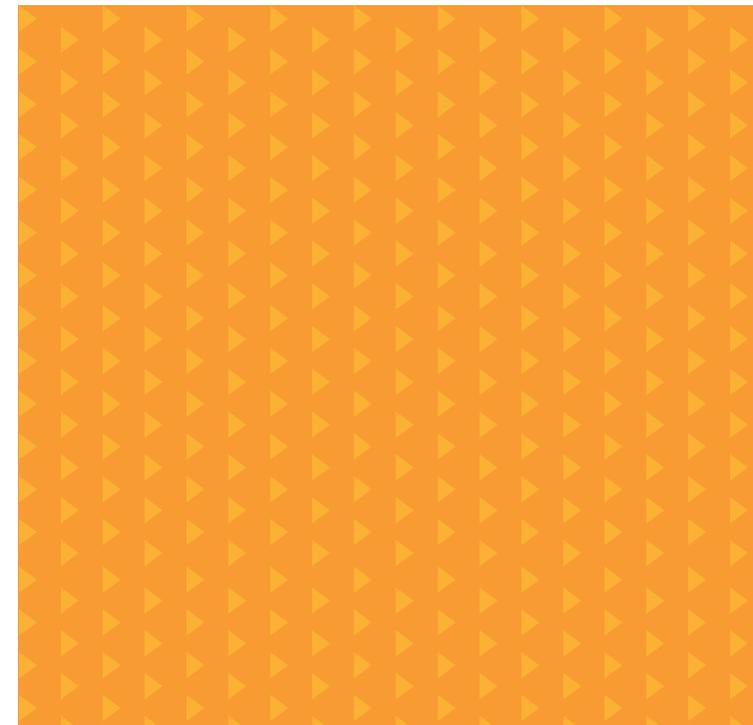
Exhibit 5: Food features consumers are willing to pay more for

Q: For the following product categories, which attributes would you be willing to pay more for? (Grocery including general food and beverages.)



Base: Respondents who purchase said category (7,903)

Source: PwC's *Global Consumer Insights Pulse Survey*, March 2021



Consumers are demanding accountability and transparency on a range of ESG issues in the food industry, including [reducing packaging waste](#), [supply chain transparency](#) and [fair labour practices](#).

All participants in the food value chain—including agri-food businesses, consumer packaged goods (CPG) companies and retailers—will have to meet these unrelenting expectations if they're to remain in the game.

Many consumers will also gravitate towards locally sourced products, largely for their sustainability and perceived value. And according to our soon-to-be-published consumer insights research, they'll continue to be willing to pay a premium for these items. But mass-produced food will still have a place, as some consumers

will always value price, consistency and availability, especially when buying certain goods.

The future of food also will be characterised by increased personalisation—even hyper-personalisation—and the ambivalence it inspires in some consumers because of how it's achieved—via data collection and tracking. Meal-kit companies and innovative grocers are already delivering highly curated grocery shopping experiences by asking consumers to answer health- and diet-related questions. If consumers don't want to see any products with gluten, for instance, they'll be able to have their own personal marketplace of products curated by technology to meet their needs and expectations.

Changing business models are also reshaping the food industry. Grocery retailers and CPG companies are rethinking how they interact with each other and with consumers in an evolving digital environment that puts [direct-to-consumer channels](#) up for grabs. Large CPG companies are already working towards being 'channel agnostic,' acknowledging that they want to win consumers wherever and however they want to shop. To compete in the food industry, you'll have to innovate, too.



5

ESG

ascendance

Pressure from regulators and boardrooms to focus on ESG will continue to intensify.

It's not just consumers who are increasingly prioritising ESG. C-suite executives, shareholders and governments are also making it clear that ESG initiatives are non-negotiables versus 'nice to haves.' And you, like leaders in other industries, will have to learn how to reinvigorate your value creation strategy in response. You'll need to acknowledge that value creation now relies on [resilience and your company's contribution to the well-being of society](#) as much as it does on financial productivity.

This was underscored in a recent high-profile statement on the [purpose of today's corporations](#) issued by the Business Roundtable, a group of prominent US CEOs. The group affirmed that corporations have a broader commitment—not just to shareholders, but to an extended circle of stakeholders, including employees, customers, suppliers and the communities where they do business.

Governments are also leading the way on environmental issues. The UK has announced a 'green recovery' [programme](#) to help companies emerge from the pandemic with more sustainable practices in place. And the recent decision by the new US administration to rejoin the Paris Agreement should also reignite a global focus on climate change.



Many companies are already taking bold actions. [Unilever](#), for instance, has pledged to eliminate fossil fuels in its cleaning products by 2030, and Nestlé has committed to avoiding plastic waste and making 100% of its packaging recyclable or reusable by 2025.

Although leading companies aren't waiting to be regulated into compliance, it's conceivable that the pandemic might spark additional regulation in consumer markets related to sustainability or other ESG matters. Considering the essential nature of the grocery supply chain—underscored with a bright red line during the pandemic—governments and regulators might start to see the supply chain as a piece of public infrastructure that warrants further scrutiny and regulation. If so, supply chains built on cheap, temporary labour, as well as offshoring and zero-hour contracts, are likely targets for reform.

You'd be wise to elevate the importance of ESG if you haven't already, embracing it as a business imperative, not a second-tier initiative. To do this will also require you to be truly authentic in your commitment to responsible practices, embedding ESG goals and ideals into your day-to-day operating fabric and culture.



Exhibit 6: Areas of focus for recovery in consumer markets



Repair the damage

- Identify operational weaknesses that have surfaced.
- Accelerate trust-building activities with customers and employees.



Rethink the organisation

- Adjust strategic direction as needed.
- Evaluate your brand portfolio through a new lens.
- Improve the fulfilment experience through complementary partnerships and rethinking other actions.
- Evolve your concept of the physical store.
- Establish priorities for ESG initiatives.



Reconfigure business operations

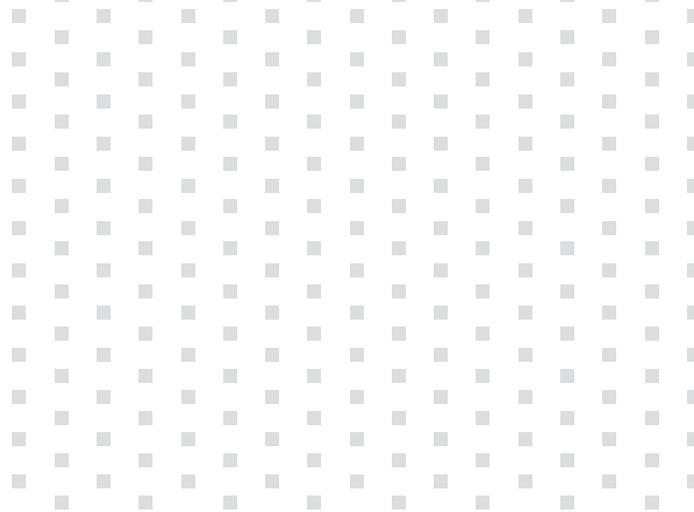
- Make needed technology investments to address deficiencies.
- Improve supply chain flexibility and resiliency via digital transformation.
- Update your channel strategy.

Repair, rethink, reconfigure

The COVID-19 crisis is not yet over, let alone its long-term effects. As you look to regain equilibrium and propel yourself into the future we've described, here are some suggestions for ways that you might repair, rethink and reconfigure your business.

Repair the damage

- **Identify operational weaknesses that have surfaced.** Crises tend to reveal deficiencies in business strategy and execution. Make plans to address vulnerabilities. This might mean adopting new technology to strengthen your analytics capabilities throughout the enterprise, adding or dropping new products or services, creating a faster customer feedback loop or introducing innovations to the fulfilment experience.
- **Accelerate trust-building activities with customers and employees.** Do you need to take any steps to repair reputational or service problems that arose during the pandemic? Keep in mind that energised, committed employees are critical to giving consumers a positive experience with your brand. Take care of employees, and they will take care of customers. It might be a good time to focus on improving employee communication, engagement and empowerment because the battle to acquire and retain customers will only intensify. In terms of external activities, you might want to identify new charitable causes to support or resolve to become more engaged on important issues, including climate change, racial injustice and the treatment of farmers and vendors in your supply chain.



Rethink the business

- **Reassess strategic and operating priorities.** During the initial months of the pandemic, the immediate priorities were clear for the industry, especially for CPGs and nonfood retailers: focus on the health and safety of essential workers, maintain product availability and stabilise the balance sheet. As new consumer behaviours become established, it's a good time to reassess your strategic and operating priorities.

Some questions to consider: Which pandemic-driven practices and policies will your company maintain? What changes are needed in your supply chain to improve resilience? Which products, channels and consumer segments will you focus on?

With format evolution happening at such a fast pace over the past year, many companies' focus has been on responding, not reflecting. As a post-pandemic world starts to materialise, you might even want to revisit and update your corporate mission, vision and goals.

- **Evaluate your brand portfolio through a new lens.** If you're a CPG leader, you'll want to evaluate your brand portfolio with a critical eye towards ensuring its appeal to today's more health-conscious consumers, including younger, affluent consumers who value unique products that meet their dietary and wellness needs. Depending on how fast consumer purchasing power recovers and the extent of cost pressures, some consumer companies will undoubtedly carve out certain brands from their portfolios.

A clearer focus on fewer brands might be in order, as consumers are likely to be more focused on need-based buying in the near term. Consumer preferences for locally produced products, more natural and organic goods, and more personalised products are other key considerations as you vet your brand portfolio and reconsider your value propositions. Will you compete on price, convenience, assortment, quality, sustainability or some mix of these factors?

- **Improve the fulfilment experience through complementary partnerships and by rethinking other actions.** Keeping up with increasing e-commerce

will require you to devise better fulfilment methods and strategies, especially for solving some of the logistical challenges inherent in the last-mile delivery experience.

Retailers and transportation providers will need to find ways to coordinate more closely to collectively [shape delivery](#) in a way that is more efficient and cost-effective. A digitally enabled supply chain will be essential. Other solutions might include crowdsourcing personal vehicles and delivery personnel to aggregate and improve delivery flows, or partnering with third-party delivery services such as Instacart, Deliveroo and DoorDash to complete last-mile local deliveries. Some retailers have also created [delivery hubs](#) or 'pickup towers' to improve ship-from-store capabilities, saving time and money through shorter delivery routes.

As consumers continue to embrace 'buy online, pick up in store' options, you should also look for [opportunities to improve](#) this aspect of the fulfilment experience. This could entail relatively simple actions, such as upgrading store apps to better facilitate product pickup or adding workers to pick products and deliver enhanced customer service.



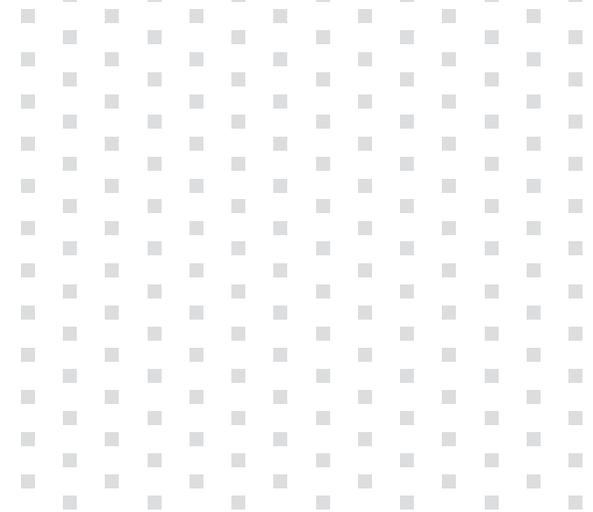
- **Evolve your concept of the physical store.**

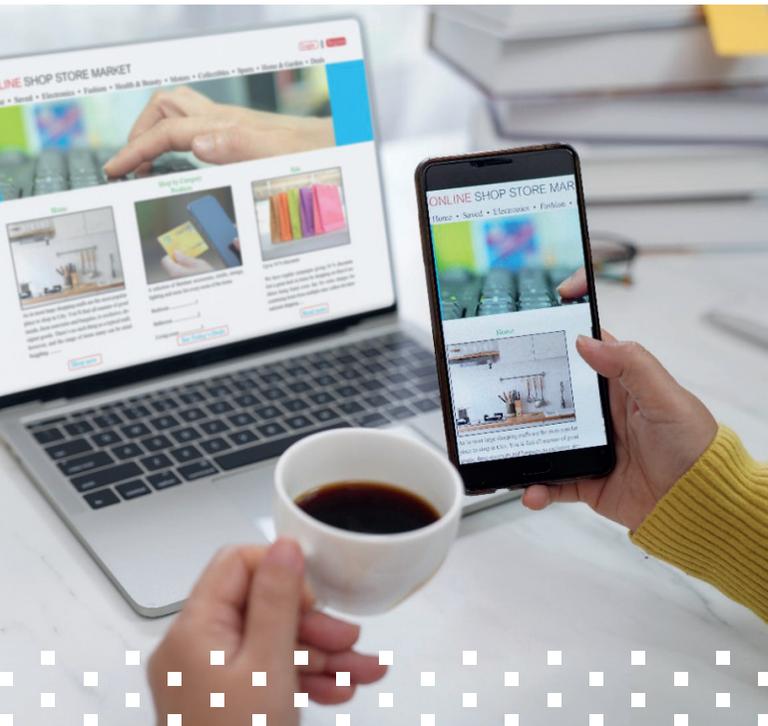
The pandemic has pushed forward our thinking about physical stores and their purpose. Future stores will need to combine the best of online and in-store experiences to appeal to what consumers like best about shopping and minimise what they like least. You'll have to do some creative soul-searching to refine the purpose and scope of your stores in a post-pandemic world that has seen retail trends accelerate at a dizzying pace. Moreover, the pandemic has introduced new challenges to experiential retail from a health and safety perspective.

Despite the pandemic's uncertain aftereffects, you'll need to find a way to compete on experience by delivering engaging, immersive and convenient experiences that give consumers a reason to shop in store rather than online. And you'll need to integrate digital tools that replicate the convenience and ease of shopping online, focusing on frictionless retail. This could mean using [smart shopping carts](#) that direct

shoppers through the store based on their grocery list, or [smart hanger](#) technology that allows them to electronically view product information and inventory and have clothing items delivered to a fitting room.

- **Establish priorities for ESG initiatives.** Don't wait for consumers, activists, shareholders or regulators to force your hand on ESG issues. You can lead people to adopt more socially and environmentally responsible behaviours that reduce both costs and labour. Hotels have effectively changed consumers' behaviour, for instance, by encouraging them to forgo the daily washing of linens to reduce environmental impact. Amazon gives shoppers the option of waiting to receive all their items in one package to reduce carbon emissions and packaging waste. And [Thrive Market](#) strives to be a zero-waste grocery retailer by using all recyclable materials and a highly engineered packing approach that reduces waste and that the company compares to "creating a game of Tetris inside your box."





Reconfigure business operations

- Make needed technology investments to address deficiencies.** The pandemic has been particularly challenging for companies that are behind on the digital transformation curve. In many cases, it has highlighted technology-related weaknesses. With the growth in cloud and software-as-a-service solutions, it's becoming easier to build and innovate software solutions. Ask yourself what technology investments you need to make to enhance your company's agility and remove friction and complexity in your operations. Investments in the digital aspects of supply chain management might be needed, for instance, to enhance supply chain visibility and make activities more self-orchestrating. Similarly, retailers might need to make investments in technologies such as augmented and virtual reality to allow consumers to virtually try products.
- Improve supply chain flexibility and resiliency.** The pandemic exposed a major weakness in many supply chains: an inability to react to large-scale disruptions and sudden shifts in buying behaviours. You'll need to assess how well your supply chains functioned during the pandemic and where breakdowns occurred. Investments in AI and other digital tools might be required to gain the end-to-end visibility and integration essential for supply chains of the future.

You should also examine risks and inefficiencies in the supply chain in light of a [shift towards deglobalisation](#) and the rise of economic nationalism. This change might require companies to develop a deeper understanding of risk in terms of sourcing and potential disruptions. And this might lead to the creation of shorter, more regional supply chains or a more diverse supplier base, or the addition of redundancies so manufacturing or sourcing can be moved easily from one regional site to another when disruptions occur—for example, a ['China plus one' strategy](#) to address over-reliance on Chinese-produced goods. Electronics manufacturer Nokia has taken this concept a step further with its ['factory in a box' model](#), which turns cargo containers into self-contained manufacturing sites that can be moved to a new location within hours.

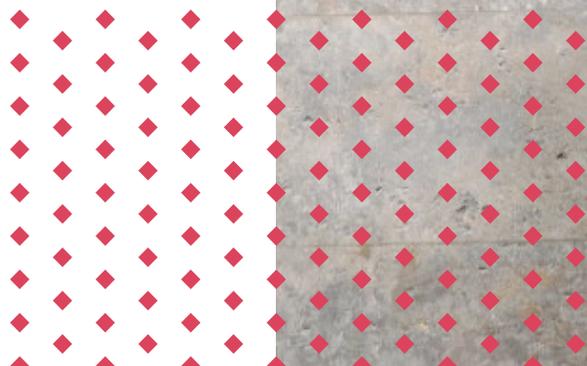
- Update your channel strategy.** With channel lines continuing to blur, CPG companies might want to launch direct-to-consumer platforms to reach people who will continue to buy online rather than visit physical stores. Not only do direct-to-consumer channels promote an omnichannel approach, but CPGs are finding they can also gain better, faster consumer information that helps them refine market segmentation.

The future is now

The consumer markets industry was experiencing large-scale disruption well before the COVID-19 pandemic. Several macro trends had already gained traction, but the pandemic served as an inflection point. It both intensified and accelerated these trends while putting a pause on others, such as the rise of experiential retail and the promise of globalism.

Such pivotal events, despite their lingering uncertainties and aftershocks, can serve as clarifying moments that present new opportunities. Now's the time to move forward with bold, decisive actions, even as the sands keep shifting.

We look forward to helping you envision and prepare for the future.



Acknowledgments

PwC would like to thank the following individuals for their participation in this report:

Jonathan Bartley

PwC UK
jonathan.w.bartley@pwc.com

Matthew Egol

PwC US
matthew.egol@pwc.com

Josh Goldman

PwC US
joshua.p.goldman@pwc.com

Brian Houck

PwC US
brian.m.houck@pwc.com

Paul Leinwand

PwC US
paul.leinwand@pwc.com

John Potter

PwC UK
john.potter@pwc.com

Samrat Sharma

PwC US
samrat.sharma@pwc.com

Steven Zhong

PwC China
steven.x.zhong@cn.pwc.com

Contacts

PwC Australia

Donna Watt
donna.watt@pwc.com

PwC Belgium

Filip Lozie
filip.lozie@pwc.com

PwC Brazil

Carlos Coutinho
carlos.coutinho@pwc.com

PwC Canada

Myles Gooding
myles.gooding@pwc.com

PwC China

Jennifer Ye
jennifer.ye@cn.pwc.com

PwC France

Sabine Durand-Hayes
sabine.durand@pwc.com

PwC Germany

Christian Wulff
christian.wulff@pwc.com

PwC Hong Kong

Michael Cheng
michael.wy.cheng@hk.pwc.com

PwC Hungary

Peter Biczó
peter.biczó@pwc.com

PwC Ireland

John Dillon
john.p.dillon@pwc.com

PwC Italy

Stefano Bravo
stefano.bravo@pwc.com

PwC Japan

Haruhiko Yahagi
haruhiko.h.yahagi@pwc.com

PwC Middle East

Norma Taki
norma.taki@pwc.com

PwC Netherlands

Milo Hartendorf
milo.hartendorf@pwc.com

PwC Poland

Krzysztof Badowski
krzysztof.badowski@pwc.com

PwC Russia

Martijn Peeters
martijn.peeters@pwc.com

PwC South Africa

Suleman Jhavary
suleman.jhavary@pwc.com

Anton Hugo

anton.hugo@pwc.com

**PwC Singapore
(Southeast Asia)**

Charles KS Loh
charles.ks.loh@pwc.com

PwC Spain

Roberto Fernandez Humada
roberto.fernandez.humada@pwc.com

PwC Sweden

Peter Malmgren
peter.malmgren@pwc.com

PwC Turkey

Adnan Akan
adnan.akan@pwc.com

PwC UK

Lisa Hooker
lisa.j.hooker@pwc.com

PwC US

Tyson Cornell
tyson.cornell@pwc.com

[pwc.com/consumers-today](https://www.pwc.com/consumers-today)



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

© 2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisers.