CONSUMER BRANDS ASSOCIATION

Great Expectations: Navigating challenging stakeholder expectations of brands

The pandemic has put consumer brands under enormous pressure—but there are rich rewards for those that can keep the loyalty, and manage the varied expectations, of stakeholders across the board.

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Coming off a year like no other, brands are under unprecedented pressure. Much ink has been spilled on consumer loyalty and expectations, brand response to social issues, and digital acceleration. Loyalty to consumer products is up for grabs, and the dialogue between brands and consumers remains important.[1] But more than ever, the most successful consumer packaged goods (CPG) brands will be those that can navigate a wider range of stakeholders.

Stakeholder expectations for brands are increasingly conflated with expectations for the companies that build and manage them. Brands can no longer be kept at arm's length from the corporate parent—particularly for corporations named for their largest brands. This increases the range of topics and perspectives to monitor and action for brand managers and brand owners.

To help brands and brand owners thrive under these pressures, Consumer Brands Association, in collaboration with McKinsey & Company which provided data and analysis for this report, examine expectations from five key stakeholder groups: consumers, retailers, employees, investors, and government. These insights combine primary research—including a survey of nearly 5,000 consumers in the United States and interviews with more than 20 retailers, chief human resource officers at leading consumer brands, and experts—with an analysis of publicly available investor perspectives, metrics, and policy documents.

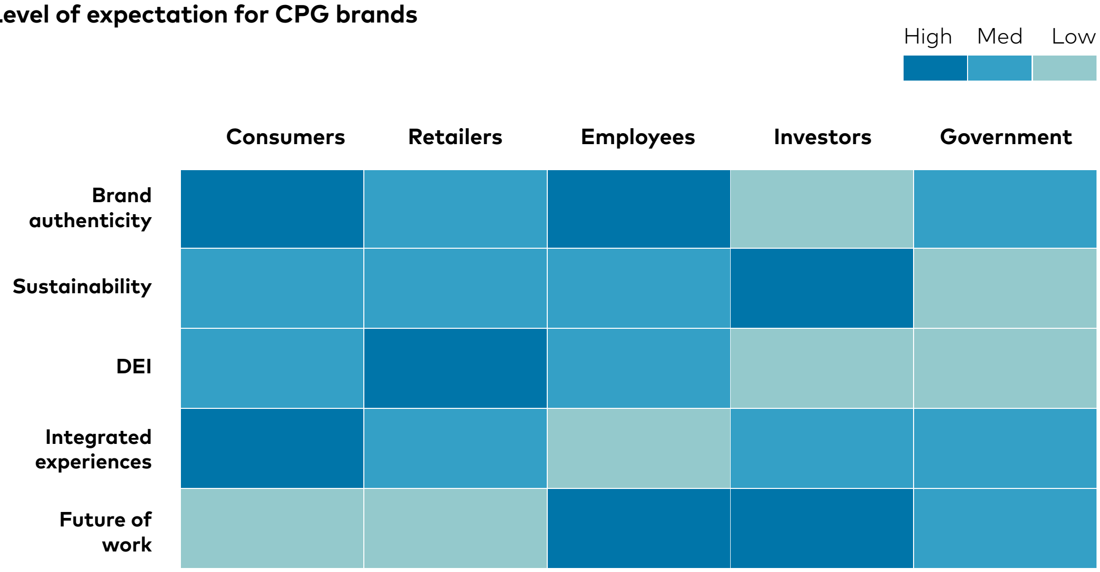
The research focused on exploring tangible expectations and their relative importance and actionability across stakeholders, which varied in unexpected ways (Exhibit 1).

[1] "US consumer sentiment and behaviors during the coronavirus crisis," McKinsey & Company, October 2021, McKinsey.com.

Exhibit 1

Expectations of CPG brands vary across stakeholder groups and theme.

Level of expectation for CPG brands



Source: McKinsey & Company Consumer Expectations Survey 9/17–9/23/21, n = 4,817, sampled and weighted to match the US general population 18+ years, interviews

Five familiar themes emerged:

1. **Brand authenticity:** Live what you stand for—and choose consciously where and how you speak up.

2. **Sustainability:** Investors leading the charge—move the needle on something tangible, measurable, and understandable.

3. **Diversity, Equity, and Inclusion (DEI):** Transparency and inclusivity are no regrets.

4. **Integrated experiences:** Collaborate to reach consumers—nail the basics, be a data maker, and curate across physical and digital touchpoints.

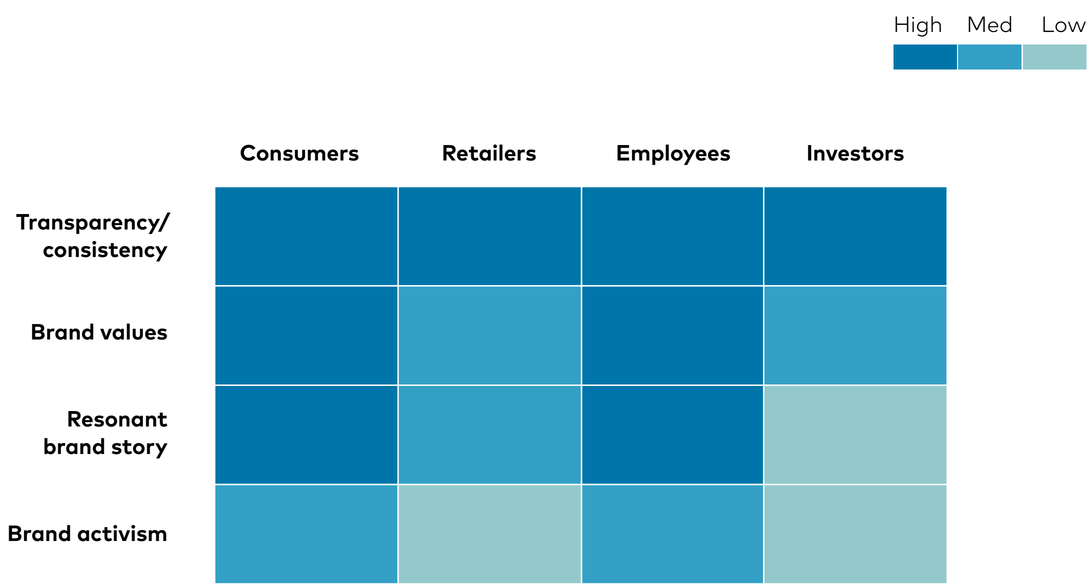
5. **Future of work:** Talent agility and automation will not be optional in a shifting labor market.

1. Brand authenticity: Live what you stand for—and choose consciously where and how you speak up.

Authenticity—when defined as brand transparency or consistency—is a table-stakes expectation of all stakeholders. When brands clearly articulate what they stand for, and act accordingly, they deepen their perceived authenticity in the eyes of employees, consumers, and retailers (Exhibit 2). These groups also distinguish authenticity from vocal brand activism: speaking out on social issues is more effective when causes align with brand purpose. While the importance of authenticity is not new, today's greater scrutiny of brand action and inaction makes it imperative that brands act consistently with their purpose.

Exhibit 2

What brand authenticity means to different stakeholder groups: transparency is fundamental.



Source: McKinsey & Company Consumer Expectations Survey, interviews

Transparency and Consistency: Table stakes across stakeholders
Brand transparency, honesty, and consistency of products and positioning were regarded as particularly important in all stakeholder groups. Across interviews, stakeholders ranked authenticity as the most essential of expectations, rating it more than four out of five in importance. Brands that fall short of this bar risk losing share, shelf space, and talent, while facing the ire of investors and regulators.

Brand purpose and story: Resonating with consumers and employees
A meaningful, resonant brand story—inspirational founders, brand origins, product ingredients, or social mission—is a powerful way to amplify perceived authenticity, connect to consumers, and drive loyalty. "A brand for someone like me" is the top loyalty driver (Exhibit 3). Resonance also attaches to "a brand I'm proud to buy" and "that shares my values". Misalignment could cost brands market share: 37 percent of Millennials, while not the majority, indicated that they would stop buying a brand that was not aligned to their values.[2] This echoes a previous survey which found that purpose was a primary reason for switching brands.[3]

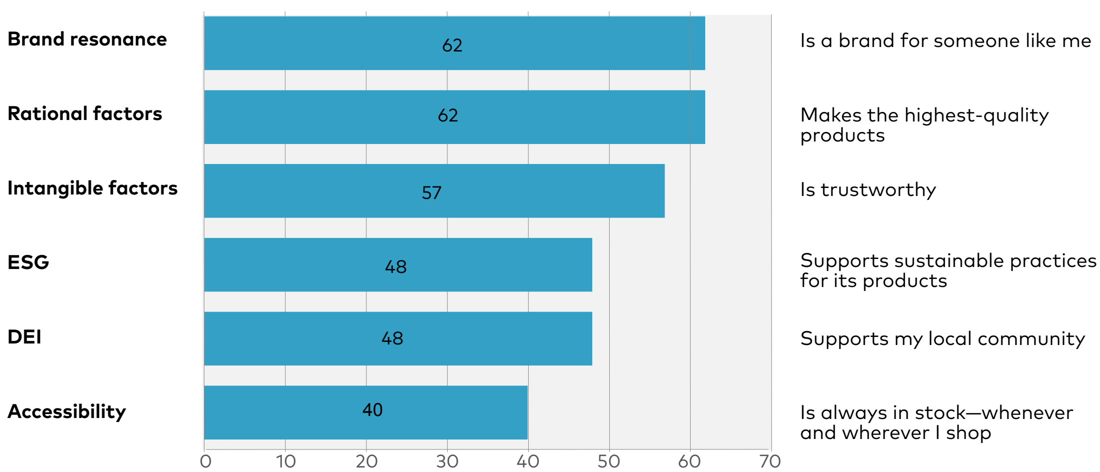
Retailers prioritize brands with purpose and values that are consistent with their own, and whose stories resonate with their customers. For example, retailers noted brands aligned with their values on sourcing and transparency, such as Vital Farms, whose packaging for eggs includes the farm

[2]McKinsey & Company Consumer Expectations Survey 9/17–9/23/21, n=4,817, sampled and weighted to match the US general population 18+ years.
[3]McKinsey & Company COVID-19 US Consumer Pulse Survey 2/18–2/22/21, n=2,076, sampled and weighted to match the US general population 18+ years.

Exhibit 3
Brand resonance ranks alongside product fundamentals as the largest loyalty drivers.

Brand loyalty derived importance, %

Top driver from each category



Note: Driver analysis of survey. Question: "Think about how you make decisions when purchasing [CATEGORY]. How important are each of the following, when deciding what brand of [CATEGORY] to purchase?"
Source: McKinsey & Company Consumer Expectations Survey

name; online, you can find its location and other product-sourcing information.

For employees, purpose and authenticity are also important considerations when choosing an employer—82 percent believe it is important for a brand to have a purpose, while two-thirds of Millennials take an employer's social and environmental commitments into account when deciding where to work.[4] Having a clear purpose helps brands attract and retain employees, and achieve the highest levels of engagement from them. One CPG leader mentioned the "cocktail-party test": are employees excited to say they work for Brand X, or are they embarrassed by a tarnished corporate reputation?

Brand activism: Focus on the right issues
The majority of consumers—61 percent across all generations—want brands to take action on societal issues. This expectation increases to 76 percent for Millennials and Gen-Z consumers.

Companies need to be thoughtful about where and how to engage in vocal activism, as both brand and employer. Even while 61 percent of consumers want brands to take action—or do the right thing—only 30 percent of consumers want to hear brands speak out about those actions.[5] It is a delicate balance, as vocal brand activism can also come into conflict with organizational inclusivity, particularly for brand owners with a diverse and geographically dispersed workforce.

What this means for brands
Brands and brand owners should be conscious about which issues align with their values, and share positions transparently with consumers and employees.

Once they have articulated what they stand for, they should act in line with those values, across product design, messaging, supply chain, employee policies, and more.

A brand's values should guide it on when to enter the arena. Loyalty will wane for brands that fail to act in line with what they stand for.

[4] "Purpose before profits? Employees say 'yes, please'," McKinsey & Company, January 2021, McKinsey.com; "Purpose: Shifting from why to how," McKinsey & Company, April 2020, McKinsey.com.
[5] McKinsey & Company Consumer Expectations Survey.

Employees are

5.5x

more likely to say that they are fulfilling their purpose at work if that purpose is aligned with their employer's

Those who say that they live their purpose at work are:

6x

more likely to want to stay at their employer

1.5x

more likely to go above and beyond to make their employer successful

Source: Naina Dhinga and Bill Schaninger, "The search for purpose at work," podcast, McKinsey & Company, June 2021.

2. Sustainability: Investors leading the charge—move the needle on something tangible, measurable, and understandable.

We have reached an inflection point on sustainability, and investors are leading the way.[6] As influential stakeholders, investors are pushing enterprises for change and accountability—and employees are backing them up. Consumers as a whole are not currently selecting brands, or paying premiums, for sustainability, but younger generations demonstrate strong preferences for greener brands.

Investors and employees are holding brands accountable

There has been a fundamental shift in how sustainability influences investment decisions. We are seeing growing capital inflows into what was once a niche "sustainability thesis." For example, flows to US sustainability-focused funds increased fivefold between the first quarter of 2019 and 2021.[7] Surveys of institutional investors have shown a growing number are incorporating ESG (environmental, social, and governance) considerations into investment decisions.[8]

Investment professionals believe contributions to environmental programs substantially impact shareholder value in the long term, by enhancing corporate reputation or brand equity.[9] Employees also see sustainability as an extension of brand authenticity: where it fits into the brand story, employees are energized by sustainability commitments—and will hold brands accountable for them.

However, the investment community would like reporting on ESG to be more reliable, consistent, and tied to value.[10] The SEC has been considering disclosures related to climate risk.[11] Much of this may be changing soon, with the announcement of the International Sustainability Standards Board (ISSB), charged with developing global reporting standards—a development coming out of the COP26 UN Climate Change Conference.[12]

Younger consumers have stronger, greener preferences

Consumers are not currently the primary influencers for greater brand sustainability: about 40 percent of surveyed consumers said that environmental responsibility or sustainability was important to them, and only around a third indicated a willingness to pay more than a ten-percent premium for sustainable practices, such as recyclable packaging; fair-trade practices; carbon-footprint reduction; or organic farming.

However, this will evolve as younger generations, who place a greater premium on sustainability, increase their buying power (Exhibits 4, 5). Sixty-one percent of Gen-Z respondents are aware of brand sustainability commitments, compared with only 21 percent of Boomers. Fourteen percent of Gen Z respondents and 25 percent of Millennials reported spending more on sustainability than the previous year. These younger generations are also increasing in influence. Millennials have already surpassed

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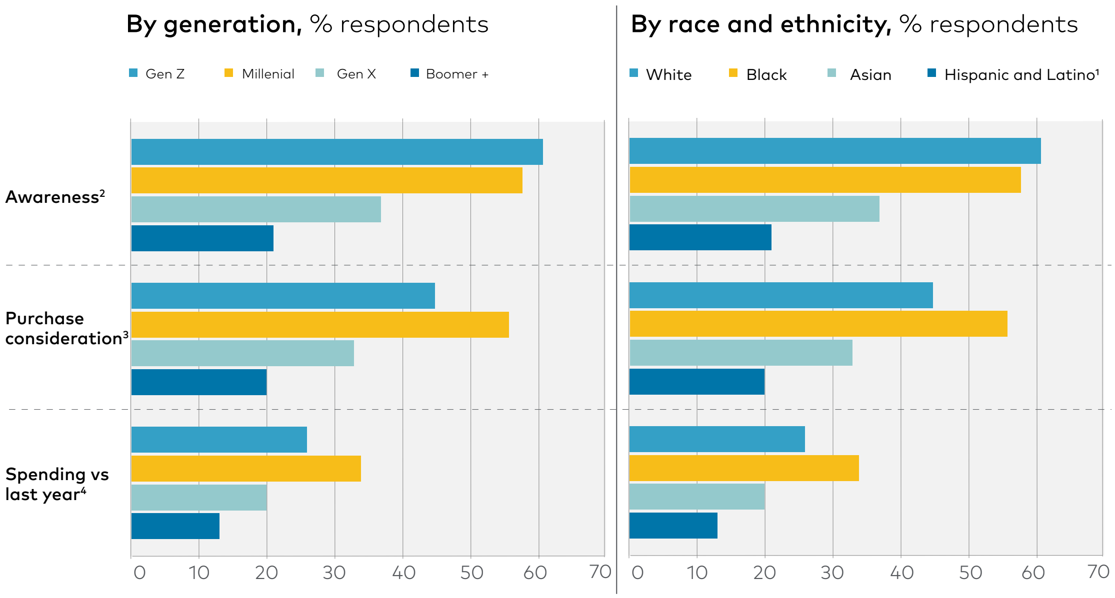
[6] Daniel Pacthod and Dickon Pinner, "Time is running out for business leaders who don't have a 'net zero' strategy," McKinsey & Company, May 2021, McKinsey.com.
[7] Pippa Stevens, "There's no hotter area on Wall Street than ESG with sustainability-focused funds nearing $2 trillion," CNBC.com, April 30, 2021.
[8] Thomas Shingler, "Callan survey finds nearly 50% of respondents incorporate ESG, highest level ever," Callan.com, November 5, 2021; Dave Goodsell, "ESG Investing: Everyone's on the bandwagon," Natixis.com, accessed November 18, 2021.
[9] "The ESG premium: New perspectives on value and performance," McKinsey & Company, February 2021, mckinsey.com.
[10] Why ESG is here to stay," McKinsey & Company, May 2020, mckinsey.com.
[11] Kristen Senz, "What does an ESG score really say about a company?" Harvard Business School Working Knowledge, July 21, 2021.
[12] Andromeda Wood, "The ISSB: A Game-Changer for ESG Reporting," Yahoo! Finance,November 10, 2021.

Exhibit 4

Younger generations are more aware of, and prepared to spend on, sustainability.

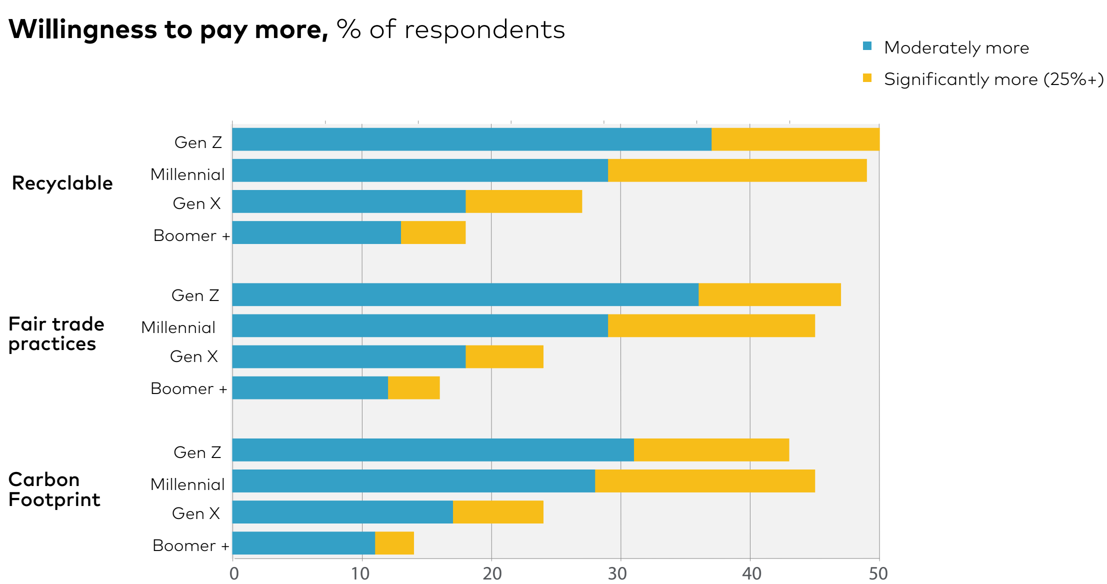


1. Includes those who identify as Hispanic or Latino. All other groups are solely non-Hispanic/Latino.
2. "When thinking about [Brand] for [CATEGORY], please indicate the degree of awareness you have regarding the brand's commitments to Sustainability?"
3. "How frequently do consider a brand's commitments to sustainable practices, including packaging in your decision of what [CATEGORY] brand to buy?"
4. "Compared to last year, are you spending more, less, or the same amount on [CATEGORY] products that are sustainable, including packaging?"

Source: McKinsey & Company Consumer Expectations Survey

Exhibit 5

Younger generations are willing to pay more for several dimensions of sustainability.



1. "Compared to the [CATEGORY] products you buy now, how much more would you be willing to pay for these [CATEGORY] products if you knew the brand supported the following?"

Source: McKinsey & Company Consumer Expectations Survey

Boomers as a proportion of the population, and in ten years, Gen Z's income is expected to exceed that of Millennials.[13] Further, with 61 percent of younger Americans likely to organically post about brands they like, compelling sustainability commitments can shape the brand narrative spread on social media by consumers.[14]

For retailers, the pressure to honor external commitments, manage their own sourcing, and offer options for younger shoppers will increasingly affect CPGs. All retail stakeholders interviewed indicated the increasing importance of environmental and sustainability goals. They are also actively rolling out initiatives to achieve these commitments, and communicating these to their shoppers. Some of these commitments—for example, net waste reduction, packaging optimization, or distribution route optimization—are driven by operational improvements. Retailers noted that these environmental goals have not all translated into expectations of their CPG partners and expect further trickle-down effect on brands in the future.

What this means for brands

Action here is imperative.

It is necessary to define metrics that are meaningful and measurable.

With the right metrics, brands can translate their commitments into a realistic roadmap with tangible initiatives.

Accountability to their stakeholders requires them to clearly report on these, and the value driven by their actions.

3. Diversity, Equity, and Inclusion (DEI): Transparency and inclusivity are no regrets.

DEI is of increasing importance to multiple stakeholders; but, as with sustainability, expectations are not consistent across stakeholders. Execution of retailer DEI aspirations, for example, is mostly left to the discretion of individual buyers, leaving brands without a clear blueprint. However, this will change over time as retailers formalize policies and younger generations increase buying power.

Retailers are spreading the word

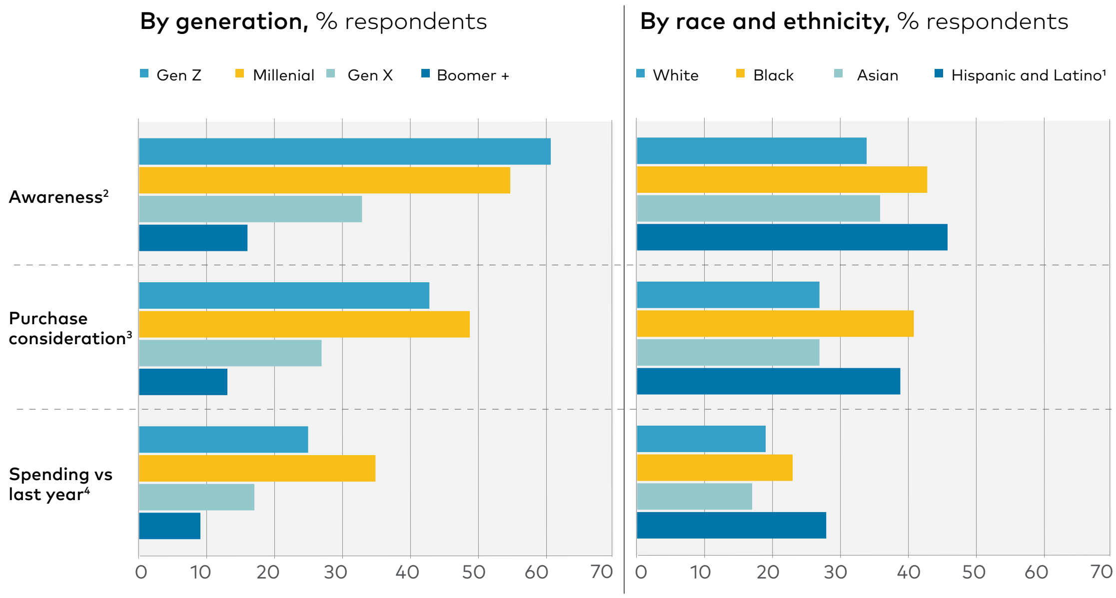
Internally, retailers are prioritizing DEI efforts—more than four out of five indicated that DEI has increased in importance over the last two–five years. However, retailer expectations around DEI are not currently being translated into well-defined, enterprise-wide expectations of CPG brands, leaving individual buyers to make the decisions. This is complicated by the fact that DEI is difficult to track or measure uniformly, and is often subjective. For example, some buyers may value gender diversity in the sales team they are in contact with, while others may be more interested in the commitments a company has made to their local community.

However, this buyer-driven approach may soon change. Retailers are also becoming more transparent about DEI, and making more information available to their shoppers—for example, Ahold Delhaize USA's Giant Food identifies which products on its shelves are from minority-owned businesses.[15] Similarly, food-delivery leaders

[13] Richard Fry, "Millennials overtake Baby Boomers as America's largest generation," Pew research Center, April 28, 2020; Vicki McKeever, "Gen Z incomes predicted to beat millennials' in 10 years and be 'most disruptive generation ever'," CNBC, November 20, 2020.
[14] Taylor Locke, "86% of young people say they want to post social media content for money," CNBC, November 8, 2019.
[15] Tom Ryan, "Will Giant Food's shelf labels with diversity call-outs drive sales?" RetailWire, January 4, 2021.

Exhibit 6

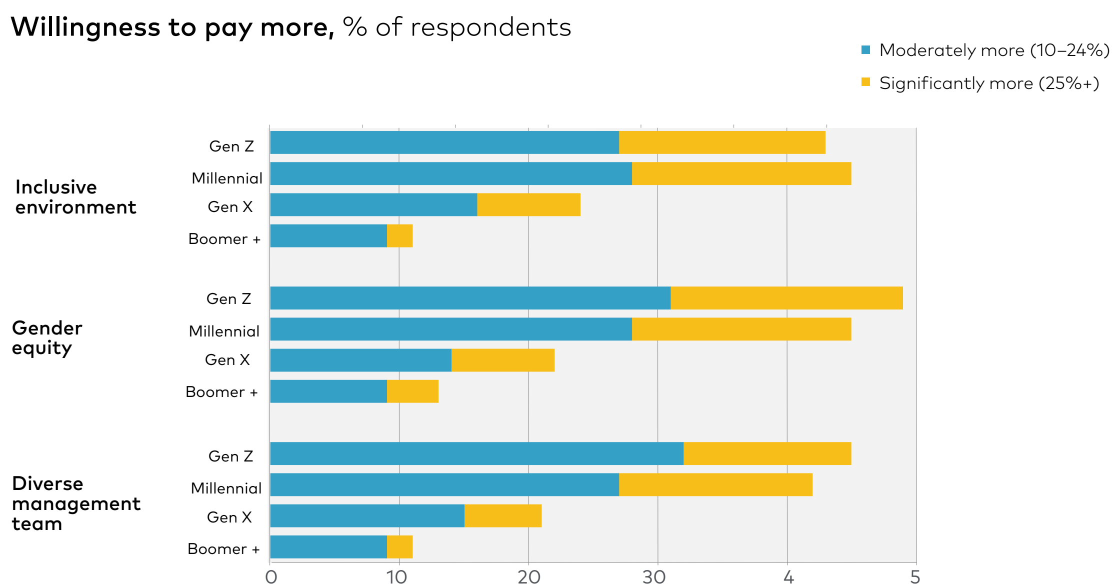
Millennial and Hispanic consumers translate awareness of brand DEI commitments into purchase decisions.



1. Includes those who identify as Hispanic or Latino. All other groups are solely non-Hispanic/Latino.
2. "When thinking about [Brand] for [CATEGORY], please indicate the degree of awareness you have regarding the brand's commitments to Diversity, Equity and Inclusion."
3. "How frequently do you consider a brand's commitments to DEI (diversity, equity & inclusion) practices in your decision of what [CATEGORY] brand to buy? Diversity can be in regards to the brand's customers, spokesperson, or company leadership."
4. "Compared to last year, are you spending more, less, or the same amount on [CATEGORY] products from brands who have commitments to DEI (diversity, equity & inclusion) practices?"
Source: McKinsey & Company Consumer Expectations Survey

Exhibit 7

Younger generations are more willing to pay more for products from brands with strong DEI commitments.



1. "Compared to the [CATEGORY] products you buy now, how much more would you be willing to pay for these [CATEGORY] products if you knew the brand supported the following?"
Source: McKinsey & Company Consumer Expectations Survey

like DoorDash note which restaurants are women- or minority-owned.[16]

Consumer spending habits lag interest
While the importance of DEI is rising for consumers, most do not yet factor it into their decision making. Only about 30 percent of consumers consider brand commitment to DEI when deciding what to buy. However, more consumer groups are beginning to give this serious consideration, particularly when evaluating if a brand is "for them." Black consumers rated the importance of DEI between 15 and 20 percentage points higher than white or Asian consumers. Additionally, 17 percent of Black and 14 percent of Hispanic and Latino consumers indicated that they would be willing to spend in excess of 25 percent more for brands supporting DEI; among Gen-Z and Millennial respondents, almost half would pay 10 percent more (Exhibit 7).[17] As with sustainability, this will increase in importance as demographics shift, and younger consumers are likely to amplify resonant brand commitments to DEI on social media today.

Employee inclusion is critical
For brand owners, commitment to DEI remains critical to attract and retain top talent, as well as deliver top performance.[18] Employees are looking for a sense of belonging and to be valued, and brand owners cannot offer these things, or sustain a diverse workforce, without an inclusive culture and environment. And, for many employees, it is not about hearing what the initiatives are, but about seeing them in action.

What this means for brands
The business case for diversity is strong. The likelihood of financial outperformance is consistently higher for companies with gender and ethnic diversity in their executive teams—companies with the most gender-diverse leadership were 48 percent more likely to outperform the least gender-diverse companies—and it is the right thing to do.[19] More stakeholders will place greater emphasis on DEI over time, and produce clearer guidelines; brands will benefit from getting ahead of this trend.

While brands and brand owners may not be able to effect change across the board all at once, pursuing inclusivity in your organization is a no-regrets proposition.

The complexities here are not going away. To manage the sometimes competing expectations of various stakeholders, brand owners will need dedicated focus and attention at the C-suite level to get the details right.

4. Integrated experiences: Collaborate to reach consumers—nail the basics, be a data maker, and curate across physical and digital touchpoints.

With the shift to omnichannel shopping, consumers expect seamless experiences across channels. Few consumers report visiting a brand site directly, so brands need additional ways to build strong direct relationships with consumers and reach them across platforms, including through collaboration with retailers and via media channels.

The rising bar for consumer experiences
Consumers expect more from brands they support. For 80 percent of consumers, seamless experiences across channels, and

[16] Doordash.com.
[17] McKinsey & Company Consumer Expectations Survey.
[18] Drew Goldstein, David Mendelsohn, and Julia Sperling-Magro, "Personal experience of inclusion: Critical to win the war for talent," McKinsey & Company, August 9, 2021, McKinsey.com.
[19] Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince, "Diversity wins: how inclusion matters," McKinsey &Company, May 19, 2020, McKinsey.com.

product availability wherever they shop, are highly important.[20] Expectations for the frictionless digital experiences created by ecommerce leaders expand across brand sites, third-party ecommerce, and offline retail. Brands can deliver more integrated experiences by connecting offline retail and digital. This has been seen through the increase of click-and-collect shopping, and with it, the ease of use and access to order and inventory information.[21] CPG brands can also look to other close-in sectors that are further along in their digital maturity for inspiration.

Where consumers are—and aren't—looking

Consumers look to several sources for direct access to brands. Few consumers regularly visit a CPG website—only about 7 percent visited in the past three months. Those that do however, are looking to purchase products or find product information.[22] Brands can build direct relationships and collect privacy-safe customer data by offering direct-to-consumer (DTC) sales, product information, or engaging experiences; with a stronger data foundation, brands can raise the bar on communications.[23] To best capitalize on the digital consumer, brands will need to look beyond their own site to channels where they have less control over their brand voice.

For Gen Z, social media—primarily TikTok and YouTube—has eclipsed other influencing forces: 39 percent indicated their purchase decisions are swayed by social media; 24 percent by point of sale; and only 14 percent by friends and family.[24] To reach consumers earlier in their decision journey, brand managers should identify the platforms and channels where their brands command the greatest attention.

Physical retail still matters, even with digital on the rise

In-store point of purchase still matters, both to consumers and to retailers looking to deliver differentiated experiences. While click-and-collect is on the rise in some channels (grocery, mass), physical stores remain the primary point of purchase—about 75 percent of purchases still take place here, and 5% through click-and-collect, according to consumers. Boomers' purchase decisions are more influenced at physical point of purchase than other generations', but Millennials and Gen Z still meaningfully purchase in-store as well.[25]

This presents an opportunity for brands through differentiated, omnichannel experiences co-created with retail partners. Retailers noted that digital acceleration and omnichannel experiences will only increase in importance, and that they want to offer such experiences to compete better.

Consumers are looking to brands to understand them throughout their journey to engage with them—whether that be in-store or on-line—for a tailored and seamless experience. Retailers are also looking for this, and retail media networks could be part of the potential solution. These networks enable brands to deploy shopper marketing dollars to target consumers on a retailer's digital platforms.[26] Such relationships will deepen in importance as new privacy regulations take effect, and third-party cookie tracking continues to wane.[27]

[20] McKinsey & Company Consumer Expectations Survey.
[21] "Making online grocery a winning proposition," McKinsey & Company, November 2021, McKinsey.com.
[22] McKinsey & Company Consumer Expectations Survey.
[23] "The new marketing model for growth: How CPGs can crack the code," McKinsey & Company, September 23, 2021, McKinsey.com.
[24] McKinsey & Company Consumer Expectations Survey.
[25] Ibid.
[26] "High growth, low profit: The e-commerce dilemma for CPG companies," McKinsey & Company, March 22, 2021, McKinsey.com.
[27] Marc Brodherson, Adam Broitman, Craig Macdonald, and Simon Royaux, "The demise of third-party cookies and identifiers: What it means for digital advertising in the US," McKinsey & Company, April 12, 2021, McKinsey.com.

Data privacy

Some would argue that integrated, personalized experiences should not come at the cost of data privacy. The shifting regulatory landscape—see for example the California Consumer Privacy Act (CCPA) and the General Data Privacy Regulation (GDPR)—places a greater data-stewardship burden on brand owners, and limits third-party data availability.

While government is unequivocal on this point, consumers are split on the importance of data privacy. Despite having fewer online interactions, Gen X and Boomers—at 49 percent and 58 percent, respectively—are more personally concerned about data privacy and protection than Gen Z and Millennials.

Source: Piotr Foitzik, "What you must know about 'third parties' under GDPR and CCPA," Iapp.org, November 26, 2019; McKinsey & Company Consumer Expectations Survey

What this means for brands

Brands need deeper direct relationships with consumers to deliver the seamless experiences they have come to expect across channels. With the right value propositions for consumers a brand's site can be a powerful tool for reaching consumers and gaining insights.

Brands need to identify the digital and physical touchpoints that influence consumers and deploy resources accordingly—even when brands do not own the touchpoint in question.

Retailers would like to collaborate across channels.

5. Future of work: Talent agility and automation will not be optional in a shifting labor market

As expectations on brands increase across all stakeholders, so will the pressure on the workforces of the brand owners who make, sell and deliver them. With the great talent reshuffle, companies are facing shortages, with more than 130,000 job openings in the CPG industry right now.[28] At the same time, there are longer-term trends playing out that will have major impact on brand owners: new capabilities are needed to win; employees have evolving priorities for how

7%

of consumers browsed a brand's website in the past 3 months

75%

of recent purchases were in a physical store

49%

of consumers say data privacy and protection is important to them personally

Source: McKinsey & Company Consumer Expectations Survey

[28] "CPG Slow Job Growth Signals Continued Supply Chain Challenges," Consumer Brands Association, November 5, 2021, consumerbrandsassociation.org.

Government's expectations of brands

Government stakeholders are engaged and paying attention to the trends outlined in this report. For example, as companies consider the evolution of e-commerce, regulators are weighing the potential of digital labels and how they can promote consumer transparency and product traceability.[30] As point-of-sale migrates to the online cart, how and where consumers access product information will change—so will the depth of shareable information. Policymakers may be considering requiring disclosures and rules for digital display, as well as a greater amount of contextual information.[31] Without the physical restrictions of an on-pack label, identifying ingredient and material sourcing or spotlighting labor practices of a company could be part of the digital label's future. This shift may present an enormous transparency opportunity for companies while also potentially adding requirements and workstreams that could shift business models.

There is increasing activity in the states on sustainability.[32] Nowhere is the level of activity clearer than on packaging policy. A host of states have put forward legislation on recycled content mandates, extended producer responsibility, and definitions for recyclability.[33] Some are finding that the legislation may not always take into consideration existing regulations. For example, legislative action has sometimes created policy conflicts with Food and Drug Administration oversight of safety measures governing food contact packaging, and can result in confusion on how to comply with state or federal requirements.[34] This lack of uniformity may ultimately drive complexity and cost for brand owners.

[30] "New Era of Smarter Food Safety Summit on E-Commerce: Ensuring the Safety of Foods Ordered Online and Delivered Directly to Consumers," fda.gov, October 2021.
[31] Ibid.
[32] "FACT SHEET: Renewed U.S. leadership in Glasgow raises ambition to tackle climate crisis," whitehouse.gov, November 2021.
[33] "CA to require minimum recycled content in plastic bottles," packaginglaw.com, October 2020.
[34] George G. Misko, "The regulation of chemical recyclates for use in food packaging," food-safety.com, October 19, 2021.

they pick employers, including flexibility, investment in employees, and a sense of purpose; and digital disruptions and automation are on the horizon.

New capabilities are needed to meet expectations

Brand owners face increasing demands that will only become more difficult to meet, especially with the labor shortage. Consumers expect greater personalization, efficiency, and transparency, and retailers place a premium on brands that can minimize supply-chain friction, and suppliers with whom it is easy to do business.[29] To deliver on these expectations at scale, the CPG sector will need to invest in critical enablers, particularly talent and automation—areas where CPGs risk falling behind other industries.

Employee needs and expectations are evolving

The existing workforce does not have the right skill set to meet future role demands, so brands need to make large, strategic bets on upskilling their employees, both to retain their workforce and to get ahead of future skills shortages. Unilever, for example, is committing to reskill or upskill all employees by 2025 to ensure they have a future-fit skill set.[35] Three-quarters of employees felt it was important for companies to invest in skill

[29] Retailer interviews; Erik Lindecrantz, Madeleine Tjon Pian Gi, and Stefano Zerbi, "Personalizing the customer experience: Driving differentiation in retail," McKinsey & Company, April 28, 2020, McKinsey.com.
[35] Leena Nair, "Preparing people to adapt and thrive in changing times," Unilever.com, January 25, 2021.

86%

of US employees would like the option of working remotely at least one day per week

Source: McKinsey & Company 21st Century Enterprise Survey 3/26–7/27/21, n=1,690, sampled and weighted to match the US general population 18+ years

development and training to help employees adapt to technological changes impacting their job.[36]

In order to attract and retain talent, brand owners will also need to offer greater flexibility.[37] Flexible work is more readily achievable for back-office employees; providing similar flexibility to frontline employees remains a challenge. It is also important to address employees' desire to feel valued and have a sense of purpose—which, as we have seen, can be achieved through the brand's actions on inclusion, sustainability, brand purpose, and authenticity.

Automation and digital: CPG well-positioned, with room to grow

As CPG companies strive to meet heightened demand expectations from retailers and consumers, automation can be part of the solution to meet labor shortages. Compared to other sectors, consumer goods, including CPG, apparel, and household products manufacturing, has the highest potential for automation, and thus for disruption—64 percent of current activities can be automated.[38] The increase in automation is expected to shift the type of work being done.[39]

This is not an easy transition, but there have been some examples of success. The World Economic Forum recognizes 12 global CPG manufacturing lighthouses, for achieving transformative innovation at scale. These locations have shown improvements across dimensions key to both consumers and retailers, including greater speed-to-market, lead-time reduction, and enhanced productivity.[40]

What this means for brands

To meet increasing stakeholder demands on other dimensions, brand owners need to address the labor shortage and harness technology.

Agility, including upskilling and location flexibility, will be needed to win the war for talent.

Increased investment in automation and emerging technologies can help the CPG sector build from a good position, to leading across industries.

[36] McKinsey & Company 21st Century Enterprise Survey 3/26–7/27/21, n=1,690, sampled and weighted to match the US general population 18+ years.
[37] Andrea Alexander, Aaron De Smet, Meredith Langstaff, and Dan Ravid, "What employees are saying about the future of remote work," McKinsey & Company, April 1, 2021, McKinsey.com.
[38] McKinsey Global Institute analysis.
[39] Ibid.
[40] "The digital future of manufacturing consumer packaged goods," McKinsey & Company, October8, 2021, McKinsey.com.

Conclusion

Consumer brands and brand owners are under unprecedented pressure. They are navigating more complex stakeholder networks, while managing increasing—and occasionally conflicting—expectations across a wide range of topics.

Brands best positioned to gain share in this environment will be transparent about what they stand for; make and honor measurable commitments to ESG and DEI; build their direct and indirect relationships with consumers across digital and physical touchpoints; and harness talent and technology. These brands will collect granular data on stakeholders, identify shifts in expectations, prioritize in line with their values, and act boldly.

Stakeholders are issuing a call to action for brands to win their loyalty on the dimensions that matter—with outsize returns for those that do.

The authors wish to thank Maggie Soto, James Swart, and Christin Lewis from Consumer Brands Association along with Jamie Wilkie, Jane Wong, and Jane Graves from McKinsey & Company for their contributions to this report.