

STANTON CHASE

# Honesty And Integrity: Trends Guiding The Consumer Industry In 2022



**Consumer Survey Report 2021**

## Honesty And Integrity: Trends Guiding The Consumer Industry In 2022

The consumer industry was trending toward enhanced digital transformation and the search for innovative new ways to cater to an increasingly demanding and changing market even before the COVID-19 pandemic hit in 2020, meaning the industry was better poised to weather the crisis than perhaps any other line of business.

Our latest survey reveals that certain trends in the consumer industry like the rise of click and collect – for which we uncovered surprising differences between leaders in North America and their European counterparts – and ESG (environmental, social, and governmental) awareness among consumers saw an acceleration during the past two years. We also recorded an explosion of e-commerce in response to evolving consumer preferences, and a tendency among younger consumers to test brand loyalty by moving to new and more modern brands that can offer them the honesty and integrity that they value in a company.

Our Consumer Industry Survey polled executives from 46 countries about what they can learn from the challenges – and sometimes unexpected successes – of the past year. For many, there are things they wish they'd done differently, whether it be to encourage more innovation or the way employees returned to work. Others were happy with their companies' ability to stay abreast of the latest trends.

Regardless of the company size, supply chain problems are obviously top of mind for many leaders in the sector. In addition to operational and efficiency concerns, leaders are also extremely concerned about how to ensure honesty and integrity among their ranks as they look to marry an all-encompassing vision with a successfully branded product offer.

**Read on more for insights into the trends and issues driving the consumer industry.**

## The Impact Of Year Two Of The Pandemic

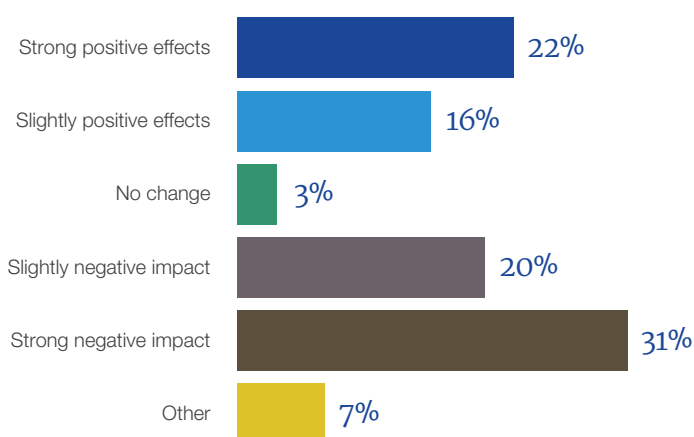
Most companies and industries worldwide began 2021 with the belief that the arrival and distribution of vaccines against the coronavirus would quickly mitigate the crisis that befell 2020. Organizations looked to reopen their offices and welcome employees back in person, and many leaders expected a return to pre-pandemic ways of doing business, for companies and consumers alike.

However, the slow rollout – and in many countries, takeup – of vaccines and the presence of multiple new variants that spelled third and fourth waves for certain parts of the world meant that the year largely passed in extended crisis mode for some players in the consumer industry while others managed to get a leg up on their recovery plans.

Likewise, some companies found themselves better poised to cater to the rapid shift in consumer habits that the pandemic wrought. The responses to our biannual survey lay testament to this disparity. Over 50% of respondents said the pandemic has had a negative effect on their business, with 31% citing a “strong negative impact.” However, importantly, 38% of executives said that they had actually experienced positive effects from the crisis. This demonstrates that there are leaders who were able to successfully pivot in response to potential risks and reap the benefits of quick thinking and innovation.

## Impact On Consumer Industry Businesses

### “How has the pandemic impacted your business?”



Of those that reported a strong negative impact, the most affected were those hailing from large companies with annual revenues of between \$1 billion and 5 billion (44%). One in four leaders of organizations with revenues of less than \$100 million suffered a strong negative impact. Larger companies appeared to have suffered more, possibly due to a lack of flexibility, while smaller companies were more likely to be able to quickly change track.

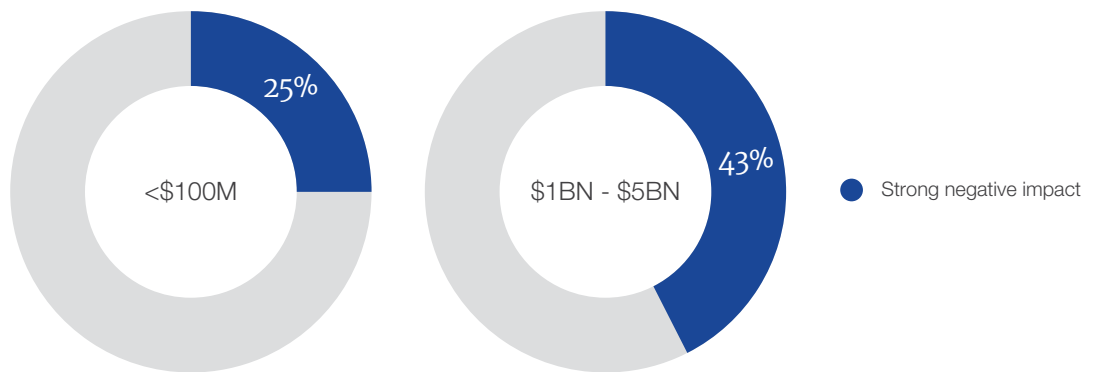
One reason for this is the preference among younger consumers for new and modern brands. Gone are the days when consumers would choose a brand based on how long it has served the market, and this significantly tests brand loyalty. New D2C (direct-2-consumer) models, driven by startups and small, disruptive companies, are specifically attractive to this new type of consumer. The relevance of this trend can also be derived from the huge support that D2C companies receive from venture capital firms.

A SHRM survey found that about 75% of businesspeople believe they're now better prepared for a future event like another pandemic. It also revealed that 43% of business owners pivoted their business model to adapt to this paradigm shift, which indicates a positive sign for the future of small businesses around the globe.

The pandemic was an opportunity for small companies to test their business strategy. When major regulatory policies became effective, small businesses with flexible strategies were able to keep afloat. For example, those companies that were able to implement practices such as contactless delivery, online payments, delivery options, click and collect, and home shopping were able to successfully continue serving customer demands.

## The Impact On Large Vs. Small Companies

**“How has the pandemic impacted your business?”**



At least one in 10 respondents from the lowest revenue category (<\$100m) reported a mix of both positive and negative effects on their business, for example “negative in wholesale, positive in online,” in the words of one.

## The Pandemic's Mental Toll

The repercussions of the pandemic have given leaders considerable food for thought. Even the surprise positive impacts require extra time, skill, effort, teamwork, and innovation to capitalize upon, and the negative impacts – which in some cases have resulted in businesses being shuttered completely – are keeping executives up at night, and those in the consumer industry are no exception.

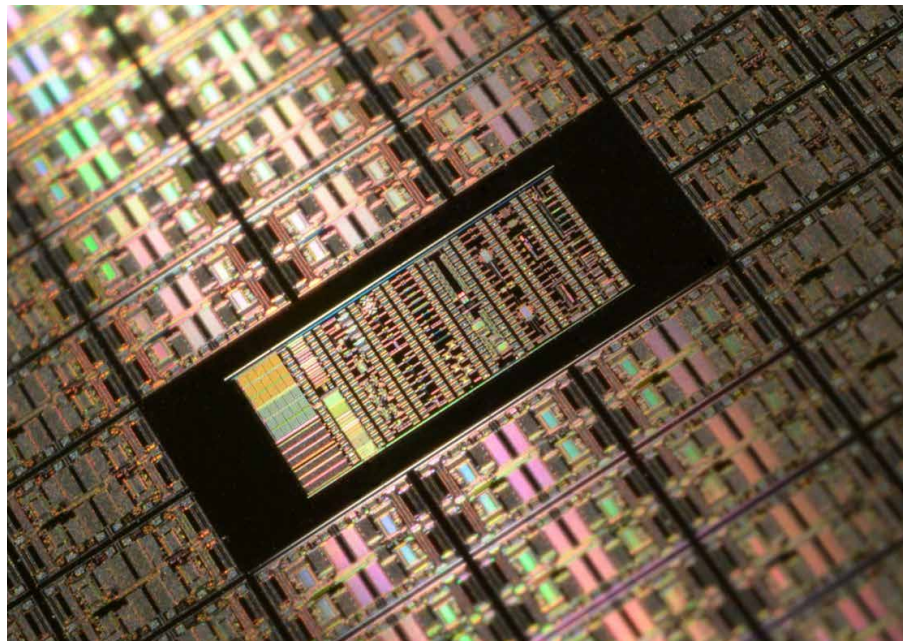
The high-stakes endeavor to glean valuable lessons from the pandemic is top of mind for leaders in the consumer industry. The disruptions and problems with the supply chain represent the biggest concern for a large majority (78%) of our respondents, regardless of the size of their organization, who cited this as one of their greatest worries along with the digital transformation toward “anywhere and anytime” (60%), and increased sustainability awareness among consumers (41%).

The recent headlines about large-scale problems with disrupted supply chains have sent industry leaders into a tailspin. So much of 2021, like the year that preceded it, involved the race to accommodate consumers' rapidly changing preferences for online shopping, click and collect, and ethical and environmentally aware products while dealing with market-wide crises. Labor shortages, as well as disruption from the pandemic, natural disasters, and backlogged cargo, have thrown a roadblock into the path of consumer companies as they try to stay on top of the competition.

An example of this is tech giant Sony, whose popular PlayStation 5 games console has become increasingly hard for consumers to get their hands on. An increase in demand for the product, driven by people spending more time at home during the pandemic along with issues with a supply chain relied upon for components and problems with logistics have meant the firm has had to significantly scale back its production, thus coming up short of its projections for the fourth quarter of 2021.

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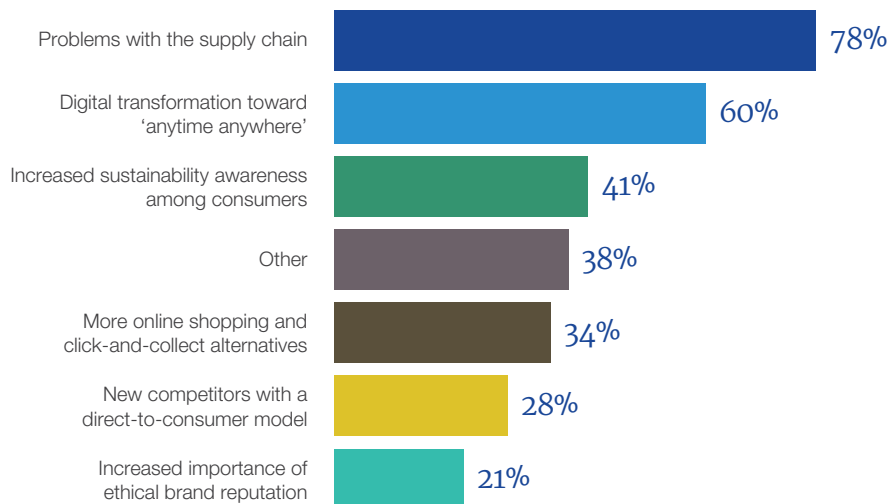
In response to such issues, the ecosystem of consumer products in the supply chain needs to shift from being largely static toward a place of agility and transparency, which provides consumers with the knowledge they desire about the brands they choose while protecting the supply chain from future disruptions. The strength of the ecosystem – including a strong collaboration of logistics in order to improve services and reduce costs – allows companies to effectively reach consumers directly across myriad channels.

Different issues were of concern to companies large and small. Small companies with annual revenues of under \$100 million were more concerned than their large counterparts (revenues of over \$5.1 billion) about increasing sustainability awareness among consumers. This reflects the likelihood that smaller companies are more likely to be concerned about the environment and sustainability of their products and processes. Forty-two percent of leaders from small companies said this is one of their greatest concerns, while only 24% of large firms could say the same.

Large companies, on the other hand, were more concerned than smaller organizations with efforts to increase online shopping and click-and-collect options. More than half (56%) of leaders from large companies cited this as an issue keeping them awake at night, while only 25% of those from small companies said this.

## Biggest Concerns For Consumer Leaders

**“With regard to your business, what are the top 3 key issues that keep you awake at night?”**



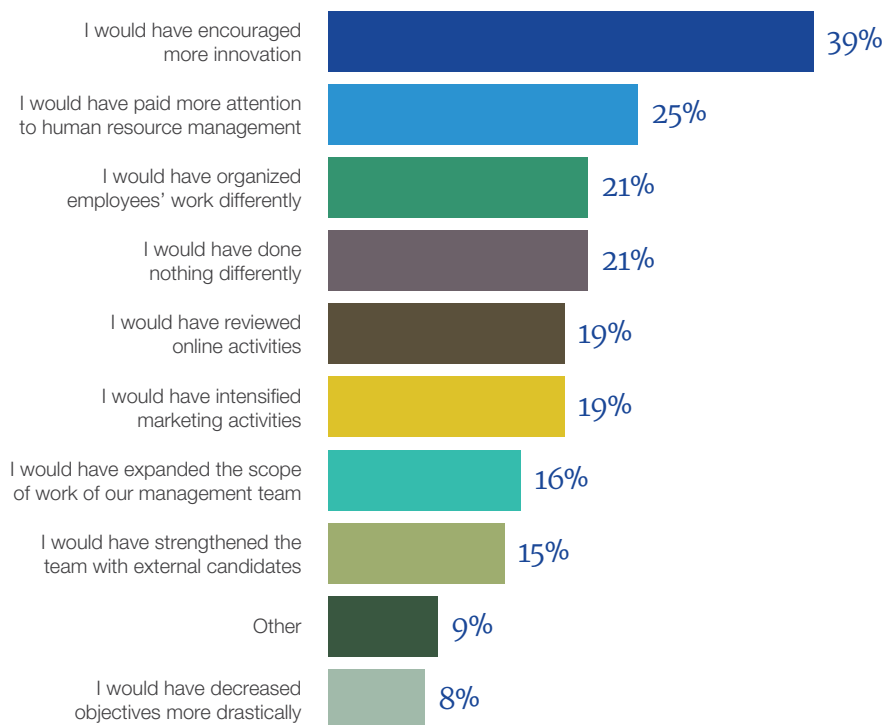
## Hindsight On 2021

Because last year represented so much trial and error in bringing employees back to the office and trying new working models, as well as catering to a market that had so rapidly changed under the pandemic, many leaders in the consumer industry expressed the desire to change certain things about the way that 2021 transpired if they were given the chance. Their regrets centered around the ways they could have been more involved with marketing and HR and finding ways to better support their employees.

While one-fifth (21%) of respondents said they were satisfied and wouldn't change anything about their company's performance over the past 12 months, more than a third (39%) expressed the desire to have encouraged more innovation among their workers. A quarter (25%) said they would have paid closer attention to human resources management, and a fifth (21%) said they would have organized employees' work differently. Likewise, nearly a fifth (19%) wished they had intensified marketing activities and reviewed online initiatives. Fifteen percent said they would have strengthened the team with external candidates.

## What They'd Do Differently

**“If you could turn back the clock to 12 months ago, what would you do differently?”**



## Seizing The Trends For 2022

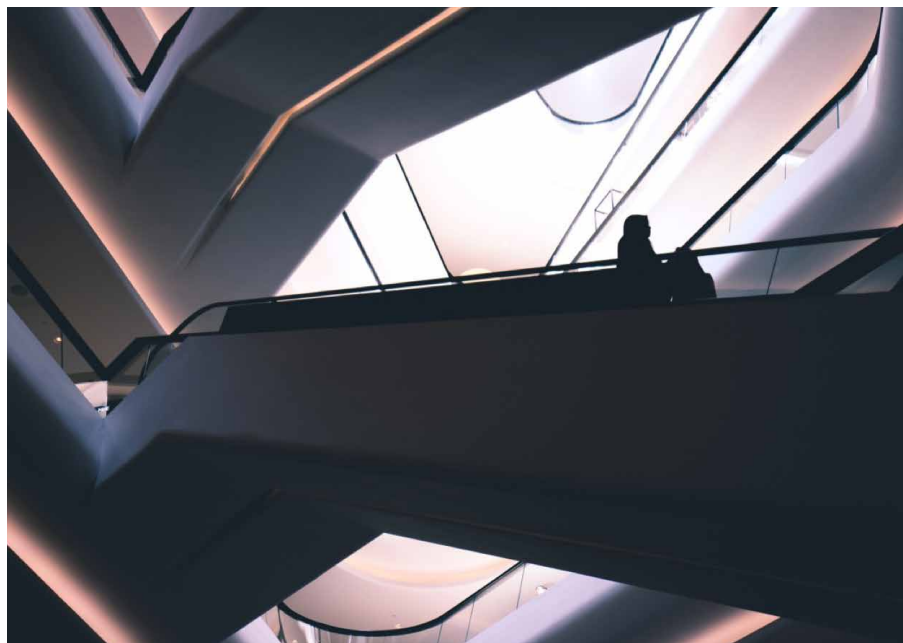
The biggest issues in the consumer industry that leaders are strategizing around are e-commerce and the new competitive landscape. The resulting click-and-collect model combines the ease of online shopping with local collection points, often reducing the turnaround time – which appeals to consumers as they are able to receive their orders sooner and benefits retailers because it cuts down delivery costs and frees up more manpower for other tasks, such as expediting a higher number of orders.

Click and collect has been booming in the United States, witnessing growth of 106.9% since 2019, according to Deloitte. At the onset of the pandemic, click and collect increased from 15% of orders to 25%, representing a 65% share increase. According to Business Insider, U.S. shoppers reportedly spent over \$72 billion using click and collect in 2020, which translated into an exponential growth rate of 106.9% over 2019.

This enormous growth is reflected in the fact that nearly half of our respondents – almost 80% – view click and collect as important (48%). A third (30%) said it is essential to the future of their company.

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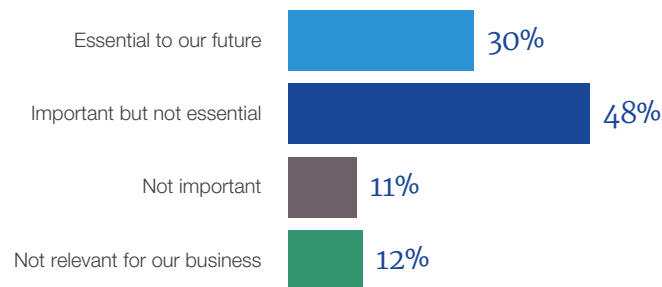
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## Importance Of Click And Collect

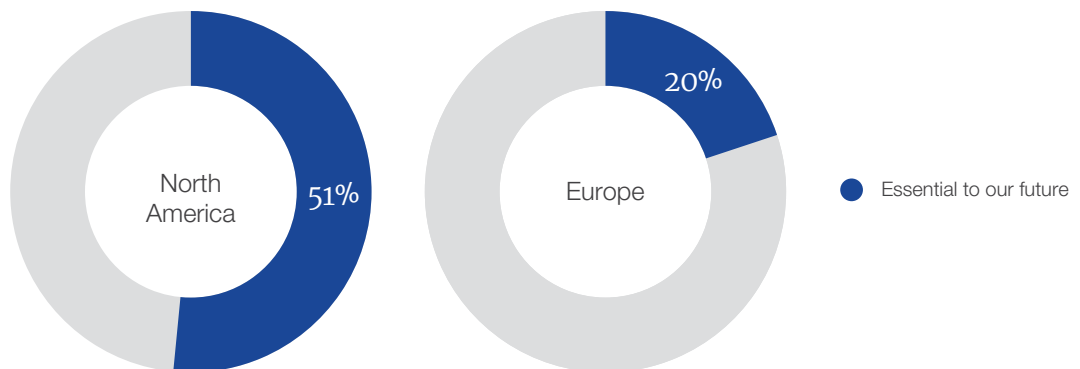
“How would you describe the importance of the trend of ‘click and collect’ on the future of your business?”



However, there is some regional disparity in how leaders view the trend. More than half of respondents (51%) in North America view click and collect as essential, compared to just 20% of those in Europe. The United States was ahead of the game in implementing home delivery, with for example Amazon offering delivery within hours in over 2,000 cities in the United States. Click-and-collect options have become completely embedded in the current strategies of consumer industry companies. Retailers employing click and collect have the added benefit of getting people into the store, which might allow them to sell other products at the same time. In Europe, on the other hand, the trend toward click and collect is relatively new, so isn't yet ubiquitously incorporated into business models.

## Click And Collect By Region

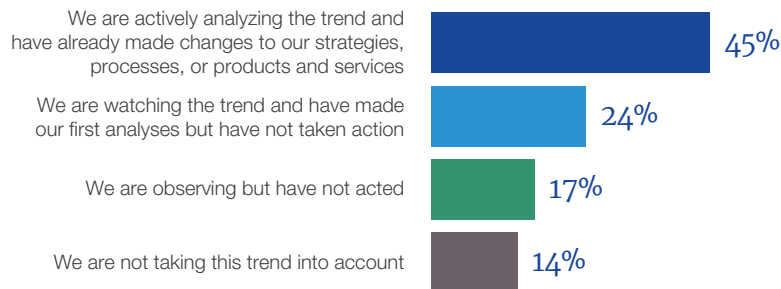
“How would you describe the importance of the trend of ‘click and collect’ on the future of your business?”



Almost two-thirds of consumer industry leaders are taking action already or preparing a game plan to jump in on the trend. Almost half (45%) said they are actively analyzing the trend and have already made changes to their strategies, processes, or products and services to best cater to the click-and-collect market. Just under a quarter (24%) said they are watching the trend and have made their first analyses but have yet to take concrete action. Interestingly, almost one in five says they have noted the trend but are not taking steps to incorporate it into their business.

## Incorporating Click And Collect

### “How is your company acting on this trend?”



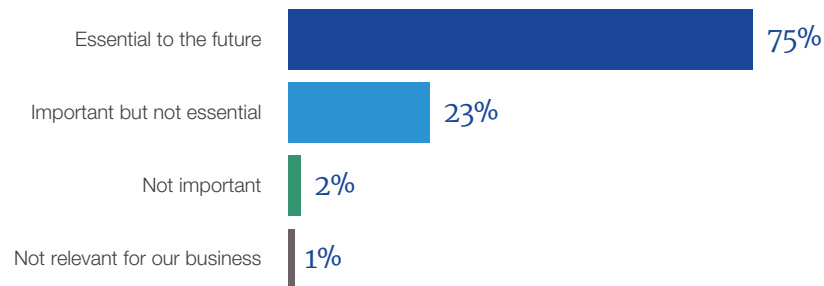
## Ethical And Environmental Awareness

Practically all of our respondents agreed that ethical and environmental awareness – another trend that has taken off in the past several years – is important or essential to the future of their company. They recognize that consumers’ appetite has changed in that they are more concerned than before with a company’s values and practices in everything from diversity and workers’ rights to its impact on the environment.

The fashion industry, in particular, is a good example of how consumers’ concerns about how products are made have affected the market. Consumers are turning away from so-called fast fashion and are looking for sustainability and transparency from the brands they choose. Especially young consumers are seeking out secondhand clothing and view ethically focused models such as the Patagonia brand highly attractive.

## Importance Of Ethical And Environmental Initiatives

**“How important do you consider the trend of ethical and environmental awareness to be for the future of your company?”**

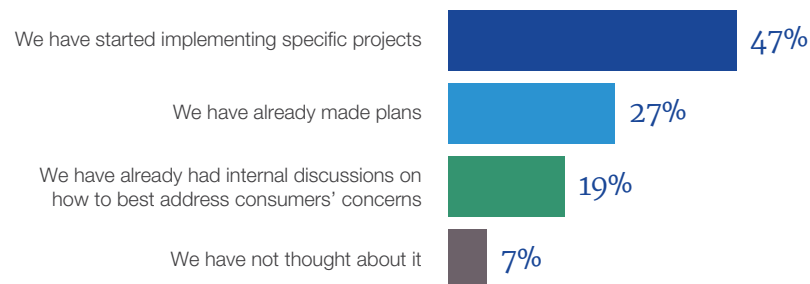


Translating this commitment into action remains a challenge for leaders, and it is one that most have at least attempted to take into account. Only 7% said this was something they had not put any thought into, whereas almost half (47%) said they have started implementing specific projects with ethical and environmental concerns in mind and a further 27% said they have already set the wheels in motion by starting to make plans.

Leaders Europe appear farther along this track than their North American counterparts. More than half (57%) of our respondents from European firms said their organization has started implementing specific projects to reflect consumers' increasing concerns about ethics and the environment, while only one in four (26%) of those in North America were able to say the same.

## What They're Doing About It

**“In your strategic business decisions, are you taking consumers' growing ethical and environmental concerns into account?”**



There are a lot of ways that consumer industry leaders are putting these values into action. A majority of our respondents (62%) are seeking to give consumers information about how products are made and how they are sourced to let the consumer understand the impact this product or service has on the environment. Half of leaders (50%) are looking to align their company and brand values with the personal values of consumers, and more than a third (38%) are seeking ways to help consumers understand the ethics of their company and how their employees are treated. Likewise, 33% said they are searching for ways to let consumers reduce their use of single-use plastics, and a quarter (24%) want to provide consumers with direct access to the brand.

## Steps To Being Ethically And Environmentally Aware

**“In what ways are you addressing consumers’ ethical and environmental concerns?”**



## Recruiting Tomorrow's Leaders

In order to build on these missions of increased digitalization, accountability to consumers, and thinking outside the box, leaders in the consumer industry are looking for new talent that can help them with this transformation. And of that new talent, leaders have a clear idea of what skills and competencies they are looking for to complement their current lineup.

The most important attributes for the next generation of leaders, according to our survey's participants, include the ability to execute and deliver (44%), honesty and integrity (40%), vision or strategic thinking (39%), and an entrepreneurial mindset (39%). In fourth place ranked innovative ideas and ability (28%). Clearly, leaders are hoping to find talented individuals who are able to get things done with their hearts in the right place and have the knowhow and gumption to turn their observations into actionable results.

Likewise, the new generation of consumers are looking for leaders with a modern leadership style that reflects what they value in a brand: honesty and integrity. The pandemic has given leaders and consumers alike the opportunity to delve into what exactly honesty and integrity mean and how to put them into practice both personally and at the company level. The steps for a leader to do this are to ensure that they are continually practicing a high standard of honesty and integrity, involving people in the heart of decision-making, and having a clearly defined purpose.

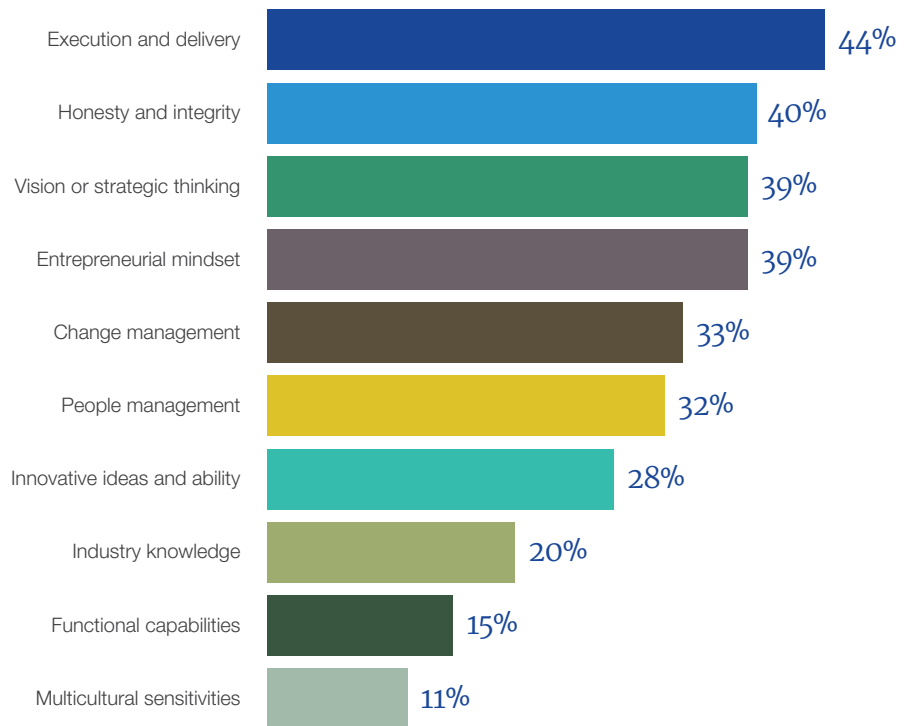
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## Most Important Attributes For New Leaders

**“Which attributes does your organization value highest as you assess and recruit tomorrow’s leaders?”**



## Conclusion

The past two years have set the ball rolling for big changes in the consumer industry. The pandemic has upended all the traditional modes of making products and getting them to customers. For leaders in the industry, it’s been an eye-opening period in which tried-and-true models of logistics and marketing have fallen by the wayside as consumers look to brands that resonate with their personal values and which can accommodate new preferences like e-commerce and click and collect.

Our survey confirms that these particular trends are likely to be the drivers of 2022 for the consumer industry, and corporations themselves are rethinking their priorities for what to look for in new leaders and how to open and sustain transparent channels of communication with their customers.

**If you would like to find out more or discuss with one of our consultants, please reach out to your closest Stanton Chase office.**

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