

KPMG 2021 Consumer & Retail CEO Outlook Pulse Survey



The beginning of a transformation

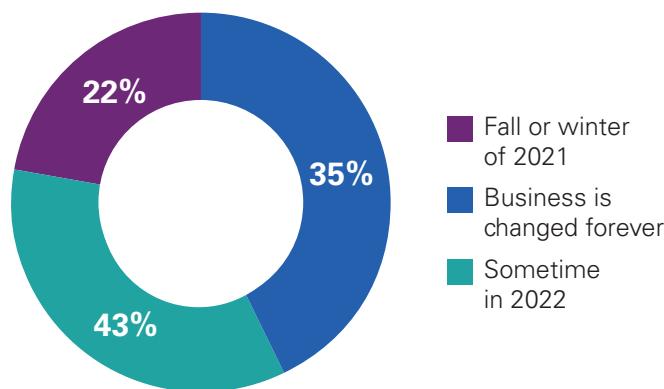
The unpredictability of COVID-19 was evident in the responses from CEOs in the 2020 CEO Outlook COVID-19 Pulse Survey. There were so many unknowns, and it was difficult for executives to project what the future might hold. At the time, stabilizing their businesses was a priority and the ability to adapt quickly had become an essential skill.

With the recent introduction of vaccines and the hope for greater stability in many countries and industries, what is the outlook for the consumer and retail industry? What promising opportunities do CEOs see on the horizon for their organizations? Do they expect a return to normal?

The 2021 KPMG CEO Outlook Pulse Survey, conducted between February and March 2021 sought answers to these questions. More than one-third of the consumer and retail executives surveyed globally revealed that their companies have been changed forever. By a large majority, they have confidence in the longer-term growth prospects for consumer and retail businesses globally (92 percent) and their own companies specifically (90 percent). However, as many as 43 percent do not anticipate a return to more normal operations until 2022, due in part to the unpredictability of the global vaccine roll-out.

Health and safety are top of mind and essential elements in the recovery, with 93 percent of CEOs reporting that their employees will be asked to inform their employers when they complete their vaccinations.

When will your company return to a new normal course of business?

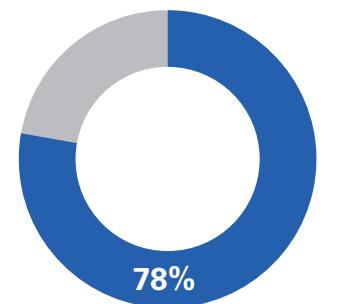


The pandemic's accelerator effect

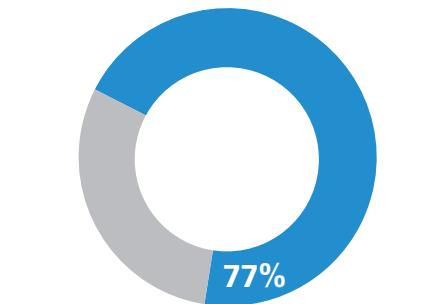
While many consumer and retail companies have successfully stabilized their businesses over the past year, the pandemic has accelerated change and transformed so many elements of their businesses that a return to what was once considered to be 'normal' is unlikely; that their businesses have been forever changed.

The rapid evolution of the digital customer experience

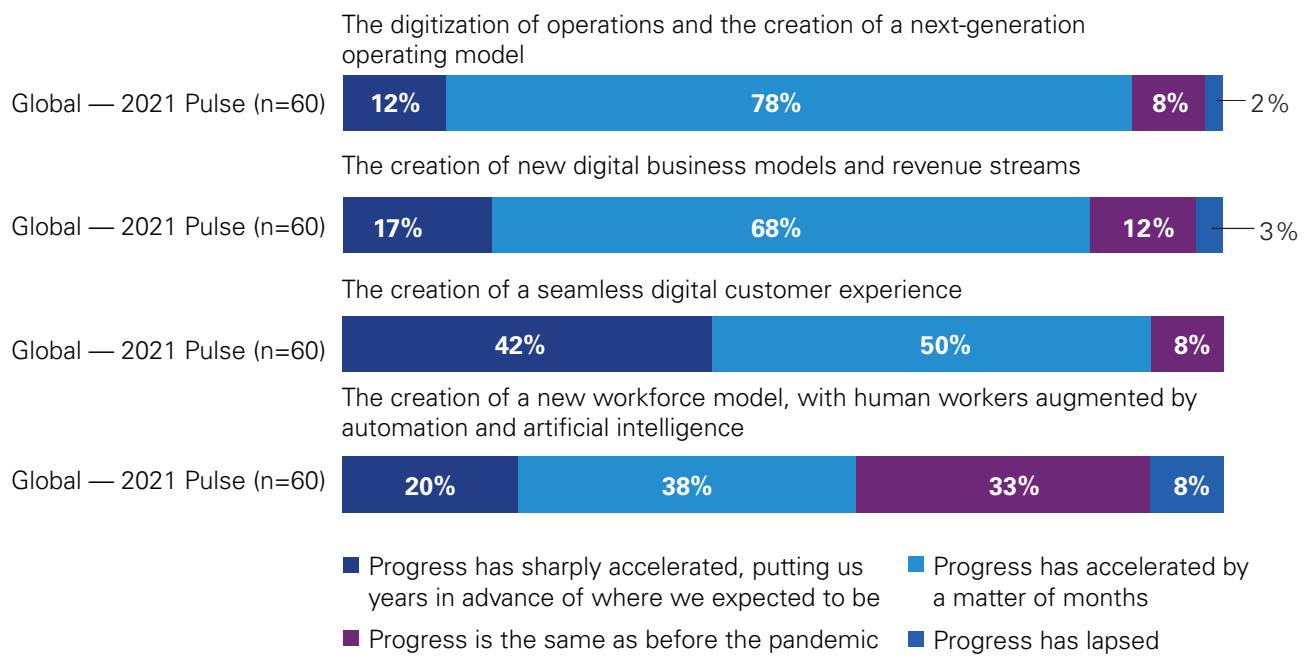
experience is clearly one example that has already had a long-lasting impact on companies and transformed their business strategies. Seventy-eight percent of consumer and retail executives reported that they plan to invest more in e-commerce or digital sales platforms and 77 percent in customer-centric technologies — such as chat bots and dedicated websites — in the coming year.



■ E-commerce or sales platforms



■ Customer-centric technologies —
e.g. chat bots



Close to two-thirds expect to engage with customers predominantly online in the future, with 42 percent of CEOs pointing out that the ability to create a seamless digital customer experience has accelerated so sharply during the pandemic that many companies are already years ahead of where they expected to be.

The impact of the pandemic also accelerated the digitization of companies' operations. In a matter of months, next-generation operating models were implemented that improved both the efficiency of the business and customers' experiences, and resulted in new revenue streams for many companies.

The pace of acceleration continued as **awareness of workforce stress and societal issues** became more prominent during the pandemic, with 53 percent of consumer and retail executives indicating they are increasing their HR resources going forward to help manage employee wellbeing and mental health.

While new opportunities are emerging, potential risks have to be considered as well. Consumer and retail executives continue to have **concerns about the sustainability of their supply chains**. The continuity and stability of supply chains has continued to be the number one risk identified by 40 percent of CEOs throughout the course of the pandemic — followed closely by concerns regarding operational and tax risks.

“ Consumer & Retail CEOs globally are shifting their focus from stabilizing their businesses to transforming key aspects of their workplace and service delivery to meet the needs of customers. With rapid digitalization, this includes differentiating themselves through their digital connectivity with customers along with an intense focus on cyber security to ensure the protection of customer data. **”**

René Vader
Global Head of Consumer & Retail

The power of purpose

While the world around the consumer and retail companies was being transformed, their leaders recognized the **importance and power of their companies' purpose**. The majority of consumer and retail CEOs (95 percent) reported that their companies' purpose drove the actions they took to address the needs of their stakeholders. In fact, all consumer and retail executives who responded to the survey reported that their **emotional connection to the purpose of their organization has been strengthened** by their experiences during the pandemic, and has resulted in a stronger connection between consumer and retail companies and their communities.

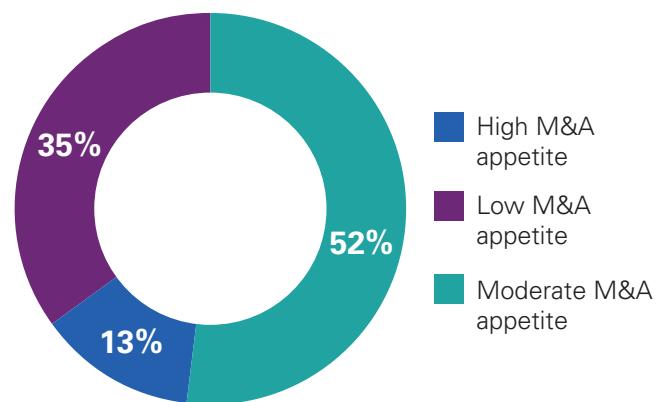
Being driven by such a strong corporate purpose has also resulted in an unwavering commitment to the **environmental, social and governance goals** of many businesses. Ninety-two percent of consumer and retail executives stressed that they want to **lock in the sustainability and climate change gains** they made in the past year, and almost all CEOs (98 percent) are reportedly beginning to shift their primary focus to the social component of their ESG program.

New opportunities (and risks) on the horizon

Change is a constant, and the majority of consumer and retail CEOs said they are confident in their companies' emerging growth opportunities over the next three years. Despite concerns about the global economy overall, their appetite for mergers and acquisitions has not diminished. Fifty-two percent indicate an appetite for mergers and acquisitions that will have a moderate impact on their organization, while as many as 13 percent are more aggressive and suggest that they are likely to acquire companies that will have a significant impact on their operations.

What is the driving force behind this appetite? The transformational potential of digital sales platforms is one of the key drivers due to its potential for delivering significant increases in revenue. As a result, many consumer and retail companies are highly motivated to speed up the integration of digital customer sales and service solutions in their business models, and to implement technology-enabled operations to improve the overall efficiency of the business. A refreshed value proposition that enhances the customer experience, addresses consumers' evolving needs and leads to increased market share cannot be ignored, and it is helping to stimulate the appetite for strategic acquisitions.

Over the next 3 years, how would you describe your organization's M&A appetite?



Future forward: Stability, sustained growth, rising competitiveness

With a full year of pandemic experience behind them, consumer and retail CEOs are well aware of the vulnerable areas within their companies. While there may be some risks that will continue to require mitigation, business leaders are optimistic, however, they have managed to stabilize most of their operations and are looking ahead at new prospects for the future.

They are creating a brand new roadmap for reasserting their competitiveness in an increasingly dynamic marketplace. Leveraging the unprecedented digital and ESG opportunities which energized the transformation of their businesses over the past year, has been the first step on that journey.

To continue the dialogue about these insights and to share your experiences, we encourage you to contact your local KPMG Consumer & Retail leader. We would welcome the opportunity to hear from you.

Consumer & Retail industry CEOs who were surveyed from 29 January — 4 March 2021 were from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, the UK and the US). All respondents have annual revenues greater than US\$500 million and 50 percent of the C&R companies surveyed have more than US\$10 billion in annual revenue.

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