

# The Consumer Revolution Won't Be Televised; It Will Be Omni-channel

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**On 22nd October, IRC Global Executive Search Partners convened a webinar with consumer and retail industry leaders from across the globe to discuss how digital transformation is impacting business operations in the sector and redefining the relationship between brands and consumers.**

## **Executive Summary**

- Consumer products and retail companies need to create an omni-channel, “one customer” experience across online and offline sales platforms to stay relevant.
- Brick and mortar retail is trending towards the flagship model emphasizing the customer experience and reinforcing brand awareness and loyalty.
- Digital transformation is an opportunity and catalyst for a more holistic business transformation that can reinvigorate and realign purpose, strategy and execution.
- Retaining digital natives with traditional retail experience and collaborative acumen will position consumer products companies for growth and resilience.
- Strong CSR policies and clear and consistent communications will be increasingly important to keep talent, stakeholders and customers engaged.

E-commerce has taken a growing share of global retail sales over the past two decades, and the trend accelerated rapidly in 2020 amid restrictions on movement and business-as-usual. Traditional brick and mortar retailers that went online early, and pure-play online retailers have fared exceedingly well, while those that were slow to adapt are now facing an existential do-or-die threat.

“It's quite interesting times for us as we've seen a big challenge for our classic bricks and mortar model,” said Fahed Ghanim, CEO of Majid Al Futtaim Fashion the lifestyle arm of Majid Al Futtaim operating as the leading Fashion, Home and Multi-brand Lifestyle retailer.

A lot of companies made “shy investments” in digital transformation when they saw the writing on the wall, Ghanim said, but e-commerce is no longer a choice, it’s an imperative “for brands that want to remain relevant and want to continue not only surviving, but adding value across the value chain.”

Majid Al Futtain Fashion has revised its business model to offer what Ghanim described as seamless omni-channel experiences across its brand portfolio, reorganizing legal agreements to ensure it had the right to sell its products online and offline, and securing commitment from the top to ensure its digital and omni-channel transformation was embraced throughout the organization.



“We started facing the challenge between the classic bricks and mortar and digital natives, and it was important to marry both to make sure that it’s not only compatible with a seamless omni-channel, but it’s actually cascaded down as a culture,” he said.

Retailers have had to accelerate their business plans to keep up with the consumer shift online, and those that invested prior to the global health crisis in 2020 have benefitted greatly from the trend, he noted. It requires a change of mindset, he said, and embedding the culture via all the channels through which retailers come into contact with consumers, not just a quick reaction to mitigate the immediate impact falling traffic, he noted.

While it's clear that retailers depending on in-store sales have had to transform their go-to-market strategies in the face of falling foot traffic, even companies that once defined themselves as internally focused industrial concerns have had to adjust their outlook to stay relevant.

"When we became more externally focused, we redefined our company in order to talk more about a consumer company, rather than merely an industrial company," said Rodrigo Mejía, CEO of Qroma, a Peru-based paint manufacturer held by Grupo Breca, one of the country's leading family-owned conglomerates. Qroma had to accelerate its understanding and approach and leverage a variety of new platforms and channels to reach customers, he said, noting the challenges in 2020 validated that internal transformation that it began implementing in 2018.

"Covid simply magnified all the trends that we were already seeing before," he said, noting consumers have become more demanding and require a new kind of interaction with brands. The omni-channel go-to-market strategy is not simply another marketing option, he agreed, it's the only way to approach the consumer.

"When we say omni-channel, we mean every single interaction with consumers, not only the digital communication; it's in-store communication, it's corporate communication, it's every single interaction with the consumers' thoughts," Mejía added. It requires one unified strategy, communication plan and message across all channels, he said, noting each interaction demands a different approach, or vehicle, for communication, that needs to be carefully curated.

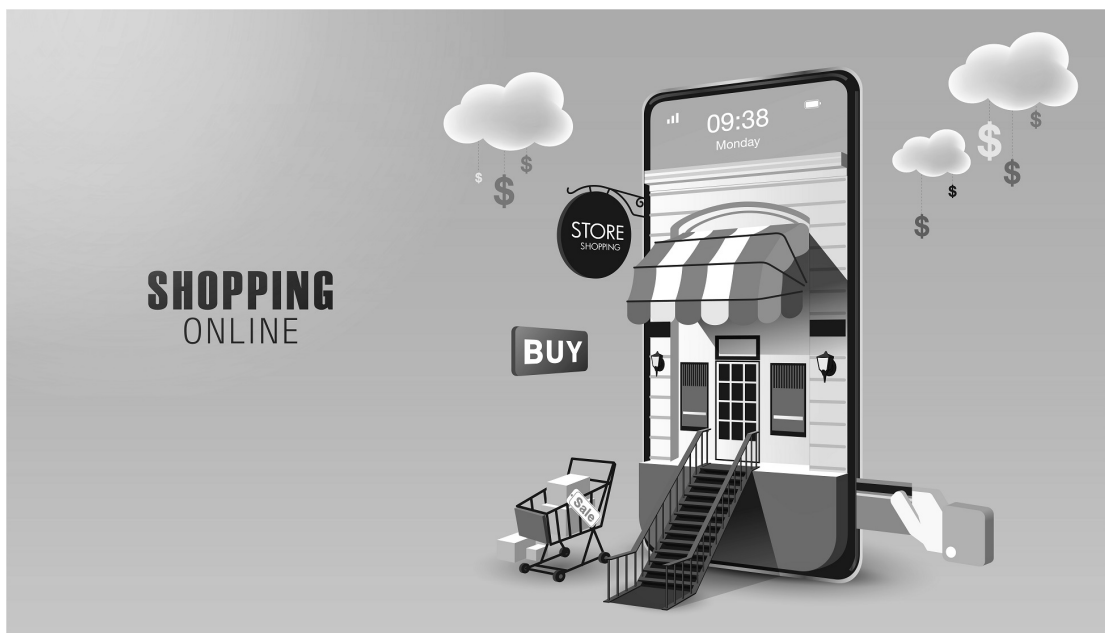
Corporate social responsibility has also been put under the microscope more than ever in 2020, Mejía added, with more scrutiny than ever of how companies behave and interact within their organizations, with their communities and with consumers. Digital tools give companies new means of interacting with their stakeholders, but it's really just part of a broader set of changes required to put companies on the right track to face the known and unknown challenges the future holds in store, Mejía said.

"Digital transformation is not a technological transformation, it's a business transformation," he said. Digital transformation provides a catalyst for organizations to reevaluate and reestablish their true purpose, challenge their strategy and identify their strengths to create real value for their customers, he said.

It's not just about technology supporting better enterprise resource planning, an omni-channel approach, or e-commerce technology, but rather, being an enabler of the strategy," he added. The first step companies need to take is to understand their business purposes, how they are creating value now and in the future, and how

technology can enable an acceleration of the transformation that will bring them closer to their customers, Mejia concluded.

Digital transformation is changing the consumer and retail landscape from both the B2B and B2C angles, noted Antonis Salevourakis, General Manager at Puratos Hellas in Athens Greece, a subsidiary of Puratos NV an international group offering a full range of innovative products, raw materials and application expertise to the bakery, patisserie and chocolate sectors. Even the largest multinational corporations that operate in the B2C market were hesitant until relatively recently to allocate dedicated resources to develop digital sales channels, Salevourakis said. This began to change over the past five years as more and more companies realized it was critical to staying relevant, especially with the younger generation of consumers, he said.



Puratos Hellas operates as a B2B company serving a network of bakeries, confectionery stores and chocolatiers and recently created two online platforms, Bakers On-line & Chocolatier online, where professionals can easily create their e-shop, with the support of Puratos Hellas, to engage its customer base as part of its customer-facing fast pacing digital transformation, which has been a tremendous success, Salevourakis said. The internal transformation is more challenging, however, he noted, as it requires overcoming the inertia of business-as-usual and building capabilities in the team members about what digital tools mean for the business, the added value, and its future to obtain the necessary buy-in.

Younger organizations have had the benefit of devising their business models around the digital transformation underway across industries rather than having to pivot as traditional retail declined. Power WearHouse, a Toronto-based health, wellness and fitness company founded in 2019 that designs “weighted wearables”, built its organization on remote expertise from the outset, said Founder and CEO Shelagh Stoneham.

“Those retailers that were set up from both a technological and organizational perspective to be able to react to shifting customer perspectives have the best chance of flourishing in this environment,” Stoneham said. The atypical business climate of recent months has been challenging corporate strategies and executional excellence, she noted, and requiring high emotional quotient in addition to intelligence. “2020 has been what I view as the year of truth for legacy brands as well as new brands such as Power WearHouse,” she said.

The business plan Stoneham wrote to launch the company has become a living document she said, rewritten twice within the past 12 months. “We all need to pivot in terms of our go-to-market strategy, not just in terms of digital, but also in terms of the kinds of offerings that we present,” she said, adding, “this has been testing the kind of nimbleness of organizations to be able to react, because consumers change in terms of their short-term needs,” she noted.

Organizations that hedged their bets between online and offline are really struggling now, she said. “Now is the time for organizations to place their bets, not simply hedge them, and view the world as a retail ecosystem, and the customer as one customer, because that’s the way customers shop,” she said. Consumers are drawn to brands, not to the channels they are sold through, she added. When companies segment their offering between online and offline, they jeopardize transparency and end up eroding trust among their customers, she said.

“This one customer view is not optional. It is critical for customer success, and that means organizationally, we need to be set up differently in terms of the skill sets, the structures and the attitudes,” Stoneham said.

Many global brands were slow to digitalize, said Regina Szeto, Vice President of Brand, International PR and Marketing at SECOO, China’s leading integrated upscale e-commerce platform, but by about 2015, many brands knew they had to make a move. All the big global luxury brands have accelerated their digital and social push since then, she noted, and embraced the social media platforms unique to China as the country dove headlong into e-commerce.

China already led the world in e-commerce penetration prior the seismic shift online of 2020, noted Szeto, especially when it comes to e-commerce via mobile platforms. Live streaming has become increasingly relevant as a means of reaching consumers of late, she noted, and the importance of creating content offline for consumers online has been reinforced alongside the shift towards even greater market share for e-commerce in the world's most populous market. "Constant content consumption is very challenging for any retailer, any brand, to have to create content to engage and to convert into sales," she noted.

Supply chain disruptions have posed a real challenge across the globe in 2020, when online consumption skyrocketed in the first half of the year, manufacturing and logistics operations in China were impacted in the early months, Szeto noted.

While it's become convention within forward-thinking organizations for chief marketing officers and chief technology officers to be well-coordinated, chief operations officers also need to be at the table to ensure supply chain disruptions are minimized and to be able to pivot on the fly to meet the dynamic needs of consumers, said Power WearHouse CEO Shelagh Stoneham.

The complexity of interactions among different kinds of players and different kinds of raw materials has made supply chain operations particularly challenging in 2020, agreed Qroma CEO Rodrigo Mejía. "We have to adopt a lot of flexibility. For every single company in the world, consumers and customers are changing," he said. Qroma's been able to maintain its revenue in an incredibly challenging year, he noted, but it's required a greater mix of products and sales channel combinations, he explained.

"We have seen an important change in consumer spending prioritization, and that is impacting the mix of what we already have," Mejía said. "The capacity to get better forecasting predictions, faster adaptability in production systems, a very flexible supply chain, and also a very resilient and careful monitoring of free cash flow generation is critical in this period," he added.

The biggest challenge for a consumer-oriented manufacturer like Qroma is combining more scale to keep costs competitive with greater adaptability and customization of products to satisfy more demanding consumers, Mejía said. "The way to address both bigger scale and adaptability and customization is only true automatization," he added.

"Blockchain, IoT, everything is coming, and it's really going to change the way we are producing and delivering our products in the coming years," he said.



Retaining the right talent was critical for Power WearHouse to establish fast and reliable supply chain infrastructure, Stoneham said. “Customer behaviour has shifted, so we have to be able to pivot, not exactly like fast fashion, but we have to be much faster and nimbler, and understand customer needs and remain relevant to them, and that means supply chain has to be able to keep up,” she said. “It’s the combination of relevant experience, but also the attitude,” Stoneham said. “I call it the what and the how.”



It’s important to have digital natives who also have traditional retail experience and really understand how customer needs vary from market to market, added Majid Al Futtaim Fashion CEO Fahed Ghanim. “Digital transformation is more than just putting your website online. It’s about building that discipline and taking everything digital,” he said. New disciplines like user experience, customer experience and data science are playing increasingly important roles for retailers, allowing them to perform advanced analytics to face competitors that operate in a global marketplace.

“Data is an area that every company, whatever their Industry, definitely needs to analyse,” agreed SECOO’s Regina Szeto. “The data is basically your digital CRM, it’s like managing your customer database of what they like, and with the technology nowadays, we can go so much deeper,” she added.

Competition is no longer local, Ghanim noted, and e-commerce giants like Amazon and Alibaba have transcended borders to target customers of incumbents everywhere. “It’s actually really looking at the whole world and setting the right benchmarks and the right vision to be able to get that talent. It’s a mindset shift,” Ghanim said. The mindset shift required for successful digital transformation has to start with business leaders committed to the process, Ghanim added, who can secure the right talent of digital natives, and then provide guidance with a clear vision of what needs to be achieved, before letting them run with it to take the transformation forward.

Digital transformation crucially requires buy-in from existing collaborators as well, Ghanim noted. “We did a lot of work with existing teams to ensure we were collecting the right type of data,” he said. “It’s beyond classic data gathering,” though, he added, “It was about organizing the data and analyzing it and driving the right use cases that will help us build a competitive edge and stay relevant.”

Leaders face a major challenge recruiting and developing talent to support digital transformation as part of the overall business transformation, Mejía said. The way talent is compensated is also changing as companies move away from paying for time towards paying for deliverables, which requires new kinds of contracts. “Talent, sustainability, supply chain, innovation; these are the things we need to face in the coming years,” Mejía said.

Business leaders must provide all the tools, all the facilities needed to deliver what is expected of their teams, wherever they are, said Mejía. “We have to be very flexible in terms of some of these conditions, in terms of remote locations,” he added. Wellness is very important for new talent, as is sustainability and purpose, and their potential to contribute to that drives their motivation more than just monetary compensation, he said.

Leaders are challenged to stay close to the talent within their organizations in the new workplace dynamic that has taken root in recent years, and technology is an enabler. During periods of uncertainty and crisis, communication is key, and in a world where remote work is becoming more the norm, companies need to make a tremendous effort to cultivate their corporate culture, said Mejía. Creating a space for both formal and informal conversation is critical to reinforce and align strategy, purpose and culture, he added. “The element of work-life balance was very strong, but now the element of how responsible a company you are, and how you walk the talk has become very, very important in younger generations,” Mejía said.



For Power WearHouse CEO Shelagh Stoneham, setting clear ground rules and expectations about how team members are to communicate and scheduling structured one-on-ones along with team meetings, was an important part of creating an effective remote leadership team, she said.

The profile of digital talent in demand among leading consumer products companies has changed dramatically over the past five years, noted Puratos Hellas CEO Antonis Saleavourakis. While simply being digitally savvy with online platforms and social media may have sufficed in years past, today consumer products groups need digital natives who have a holistic business understanding, are agile to develop and customize content on the fly for a variety of consumers and customer segments, and they need to be highly collaborative to create and deliver content in concert with colleagues around the world, he said.

“This mindset is not always easy to find, and this will be one of the biggest challenges,” Saleavourakis said. “Those companies that manage to overcome this barrier, they will be very, very successful in this transformation journey that we’re going through, and this will be accelerated in the coming years.”

“It’s all going to accelerate,” agreed SECOO’s Regina Szeto. “We have 5G coming and who knows what kind of technology window that could open, so it is very important for the leadership to guide the digital transformation and bring greater agility to supply chains, link them together and not be afraid to break barriers and try something new,” she said.

Despite the growing role for e-commerce, brick and mortar is not dead, and even pure-play online retailers have launched flagship stores to provide customers with a more holistic, sensory experience with the opportunity to touch and feel their products, Stoneham pointed out.

Similarly, person-to-person contact will remain important in the retail workplace, and while over-communicating is important to align remote teams in times of crisis, reliance on technology for social interaction among colleagues can cause fatigue, Ghanim said. “I see the future as a hybrid. I’m not a full supporter of 100% working from home, because culture cannot be done remotely,” he said, adding, “It’s important to try to engage and bring people together where possible.”



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