Talking Points – Dear CEOs

Advice From Our Readership on How to Respond Better to Today's Consumer

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Contents

In this fall edition of Talking Points, we are dishing out some advice to the CEOs of Big Food companies based on the collective wisdom of our readership, whom we asked, "What single piece of advice would you give to the CEO of a Big Food company on how to respond better to today's consumer?" Here are the highlights:

1. "That's a tough algorithm" – Big Food is, to varying degrees, out of touch, and there is no painless way to win back consumer's hearts and minds.
2. Embrace transparency – "One universal thing that today's consumer is seeking is transparency in the foods they buy, as well as in how they are produced."
3. Regain trust – Greater transparency will help, but it isn't enough by itself.
4. Innovate, innovate, innovate! – As Ronald Reagan liked to say, the answer is simple, it just isn't that easy.
5. The Imperatives – Time is running out! We end with ten quick-fire suggestions.

1. "That's a Tough Algorithm"

First off, being a compassionate bunch, our readership was more than a little sympathetic to the plight of the captains of the food industry. Reading the responses, it quickly became evident that no one was particularly envious of the task in hand or even the job. As one pithily put it, "If you are the CEO of a food company today, best of luck to you." Certainly, no one underestimated the magnitude of the undertaking (especially in the US market), with one conceding it was a "tough algorithm" and that "right now, there are no easy answers" for Big Food to "manage the mix of culture, leadership, process, structure, and incentives in established companies." As one put it, "The change that Millennials have brought to the 'table' has been overwhelming," such as the flight from big brands, localization, and food on-the-move rather than at sit-down occasions. All of this presents challenges to Big Food companies, who come from the "position of global branding with high volume throughput and little customization."

Some recognized that companies have started to make progress in the all-important US market since 2018, when most companies (mainly in North America; in Europe, they never really gave up on growing their sales) recommitted to growing their top line. Cutting costs, in comparison, is a cakewalk. Despite the signs of green shoots and "being on the right path," the readership felt there was "still work to do." Interestingly, no one disagreed with the idea that food companies are, to varying degrees, out of touch with the consumer and need to "shake up the company and get used to being uncomfortable." Some thought this was because "big CPG food companies are blind when it comes to the meaningful type of changes they must make if they want to be around in the next decade." Others thought it was because companies have sat on their hands for too long and lack "solid strategies" and a clear vision for the future. One noted that it is particularly challenging to find a way to differentiate your company "when everyone is doing the same thing."

2. Embrace Transparency – "We Don't Want Companies to Be Secretive and Opaque"

The readership was very clear on the need for transparency! "One universal thing that today's consumer is seeking is transparency in the foods they buy, as well as in how they are produced." We received a deluge of requests for companies to kick open their doors and invite the public in, such as "put a genuine effort to bring true transparency and openness to the consumer." After all, "transparency is one of the most important traits of success with today's consumers." And better to "be real" than "wait for an exposé to reveal failures in your supply chain." One respondent urged CEOs to consider the implications of what greater transparency will bring in terms of empowering consumers and other stakeholders to engage with food companies "about what they do, how they do it, and why they do it." This was considered important not just in terms of greater accountability but also because today's consumers "want to own the brand as much as we do."

So that's clear then. When it comes to food, it seems folk don't want companies to be secretive and opaque. Memo to CEOs: shine a light on your operations, sourcing, and supply chains. Open your doors. Allow us into your kitchens (FDA willing). Tell us what's in our food and who made it, and be honest with us "even if that means admitting your first priority is to your shareholders." Consumers will respect you more for it. Heck, they might even buy your products! But be warned. Transparency is a long-term play that will force you out of the quarter. "Transparency might not provide you short-term returns, but you will fail to win over and maintain Millennial and Generation Z consumers if you don't cater to their desires for it." And being transparent doesn't mean you have to shout it from the rooftops either. It is enough for some to humbly walk the talk. "I'd say walk the talk on sustainability, humane treatment of animals, and fair labor practices – and don't boast about it."

3. Regain Trust – "More Than Just Transparency"

Transparency is often bundled up with trust-building initiatives, as the lack of transparency has contributed to a lack of trust. However, many readers called trust out separately. "One of the biggest issues here is the erosion of the consumer's trust." This begs the question: beyond greater transparency, how else to rebuild trust? Fortunately for CEOs, there was no shortage of suggestions.

- **Trust is like an investment.** One reader advised CEOs to invest in trust building "with as much rigor and focus as brand building," and this requires CEOs "to bring creativity, energy, resources, and focus on building trust in meaningful ways." Again, don't expect immediate results. "Just as brand building, this is going to take time, effort, and money. It is an investment that is critical for the long term."
- **Trust is 'forward-looking' brands.** Talking of brand building, one reader put the onus on CEOs to "establish and build brands that are forward-thinking, progressive, and innovative" because consumers are more likely to buy brands that make them feel good to support and "want to be a part of something larger than themselves."
- **Trust is about taking a stand.** "Get way out in front and lead." A good start on regaining trust could be made by "solving big problems that smaller startups can't." Big Food can solve big problems and do things at scale because that is

"an advantage that they have over the smaller players". Or how about educating the market with "science and facts"? One reader implored CEOs to "seize the moment and invest in helping educate the marketplace with science- and fact-based information on why various raw materials are used to produce their food products and how their choices matter to the safety and nutritional value of the food." And on the dangers of not leading – "Don't pretend that the issues you know will eventually drive stock prices down can be staved off much longer." Rather, as one reader suggested, Big Food needs to respond more urgently to climate issues and to revamp their portfolios with healthy items, rather than doubling down on unhealthy ones.

- **Trust osmosis**. Big Food's default approach of buying small brands who have built trust with their consumers and hoping some of this trust rubs off on them "in some way by osmosis" was not totally convincing to some. As one put it, "the breakthrough would be for a Big Food company to become a trusted brand themselves." Big Food CEOs need to be honest, ethical, caring listeners every day and demonstrate that in a way that shows transparency and builds trust. Similarly, "brands that listen to the consumer and engage will continue to win her trust and her wallet."

4. Innovate, Innovate, Innovate! – A Call to Action

Despite the ongoing attempts of large food companies to innovate, most advice by far centered around the need to "stop stagnating" and "innovate faster." As one revolutionary argued, "the status quo is a losing strategy," and "it is no longer okay to NOT prioritize innovation as the #1 priority for the company." One pressed CEOs to revisit their innovation strategies because "it is probably not a true innovation strategy, but rather at best a good strategic intent." Four areas kept coming up:

- **Speed it up.** Innovate faster and be nimbler because "the old playbook of innovation being tested to death till it reaches the market can't work anymore." Others encouraged CEOs to recognize that they are behind the times and to "speed up the pace of innovation and product offerings to accommodate an ever-increasing population focused on healthy living."
- **The bigger picture.** Again, CEOs were encouraged – however difficult their "short-term performance pressures" are – to look at the bigger picture and "decide and declare whether you want to win in the short term or the long term. Can't have it both ways."
- **Don't give up on your staff.** The current thinking of acquiring or minority investing in start-ups made sense to a lot of readers, even in areas in what might appear to be fads because "sometimes those fads last for years." But many also stressed the need to not give up on internal innovation as "the day that you rely on strictly buying growth vs. driving growth through organic innovation, then you have given up on your employees." It might prove cheaper too. "Look to the many 'small' ideas sitting in your archives that did not make the cut because of scale but are probably as viable as the start-up you just acquired at an exorbitant multiple."
- **Take more risks.** The recommendation to shake things up permeated across the whole business. As one put it, "better wake up and recognize the game has been changing for a while, and the big guys have to get over being risk-averse." Some examples:
    - Products – "Take some risk in developing innovative new products."
    - Big bets "where you think the growth/opportunity is going to be next, and hope to be right."

- Small bets – “Look for growth outside of the core, and embrace the idea that success will be found in small pockets rather than large new markets. The winners of tomorrow will hit a lot of singles rather than a few home runs.”
- Co-Create – Today’s consumer wants to, “own the brand as much as we do.”
- Core competency – “Don’t be afraid to aggressively shake up the model on how you execute your core competency.”
- Out of the box – “Don’t start with your own supply chain to constrain what you can offer.”

5. The Imperatives

Let’s wrap up with a quick-fire round of other priorities that readers feel CEOs need to be making now:

- “Go and talk to Alibaba. It is as simple as that.”
- “Be aware of how their own marketing teams are contributing to consumer mistrust.”
- “Replace 75% of your leadership team. Most of them do not have the skills to win in the new consumer world.”
- “Think about going private so you can really lead.”
- “Make your supply chains more resilient to the threat of climate change.”
- “Don’t take the job if you have no ideas of your own. Trust yourself, and stop chasing rainbows.”
- “Figure out fast your priorities, what you will stand for, and what you need to stand against.”
- “Invest in e-commerce and communicating directly to consumers.”
- “Create a role in your company that champions all consumer interactions.”

“Never forget, more than anything else, consumers want food that tastes great.”

Imprint

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