



**CPG's new agenda:
Towards more sustainable and responsible supply chains
June 8th 2021
Event Summary Report**

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Executive Summary

“CPG’s new agenda: Towards more sustainable and responsible supply chains” was organised by The Economist Events and sponsored by IBM. The discussion was moderated by Jan Piotrowski, business editor, *The Economist*, and included Luq Niazi, global managing director, consumer industries, IBM.

The discussion sought to address the following questions: How are business leaders incorporating ethical and responsible production practices across their supply chains? How does this renewed focus translate to constituent parts of the chain, from transport to design, usage to disposal? How do we collaborate across partners to operationalise this transparent view of supply chains?



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Spotlight on the consumer:

One of the most consequential trends at present is the rise of the purpose-driven, rather than convenience-driven, consumer. The covid-19 pandemic has only served to accelerate this trend towards buyers being prepared to pay more for ESG credentials. This is closely linked to a new generation of millennial and Gen-Z spenders, but is also fuelled by emerging-market economies. In response to this, companies are rushing to show that their green credentials are woven into their operations and not simply a PR gimmick.

Covid-19:

The pandemic challenged CPG supply chains on all fronts. Unprecedented trade-flow disruptions and panic-buying led to shortages, forcing companies to pivot quickly. This cast a spotlight on business continuity planning, inventory management and last-mile delivery. It was also a wake-up call in terms of proximity to supply chains and their overall security—a preoccupation that will likely outlive the pandemic. The need to ensure a steady supply and equitable distribution of essential goods became a core mandate. We also saw huge changes in what was being consumed—and how—within people's homes.

The evolving ESG agenda:

In the short term, the world went into firefighting mode when the pandemic struck. The C-suite could only focus on day-to-day survival, but now it has taken a step back and is applying the strategic best practices and lessons learnt from the crisis. In the early days the "social" imperative centred around keeping employees safe. With time, however, covid-19 has highlighted the interconnectedness of our world and shown what can be achieved when the private and public sectors back the same cause.



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All about data:

Data support optimised supply planning and better demand sensing, and they come from beyond just the CPG industry (for example, upstream from agribusiness and downstream directly from the consumer). Harnessing these data is a core priority, because efficiency is not only commercially important, but also supports sustainability. Artificial intelligence, plant connectivity, blockchain and video audits are revolutionising our understanding of supply chains. The enhanced transparency gives us extremely accurate, real-time visibility of performance that allows us to make targeted interventions. The efficiencies this drives have the potential to lower our environmental impact. In recognition of the growing importance of data, more and more companies are building out their own analytics capabilities.

Driving synchronisation:

That said, the only way to comprehensively target scope 1, 2 and 3 emissions is to build out interoperable data ecosystems. In other words, driving commonality in data standards and reporting requirements is key. Equally important is the need for simplification for the entirety of the value chain, as this will enable partners of all sizes to contribute. In this way we can incorporate the relevant sustainability KPIs and build out enterprise strategy, framework and systems capability accordingly.

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Navigating green regulation:

There is a complex web of often overlapping and contradictory rules for companies to adhere to. It was suggested that often more resources are spent on reporting than on effecting concrete change. Ultimately there is no one gold standard; businesses therefore often adopt a broad-continuum approach, and where they can they incorporate feedback from their whole stakeholder spectrum: customers, investors and so on.

CPG has a long list of urgent and ongoing priorities, yet above all else 2020 was a galvanising force for the sustainability agenda. Covid-19 has underscored humankind's interdependence, and the fight against it has rallied the world behind a common goal. At the same time supply-chain shock has caused many global companies to rethink their supply chains altogether. It will be fascinating to see how this pans out in the short, medium and long terms.

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