

Consumer Goods

Trade challenges and opportunities post pandemic



Foreword



The UK retail industry is Europe's largest by revenue, with more than 36% of UK total retail sales handled online in January 2021. The UK government is supporting businesses by fostering innovation in the consumer goods industry, particularly through digital transformation of the retail sector.

The Covid-19 pandemic presented an unprecedented challenge to the retail sector as consumer spending declined sharply in 2020. However, the disruption has served to underline the agility of the UK's retail sector, as businesses rapidly moved their operations online. The pandemic has further accelerated several structural changes already underway. These include a rapid growth in e-commerce and digitalisation of global supply chains, an increased focus on sustainability, a move towards greater servicification and the reshaping of global value chains.

Globally, companies are transforming their business models, adapting to changing consumer behaviour and regulatory landscapes. The UK is leading this effort. British businesses are innovating across multiple levels, including new and quick delivery schemes, local concierge services and sustainable production processes. The UK Government is supporting the retail industry's transition from a traditional department store model to a broader proposition. The Government also supports businesses on issues such as market entry, knowledge development and identification of opportunities created by Free Trade Agreements

(FTAs). Moreover, the UK's Department of International Trade provides long-running support for companies looking to export through online channels.

The UK continues to promote international trade in support of the consumer goods sector, helping to ensure businesses can seize new international opportunities, while supporting local employment and economic growth. Our new trade agreements are not just about the short term, we are laying the foundations for long-term prosperity by opening up more opportunities for traders across the UK, and it is vital that businesses understand these. The global online retail market is forecast to double in size by 2025, and the UK is determined to seize further market opportunities with global partners, fostering continued growth in e-commerce and global supply chains.

A handwritten signature in black ink, appearing to read 'Andrew Mitchell', with a horizontal line underneath.

Andrew Mitchell
Director General
Exports and UK Trade
Department for International Trade (DIT)

About this report

Trade challenges and opportunities in the post-pandemic world: Consumer Goods is an Economist Intelligence Unit (EIU) report, supported by **the UK's Department for International Trade (DIT)**.

Through a range of expert interviews, secondary literature review and a data audit, this report explores the challenges and opportunities for global trade and investment in creative goods and services. The EIU would like to thank all experts for their time and insights.

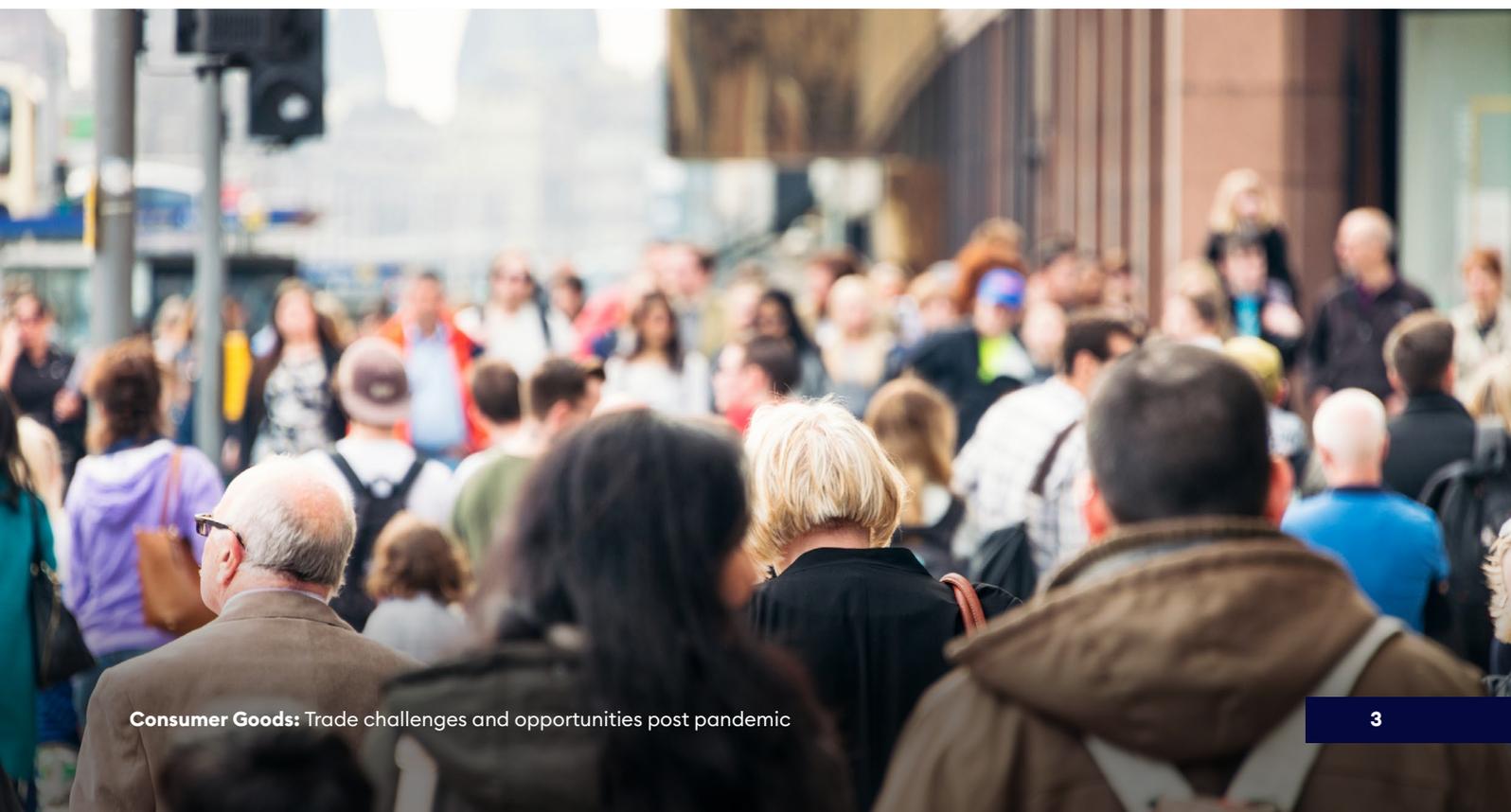
William Bain, trade policy adviser, British Retail Consortium (BRC)

Simon Mayhew, head of online retail insight, IGD

Jane Gosney, senior lecturer in marketing, Birmingham City Business School

Helen Brocklebank, chief executive of Walpole

Matus Samel is the project lead and editor, **Jeff Salway** is the author, and **Araceli Irurzun Perez** the research assistant.



Section 01

Consumer goods in the global trade

Consumer goods in the global trade

Few industries suffered more visible disruption during the Covid-19 pandemic than the consumer goods sector.

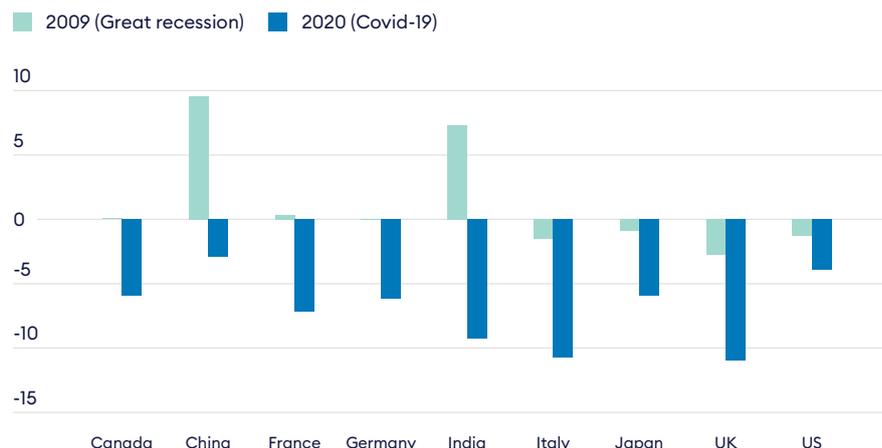
With spending patterns profoundly affected by the outbreak and the restrictions put in place to control it, there was a sudden and dramatic shift in consumption trends. Some of those changes will be long-term, others more temporary. But while the broad outlook for consumer goods is relatively bright, it will clearly be shaped to at least some degree by the upheavals created by the pandemic.

Consumer behaviour changed rapidly in the first half of 2020, forcing companies to transform their business models and regulators to reform policy on the run. The shift from in-person to digital shopping was perhaps the most obvious, while consumption was also affected by severe restrictions on movement, employees working from home and an unequal economic impact that saw

some accumulated savings due to being unable to spend while others lost incomes, jobs, businesses, homes and lives.

During the pandemic, consumer spending decline was sharper and more global than during the great recession in 2009. In 2020, private consumption declined by nearly 11% in the UK and Italy, 6-7% in Germany, France and Japan, and 4 and 3% in the US and China, respectively, driven primarily by the impact on in-person services such as travel, entertainment, and eating out.¹ While some goods sectors clearly suffered from the fall in consumer spending, others saw demand increase.² A noteworthy example came in the form of growth in textiles trade, which reflected demand for face masks. Similarly, sales of electronic goods such as computers grew steadily in the second half of 2020 as the remote working trend deepened.³

Figure 1: Pandemic shock: Change in private consumption during the Global recession (2009) and Covid-19 pandemic (2020) | Real annual change (%)

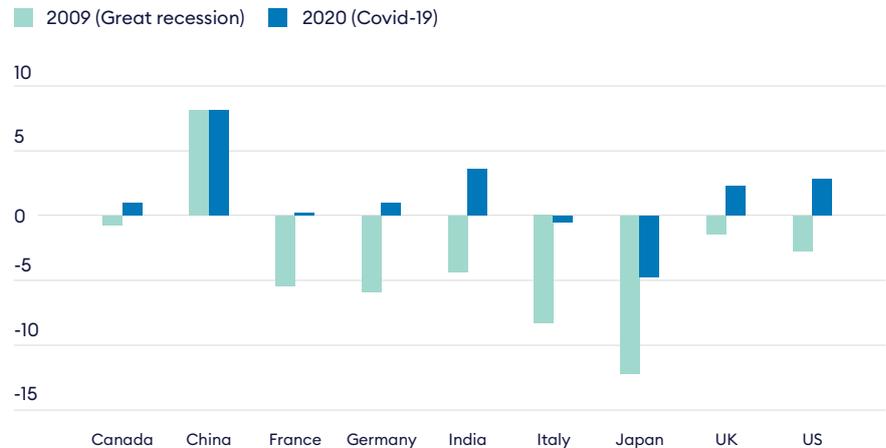


Source: The Economist Intelligence Unit

The impact of lockdowns and travel restrictions on goods trade was softened by the innovation and adaptation of both businesses and households. According to the World Trade Organisation (WTO), while supply chains were able

to resume operations in good time, remote working helped generate income and demand and governments largely resisted the temptation to impose new protectionist policies.⁴

Figure 2: Resilient IT: Total IT spending on packaged software, hardware and IT services (% change year-on-year).



Source: The Economist Intelligence Unit; IDC



The consumer experience and service provided by a manufacturer is more important than the product itself.”

Jane Gosney, senior lecturer in marketing, Birmingham City Business School

With services hit hardest, the balance of consumer spending tilted heavily towards goods, driven by pent-up demand and excess savings. This is likely to be a short-lived phenomenon, however, given the ongoing trend towards greater servicification (where the consumer experience and service provided by a manufacturer is more important than the product itself), says Jane Gosney, senior lecturer in marketing at Birmingham City Business School. “The trend of experiences was growing before the pandemic. With a post-pandemic focus on spending long overdue time with family and friends, it’s likely this trend will reappear, with consumers focussing less on ‘stuff’. Services in retail are important to give consumers a reason to visit, and it’s possibly an area retailers will compete in.”

The pandemic also accelerated the trend of store closures. With the British Retail Consortium (BRC) reporting a 78% year-on-year decline in footfall in May 2020, taking it to a record low, retailers would appear to be losing their battle to support their high street operations. Yet Covid-19 may also be the catalyst for the overhaul that high streets have needed, with retailers seeking business rates reform, development incentives, a move away from the traditional department store focus and a shift towards retail being part of a wider proposition that also features residential, shared working and entertainment.

In England, the government-commissioned High Streets Task Force alliance of experts has published a ‘route map to transformation’ that offers town centre leaders access to resources such as webinars and branding materials covering aspects such as repositioning, restructuring and reinventing.

As William Bain, trade policy adviser at the BRC, points out, people are still drawn to the social aspect of the high street experience. “As so-called ‘non-essential’ stores reopened in April across the UK, pent-up demand ensured an uptick in sales of clothing, footwear, and furniture. The easing of restrictions, coupled with the warmer weather, saw consumers shop for social occasions again.”

Individual brands are taking various approaches to bolstering the resilience of their high street operations. Argos, a UK catalogue retailer, for instance, is one of several to have introduced click-and-collect in-store services, an example of automation being used to keep physical stores in use.⁵ Similarly, Burberry, a luxury fashion house, is among those to have created apps that customers can use to scan products in-store in order to learn more about them (tapping into growing demand for information on how products are made). It was also one of the first brands to test Instagram and in-store iPads.

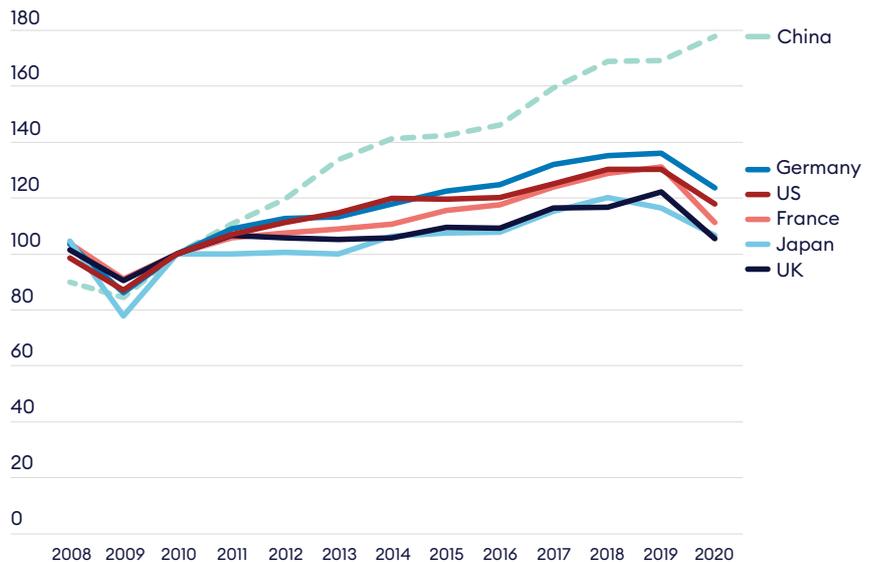
A bigger picture

Prior to the pandemic, consumer goods accounted for about a quarter of world trade in goods, representing US\$4.8trn in 2019.⁶ Global trade in goods had, by then, recovered from the sharp downturn caused by the global financial crisis (which had a much softer impact on trade in services), albeit with ups and downs along the way, including a tail-off in 2016.⁷

One of the biggest structural developments in the period beginning with the 2008 financial crisis was the sharp increase in the share of Chinese goods exports, rising from 11.5% of the total value in 2008 to more than 16% a decade later. Having passed the US as the world's second largest exporter of goods in 2007, by 2014 it had overtaken

the EU to reach top spot, which it still occupies. Chinese imports spiked too, reflecting greater demand from the country's burgeoning middle class as well as China's more prominent role in global production chains. Its share of world imports for trade in goods climbed from 8.7% to 13.4% over the decade to 2018, a period in which the EU, US, UK and Japan all saw their share of world goods imports fall.⁸ This is part of a broader long-term trend in which consumer goods growth in emerging markets continues to outstrip that in the developed world. The Asia Pacific region, for example, will soon be the world's biggest market for consumer packaged goods (CPG), accounting for up to 35% of global industry share by 2022.

Figure 3: The changing game of trade: *The export volume of goods index rebased to 2010=100*



Source: The Economist Intelligence Unit

Its rise reflects the rapid swelling of the middle classes in the region, adding 400 million new consumers and a US\$1trn in additional consumer spending every year.⁹ Growth in middle-class spending power in the developing world has been

a prominent theme in recent years, offering a contrast to a stagnant picture in developed markets. In the fast-moving consumer goods (FMCG) sector, spending in emerging markets exceeded that in the developed world for the first time in 2017.¹⁰



UK perspective: Retail has been hit hard, but will bounce back

The disruption caused by the Covid-19 pandemic saw UK retail sales volumes fall 2% in 2020, a sharp change in fortunes for a sector that posted annual volume growth averaging 1.8% between 2016 and 2019.¹¹ The effect of the various lockdowns and movement restrictions on UK consumer goods was most vivid in sub-sectors such as retail, which accounts for around 6% of the UK economy's gross value added and employs nearly three million workers.¹² However, the Economist Intelligence Unit forecasts a rapid growth for the sector in 2021 and 2022.¹³

Clothing and furniture sales suffered as stay-at-home restrictions deterred consumers from purchasing new clothes and larger, 'try-before-you-buy' furniture, according to Bain. "As working from home became the precedent, office equipment, such as desks, chairs, and laptops, surged in popularity. Meanwhile, food sales remained robust as customers continued to purchase food from their local supermarket, albeit in larger transactions and less frequently."

The sharp downturn underlined the importance of the UK's online retail sector, the biggest in Europe. Almost seven-in-ten UK survey respondents said, in mid-2020, that they expected to feel most comfortable spending their free time at home over the next six months, signalling the scale of the shift from traditional retail industries to those offering e-commerce and digital entertainment options.¹⁴

Retailers are responding by introducing more cashier-free and 24-hour stores and expanding click-and-collect and other digital services to meet rising demand for online delivery. Online purchases reached a record high of 36.3% of UK total retail sales in January 2021.¹⁵ The trend was notably tech-focused, driven by a surge in sales of consumer electronics such as TVs, gaming consoles and laptops. "Whilst the exponential growth of retail sales is beginning to slow, the pandemic has likely fast-tracked the popularity of e-commerce and shifted consumer habits for the long-term," says Bain.



Section 02

Covid-19 and disrupted supply chains: Structural changes in the consumption, production, and trade of consumer goods

Covid-19 and disrupted supply chains: Structural changes in the consumption, production, and trade of consumer goods

Themes that dominated the consumer goods landscape in the years leading up to the pandemic will continue to do so in its aftermath.

Established long-term trends in consumer goods are largely the same as those evident in other sectors: climate change, demographics, changing consumption patterns, supply chain resilience, technological innovation and digitalisation, and the growing priority of sustainability.

Structural changes already underway prior to the Covid-19 crisis have only accelerated as a result of it. The most obvious is the rise of digital channels and their impact on consumer behaviour, with digitalisation continuing to drive the reshaping of global supply chains in the wake of the pandemic. The consumer goods sector is more vulnerable than most to shifts in consumer attitudes and behaviours, as well as the effects of economic volatility and uncertainty on consumption patterns.

Changing consumption: Covid-19 as a catalyst for consumer shifts

Covid-19 and the various lockdowns around the world didn't simply change the channels through which people were making purchases. There was also an immediate impact on what people were buying, when they were buying it and the factors influencing their choice of retailer and/or product. More than 60% of consumers worldwide changed their shopping behaviours during the pandemic, most of whom intend to continue their new behaviours, according to research by McKinsey.¹⁶

That has direct implications for brand loyalty. In the US, for example, one-in-four consumers tried a new private label brand and 36% opted for a new product brand, with most expecting to continue using those new brands.¹⁷

Behaviours changed for reasons of convenience, such as the availability of a product or a preferred distribution channel, and value. The latter factor reflected financial uncertainty, with consumers more price sensitive and mindful of what they buy and how much they spend. The 'global consumer class' shrank during the pandemic due to its effect on incomes and jobs, with 2020 seeing almost 200 million people added to the global population of the poor and vulnerable (classified as those spending less than US\$11 per day).¹⁸ As economies recover, the population of global consumers is expected to resume its upward trajectory. But with inequality growing and the socioeconomic effects on individuals and households likely to linger for several years, value-oriented consumption will remain a notable trend, at least in the short term.

Decision-making factors evolved during the pandemic too, influencing how consumers bought goods and who they bought them from. For instance, demand for local products and brands increased in the second quarter of 2020, as consumers either preferred to stay close to home or had no alternative.¹⁹

The migration from the high street to e-commerce featured increased use of home delivery, in-app ordering, click-and-connect, live chat services and virtual consultations.

Consumers are also selecting on the basis of visible safety measures, looking for companies and brands that use healthy and hygienic packaging and who show care and concern for employees.²⁰ “Safety has understandably become an increasing concern for customers since the outbreak of the pandemic,” says Bain at the BRC. “Retail businesses have spent hundreds of millions making their stores Covid-secure, so customers can feel safe and confident whilst shopping.”

The migration from the high street to e-commerce featured increased use of home delivery, in-app ordering, click-and-connect, live chat services and virtual consultations. This is likely to be sustained amid the hardening of new consumption habits that may otherwise have taken years to adopt. In the UK, for example, two-in-five Britons intend to increase their use of online delivery and click-and-collect services.²¹ The chief beneficiaries have been the largest global retailers. Amazon posted a 70% increase in earnings in the first nine months of 2020,²² and its US\$8.1bn in profit for the first three months of 2021 was three times the figure for the same period a year earlier.²³ Walmart and Target also reported a huge spike in sales in the second quarter of 2020, benefiting from reduced competition as specialist high street retailers were forced to close their doors.²⁴

Shifting supply: reshaping global value chains

The pandemic also had the effect of intensifying an already profound process of change in supply chains. After a long period of globalisation and expansion, there were signs in the years leading up to 2020 that the world’s biggest multinational enterprises (MNEs) were slowly beginning to pull back. This was a response to developments including more protectionist trade policy, the US-China trade war and rising prices in China (which prompted some MNEs to consider moving operations from China to other parts of Asia)²⁵ and an increased focus on sustainability and resilience.

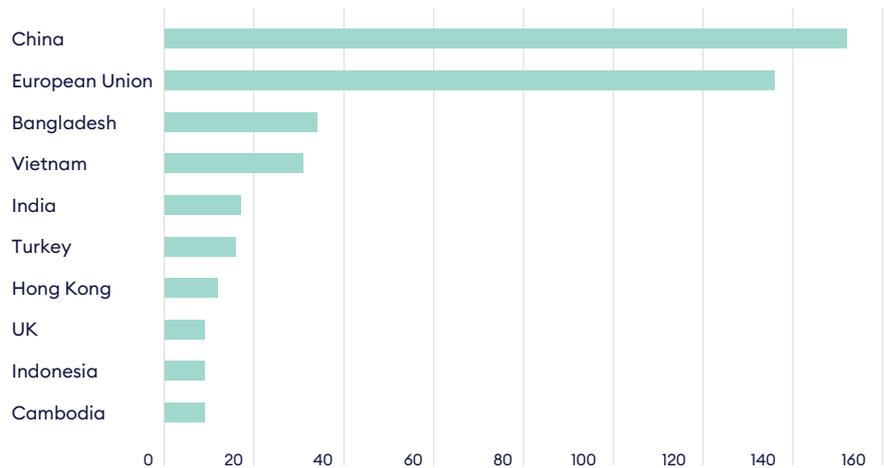
Any threat to trade with China has significant implications for consumer goods, with lifestyle products an obvious example. China accounted for almost 40% of world textile exports and just over 30% of world apparel exports in 2019, according to the World Trade Organisation (WTO). The pandemic had the direct effect of exposing the limitations of rigid supply chains and the widespread reliance on just-in-time delivery and single country supplies.



Figure 4: Apparel: Top 10 global apparel exporters, by value of exports (US\$bn)

This is particularly evident in the clothing, garments and footwear industries, where 40% of firms source from just one external country, compared with just 9% of those in the FMCG sector.²⁶ A survey of supply chain executives in

late 2020 found that all respondents in the food and consumer goods industries had experienced production and distribution problems at the height of the Covid-19 outbreak, while 91% said they had problems with suppliers.²⁷



Source: World Trade Organization, 2020

The challenge for companies is to find a way of bolstering the resilience of their supply chains without compromising too much.

The immediate effect was to turn the spotlight onto supply chain resilience. One response to this, and other challenges, has been a trend towards companies relocating parts of their supply chains through shortening, regionalising or 'near sourcing' (where firms move some of their operations closer to the point of sale). The trend towards near-sourcing and shorter supply chains also reflects increased digitalisation and reduced reliance on long-haul shipping.

This is a gradual rolling back of the outsourcing trend that saw firms shift large portions of their operations to developing nations with lower labour and other costs. Firms are also increasing their inventory of essential materials and products, while many are looking to secure a firmer grip on their supply chain technology. The challenge for companies is to find a way of bolstering the resilience of their supply chains without compromising too much on competitiveness and while continuing to meet consumer demand for speed and convenience. Improving resilience without compromising competitiveness often comes down to effective use of data in production processes and the further digitalisation of supply chains. During the pandemic, for instance, it was the ability

to shift quickly to online sales that allowed some firms to adapt and limit disruption.

Advances in cloud software, blockchain, artificial intelligence (AI) and satellite technology can be harnessed to enable flexibility and resilience in supply chains. Data can be quickly analysed to highlight wastage and discrepancies, while AI tools can provide real-time updates throughout the value chain. "Retailers are investing in many different digital strategies," says Simon Mayhew, head of online retail insight at IGD. "These include using AI to improve the forecasting of product demand, identifying more efficient routes for delivery vehicles, varying delivery cost charges to reflect demand from the local area and forecasting labour requirements to ensure in-store pickers are able to meet surges in demand." Some retailers are also turning to geofencing technology, which alerts stores as shoppers approach the store for collection, to reduce waiting times. "Robotics is also growing," Mayhew observes. "Ocado's robots can fulfil a 50-item grocery order in just five minutes and Fabric micro fulfilment centres use state-of-the-art software and robotics to give retailers and brands the infrastructure to lower fulfilment costs."

Section 03

Going sustainable and digital: capitalising on emerging opportunities in the sector

Going sustainable and digital: capitalising on emerging opportunities in the sector

Some businesses fared better than others during the Covid-19 pandemic, whether due to circumstance, fortune or their own ability to respond to events as they unfolded.

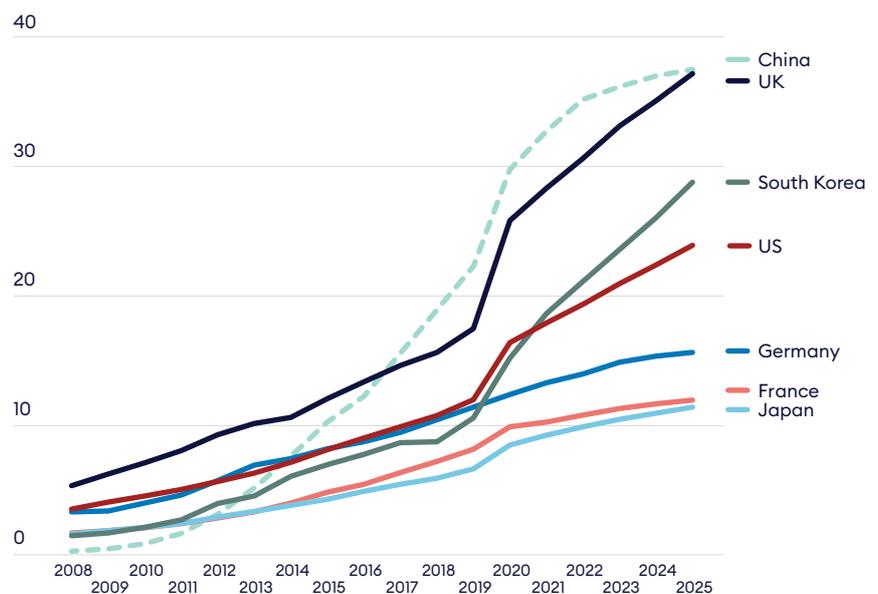
As the impacts of the crisis continue to evolve, so will the challenges and opportunities for consumer goods businesses. Organisations must now strike a balance between meeting the short-term needs of consumers and understanding the longer-term implications, including the degree to which previous trends will either deepen or take a different course. Whether it requires transformation or adjustment, there will likely be two key themes that help shape what comes next: increased digitalisation and the rapidly growing importance of sustainability.

E-commerce and the great digital migration

Of all the existing trends that accelerated as a result of the Covid-19 pandemic, the forging of digital consumption habits was the most visible. The decline of high street retail picked up pace as online purchasing became a necessity rather than a choice. New or low-frequency users are expected to drive a 160% increase in e-commerce purchases over the coming years, according to one study.²⁸

Online retail is forecast to double in size by 2025,²⁹ while 80% of executives in the consumer goods industry are specifically allocating investments to improve their ecommerce and shopping platforms in 2021.³⁰

Figure 5: Digital future: Share of on-line retail on total retail sales (%)



Source: The Economist Intelligence Unit; Edge by Ascential

E-commerce is growing across all retail and consumer products in countries that had moderate online conversion rates prior to the pandemic.



We certainly began to see a shift towards conscious consumption before the pandemic.”

Helen Brocklebank, chief executive of Walpole

Online sales participation will continue to rise globally, says Mayhew at IGD. But the shift still varies by region and market, with key factors to consider, such as choice, convenience and value. “Retailers need to increase their online order capacity to attract new shoppers. To retain shoppers, service quality, delivering on-time and in-full needs to be a priority to give the consumer the convenience they’re looking for,” Mayhew explains. “Delivery costs are also a key consideration; pricing needs to remain affordable and accessible to attract new customers and increase ordering frequency from existing customers.”

E-commerce is growing across all retail and consumer products in countries that had moderate online conversion rates prior to the pandemic, such as the US and the UK. In countries where e-commerce engagement was already high, including China, the share of spending online is expected to increase even if the level of participation in online shopping does not rise markedly.³¹ The size of the opportunity is shaped by factors including the effects of the pandemic on different socioeconomic groups, with some having suffered a sharp drop in incomes while others have accrued greater savings due to reduced spending. The deepening of inequalities is likely to create a barbell effect, with more polarised demand for discount and high-end luxury products. Even as spending moves online, many consumers are planning to spend less in the future.

The proportion of consumers who plan to shop primarily online in future varies significantly between different markets and products. In the UK, for instance, more than half of the population will likely buy appliances and technology, apparel and cosmetics online, whereas just one in four will buy fresh food and beverages over the internet. That largely reflects a global pattern, with appliances and technology by far the biggest online opportunity. Only a small minority of consumers in France and Germany are open to buying food (packaged and fresh) and beverages online, compared with up to 40% in China and around 30%

in the UK. But with just 3.1% of global packaged food bought online prior to the pandemic, that also represents a sizable opportunity for growth.³²

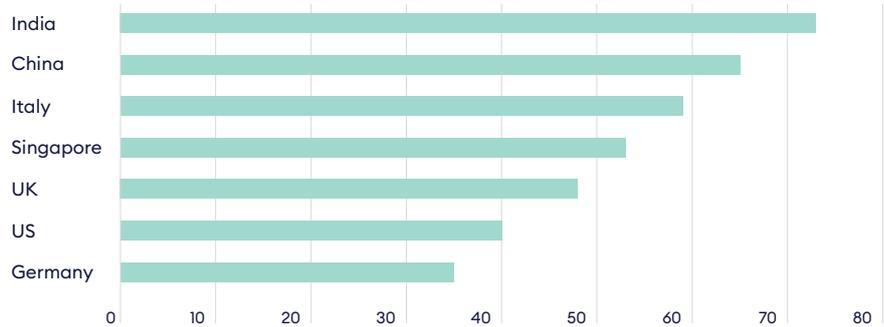
Sustainability and the ‘green’ turn

Sustainability had already moved high up the consumer goods agenda before the Covid-19 outbreak, reflecting the influence of the 2016 inception of the UN’s Sustainable Development Goals (SDGs), rising consumer awareness and growing pressure from regulators and governments. Web searches in the US and Europe for “sustainable fashion” tripled between 2016 and 2019, for example, while almost four-in-10 fashion sector CEOs implemented sustainability measures within their operations in 2019.³³

The focus on sustainability intensified with the pandemic, which offered organisations a stark reminder of the need for greater resilience against external events, and consumers of our own vulnerability and that of global ecosystems. “We certainly began to see a shift towards conscious consumption before the pandemic,” says Helen Brocklebank, chief executive of Walpole, the official sector body for UK luxury brands. “That consumer demand has only increased over the course of the last 18 months.”

More than half of consumers across all markets intend to buy more sustainable products once the pandemic subsides.³⁴ Willingness to pay more for sustainability remains relatively soft, however; just 30% of Generation Z (those born roughly between 1995 and 2010) and a mere 12% of baby boomers are prepared to do so.³⁵ But there are signs of that willingness becoming firmer, says Bain at the BRC. “There has been an increased subset of consumers paying a premium for ethically sourced and produced products. This is particularly evident in supermarkets, with vegan products becoming more accessible and affordable.”

Figure 6: Sustainability matters: % who agree with the statement “I will buy more sustainable products” after the pandemic has ended



Source: YouGov



Protecting employees’ and workers’ human rights and creating a diverse, inclusive workplace are central to a thriving, successful business.”

Helen Brocklebank, chief executive of Walpole

Interest in sustainability is strongest among younger age groups. The fashion sector offers a useful indicator, with consumers starting to move away from fast fashion and more people selling or recycling old clothes, upcycling and even renting clothes. The supply-side is responding to the demand-side trend towards greener, accessible, and sustainable consumer goods trade in various ways. Almost half of FMCG supply-chain executives established the recycling of materials and the reduction of their carbon footprint as their first strategic priorities, just topped by sustainable priorities such as improving labour wages and conditions.³⁶

More than 70 retailers have now committed to the BRC Climate Action Roadmap to net zero by 2040, according to Bain. “Our Climate Action Roadmap supports retailers to decarbonise their supply chains via six pathways, giving them the tools to plot their own journey to net zero by 2040, with the needs of their customers, employees, and business at the centre.”

Demand for greener and more sustainable goods represents a golden opportunity for many organisations. In the US, in the four years to 2019, just 16% of consumer goods products were marketed for their sustainability, according to the NYU Stern Center for Sustainable Business, yet they accounted for more than half the growth in the sector.³⁷

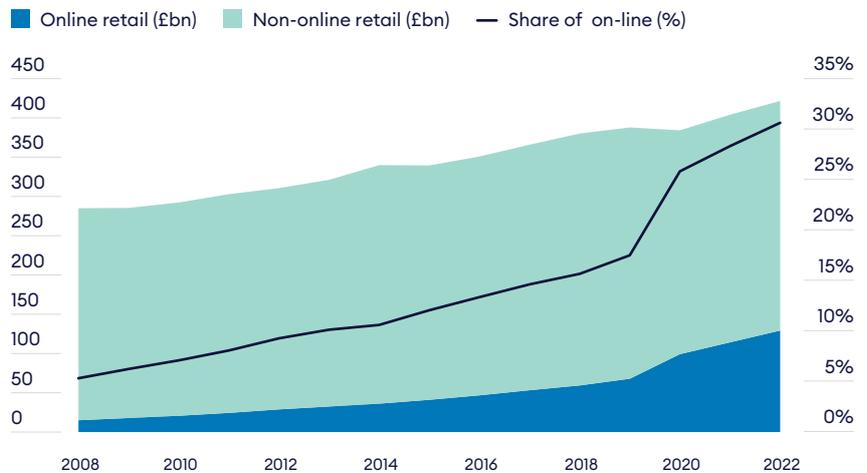
The flipside, of course, is that those unable to meet consumers’ sustainability expectations risk falling behind. But organisations increasingly recognise the extent to which environmental and social sustainability is central to their own long-term performance. “Protecting employees’ and workers’ human rights and creating a diverse, inclusive workplace are central to a thriving, successful business,” says Brocklebank at Walpole. “Our sustainability report highlights the importance of advocating for equal and respectful working conditions, with an emphasis on labour rights, fair pay, and promoting diversity and inclusion in the workplace.”



UK perspective: Businesses are adapting and innovating quickly

Increased use of online shopping channels and the digitalisation of supply chains is driving huge value shifts, not least in the UK, Europe's biggest online retail market. Online retail sales in the UK rose 46% in 2020 compared to the previous year, with online purchases accounting for a record 26% of all retail sales, according to the Office for National Statistics (ONS). The Economist Intelligence Unit (EIU) expects this share to increase above 30% by 2022.³⁸

Figure 7: Going digital: Value of online and non-online retail sales in the UK (£bn) (left axis); Share of online retail (%) (right axis)



Source: The Economist Intelligence Unit; Edge by Ascential

One-in-three UK shoppers are using, or are interested in using, 'quick commerce' businesses, says Mayhew at IGD. "Companies such as Getir, Weezy and Gorillas can deliver within minutes; they're picking goods from small city-centre dark stores that are close to shoppers' homes. They're becoming a popular choice for 'food for now', evening meals and top-up shops." Some retailers, such as Tesco and Waitrose, have also converted stores into online 'fulfilment centres', he adds. "This strategy has the benefit of shorter last-mile delivery times, an accurate localised range, faster pick times, lower labour costs, and live inventory, which results in high order accuracy and low wastage, as products can be sold at clearance on the shop floor."

Others have adapted through innovation. Toshi is a delivery service for luxury fashion retailers, working with high-end fashion brands' direct-to-consumer ecommerce platforms and physical stores in New York and London. It provides a free local concierge service that hand delivers purchases to the customer's door, allowing them to try items at home, offering adjustment services and returning unwanted purchases.

Brands in the UK luxury goods market are also innovating in various ways to reduce carbon emissions and wastage. Among them is Mulberry, which in 2021 committed to develop farm-to-finished-product British bags. It also works with Scrapstore to supply waste materials to schools, universities and craft groups, enabling local communities to make use of high-quality materials that might otherwise go to waste. Mulberry partner Muirhead, the Scottish leather manufacturer, uses a thermal energy plant that enables it to convert solid waste to steam, circularising the manufacture of Mulberry's leather. As part of its take-back scheme, it buys back Mulberry bags that have reached the end of their use-life and converts that leather into fuel for the thermal energy plant.

Endnotes

1. The Economist Intelligence Unit
2. Remes, J. Manyika, J et al. 'The consumer demand recovery and lasting effects of COVID-19' (internet). McKinsey, 2021 (accessed 9.6.21). Available at: <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-demand-recovery-and-lasting-effects-of-covid-19>
3. WTO. 'World trade primed for strong but uneven recovery after COVID-19 pandemic shock' (internet). World Trade Organisation, 2021 (accessed 8.6.21). Available at: https://www.wto.org/english/news_e/pres21_e/pr876_e.htm
4. Ibid.
5. <https://internetretailing.net/strategy-and-innovation/strategy-and-innovation/sainsburys-and-argos-digital-sales-reach-new-heights-over-christmas-22524>
6. UNCTAD. 'Key statistics and trends in international trade 2020' (internet). United Nations Conference on Trade and Development, 2021 (accessed 9.6.21). Available at: https://unctad.org/system/files/official-document/ditctab2020d4_en.pdf
7. Eurostat. 'World trade in goods' (internet). Eurostat - statistics explained, 2020 (accessed 8.6.21). Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_trade_in_goods#World_trade_in_goods:_developments_between_2008_and_2018
8. Ibid.
9. Accenture. 'A new era of trade for consumer goods industry' (internet). Accenture, 2020 (accessed 8.6.21). Available at: https://www.accenture.com/_acnmedia/pdf-73/accenture-new-era-of-trade-for-consumer-goods-industry.pdf
10. Kantar. 'Emerging markets overtake developed in FMCG spend' (internet). Kantar, 2017 (accessed 9.6.21). Available at: <https://www.kantarworldpanel.com/global/News/Emerging-markets-overtake-developed-in-FMCG-spend>
11. EIU. 'UK Industry Report: Consumer goods and retail'. Economist Intelligence Unit 2021 (accessed 14.6.21). Available at: <http://country.eiu.com/articleindustry.aspx?articleid=1160757899&Country=United%20Kingdom&topic=Industry&subtopic=Consumer%20goods>
12. Ibid.
13. Ibid.
14. Briggs, F. 'Covid-driven consumer behaviours will shift £134bn in economic value by 2022, Accenture finds' (internet). Retail Times, 2020 (accessed 8.6.21). Available at <https://www.retailtimes.co.uk/covid-driven-consumer-behaviours-will-shift-134bn-in-economic-value-by-2022-accenture-finds/>
15. ONS. 'Internet sales as a percentage of total retail sales' (internet). Office for National Statistics, 2021 (accessed 14.6.21). Available at: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>
16. McKinsey. 'Perspectives on retail and consumer goods' (internet). McKinsey & Company, 2020 (accessed 7.6.21). Available at: https://www.mckinsey.com/-/media/McKinsey/Industries/Retail/Our%20Insights/Perspectives%20on%20retail%20and%20consumer%20goods%20Number%208/Perspectives-on-Retail-and-Consumer-Goods_Issue-8.pdf
17. Ibid.
18. Wu, K. Thomasberger, M. 'When will the global consumer class recover?' (internet). Brookings Institute, 2020 (accessed 8.6.21). Available at: <https://www.brookings.edu/blog/future-development/2020/11/25/when-will-the-global-consumer-class-recover/>
19. Accenture. 'COVID-19 is reshaping the consumer goods industry: Data-driven insights into consumer behavior reveal new and lasting trends' (internet). Accenture 2020 (accessed 9.6.21). Available at: https://www.accenture.com/_acnmedia/PDF-127/Accenture-COVID-19-CGS-Pulse-Survey-Research-Wave-4.pdf#zoom=40
20. McKinsey. 'Perspectives on retail and consumer goods' (internet). McKinsey & Company, 2020 (accessed 7.6.21). Available at: https://www.mckinsey.com/-/media/McKinsey/Industries/Retail/Our%20Insights/Perspectives%20on%20retail%20and%20consumer%20goods%20Number%208/Perspectives-on-Retail-and-Consumer-Goods_Issue-8.pdf
21. YouGov. 'International FMCG/CPG report 2021' (internet). YouGov, 2021 (accessed 14.6.21). Available at: [https://db42aa43a2d5ed566294-81964d36a501d7a15be4d8350b0feec4.ssl.cf3.rackcdn.com/YouGov-International-FMCG-Report-2021%20\(2\).pdf](https://db42aa43a2d5ed566294-81964d36a501d7a15be4d8350b0feec4.ssl.cf3.rackcdn.com/YouGov-International-FMCG-Report-2021%20(2).pdf)
22. Takefman, B. 'Amazon profits increased nearly 200% since start of Covid-19 pandemic' (internet). ResearchFDI, 2021 (accessed 14.6.21). Available at: <https://researchfdi.com/amazon-covid-19-pandemic-profits/>
23. Sky News. 'Amazon's profits more than tripled in the first three months of 2021' (internet). Sky, 2021. Accessed 14.6.21). Available at: <https://news.sky.com/story/amazons-profits-more-than-tripled-in-the-first-three-months-of-2021-12290876>
24. Del Rey, J. 'Government shutdowns of "nonessential" retailers were a huge gift for Amazon, Walmart, and Target' (internet). Vox, 2020 (accessed 11.6.21). Available at: <https://www.vox.com/recode/2020/8/20/21375942/amazon-walmart-target-pandemic-earnings-q2-2020-essential-retailers>
25. EIU. 'The Great Unwinding: Covid-19 and the regionalisation of global supply chains' (internet). Economist Intelligence Unit, 2020 (accessed 28.4.21). Available at: <https://www.eiu.com/n/campaigns/the-great-unwinding-covid-19-supply-chains-and-regional-blocs/>
26. EIU. 'Re-threading supply chains in the lifestyle industry'. Economist Intelligence Unit, 2021 (accessed 8.6.21). Available at: https://eiuPerspectives.economist.com/sites/default/files/eiu_maersk_-_lifestyle_report.pdf
27. Aliche, K. Gupta, R. Trautwein, V. 'Resetting supply chains for the next normal' (internet). McKinsey, 2020 (accessed 8.6.21). Available at: <https://www.mckinsey.com/business-functions/operations/our-insights/resetting-supply-chains-for-the-next-normal>
28. Accenture. 'COVID-19 is reshaping the consumer goods industry: Data-driven insights into consumer behavior reveal new and lasting trends' (internet). Accenture 2020 (accessed 9.6.21). Available at: https://www.accenture.com/_acnmedia/PDF-127/Accenture-COVID-19-CGS-Pulse-Survey-Research-Wave-4.pdf#zoom=40

-
29. EIU. 'Digital disruption: risks and opportunities in the shift to online' (internet). Economist Intelligence Unit. 2020 (accessed 14.6.21). Available at: <https://www.eiu.com/n/digital-disruption-risks-and-opportunities-in-the-shift-to-online/>
 30. Deloitte. '2021 consumer products industry outlook: No-regret moves in the face of uncertainty' (internet). Deloitte. 2021 (accessed 14.6.21). Available at: <https://www2.deloitte.com/us/en/pages/consumer-business/articles/consumer-products-industry-outlook.html>
 31. McKinsey. 'Perspective on retail and consumer goods' (internet). McKinsey and Company. 2020 (accessed 15.6.21). Available at: https://www.mckinsey.com/-/media/McKinsey/Industries/Retail/Our%20Insights/Perspectives%20on%20retail%20and%20consumer%20goods%20Number%208/Perspectives-on-Retail-and-Consumer-Goods_Issue-8.pdf
 32. Rogers, K. Cosgrove, A. 'Future Consumer Index: How to capture the real e-commerce opportunity' (internet). EY. 2021 (accessed 14.6.21). Available at: https://www.ey.com/en_gl/consumer-products-retail/future-consumer-index-how-to-capture-the-real-e-commerce-opportunity
 33. EIU. 'Re-threading supply chains in the lifestyle industry' (internet). Economist Intelligence Unit. 2021 (accessed 14.6.21). Available at: https://eiperspectives.economist.com/sites/default/files/eiu_maersk_-_lifestyle_report.pdf
 34. YouGov. 'International FMCG/CPG report 2021' (internet). YouGov. 2021 (accessed 14.6.21). Available at: [https://db42aa43a2d5ed566294-81964d36a501d7a15be4d8350b0feec4.ssl.cf3.rackcdn.com/YouGov-International-FMCG-Report-2021%20\(2\).pdf](https://db42aa43a2d5ed566294-81964d36a501d7a15be4d8350b0feec4.ssl.cf3.rackcdn.com/YouGov-International-FMCG-Report-2021%20(2).pdf)
 35. McKinsey. 'Perspectives on retail and consumer goods' (internet). McKinsey & Company, 2020 (accessed 14.6.21). Available at: https://www.mckinsey.com/-/media/McKinsey/Industries/Retail/Our%20Insights/Perspectives%20on%20retail%20and%20consumer%20goods%20Number%208/Perspectives-on-Retail-and-Consumer-Goods_Issue-8.pdf
 36. EIU. 'Moving from faster prediction to faster response in FMCG supply chains' (internet). Economist Intelligence Unit. 2021 (accessed 14.6.21). Available at: <https://eiperspectives.economist.com/strategy-leadership/moving-faster-prediction-faster-response-fmcg-supply-chains>
 37. Whelan, T. Kronthal-Sacco, R. 'Sustainable market share index' (internet). NYU Stern Center for Sustainable Business. 2020 (Accessed 15.6.21). Available at: <https://www.stern.nyu.edu/sites/default/files/assets/documents/2020%20Sustainable%20Market%20Share%20Index.pdf>
 38. EIU. 'UK Industry Report: Consumer goods and retail'. Economist Intelligence Unit 2021 (accessed 14.6.21). Available at: <http://country.eiu.com/articleindustry.aspx?articleid=1160757899&Country=United%20Kingdom&topic=Industry&subtopic=Consumer%20goods>



Department for International Trade

The UK's Department for International Trade (DIT) has overall responsibility for promoting UK trade across the world and attracting foreign investment to our economy. We are a specialised government department with responsibility for negotiating international trade policy, supporting business, as well as delivering an outward looking trade diplomacy strategy.

Disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate, the UK's Department for International Trade and the Contributors do not accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organisation mentioned.

While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.

© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

**Published by
The UK's Department for International Trade**

November 2021

**The
Economist**

**INTELLIGENCE
UNIT**