



Consumer goods focus: The challenge of finding the right direct-to-consumer leaders

Consumer goods companies have the opportunity to experiment with direct online channels and start to understand how adding to their current go-to-market strategy can help the business thrive in the long term. But to succeed, companies will need the right leadership and culture.

Customer centricity has been a key business change for consumer goods companies, evolving with the progress of data analytics and the growing influence of social media on shoppers. Customers are more demanding than ever; don't want to compromise on quality, cost, or convenience; and have become more disloyal than ever in their shopping habits.¹

This means that consumer goods companies already had to work significantly harder than before to promote and sell their products where their customers expect to find them. Now, with consumers spending more time at home as a result of COVID-19, retail shops are no longer seen as convenient by many. Companies such as PepsiCo and Heinz have taken the opportunity to test the effectiveness of a direct-to-consumer channel,² and, if successful, many other companies are likely to follow suit in adding direct-to-consumer (D2C) to their overall marketing mix. The advantages of a direct-to-consumer approach are clear: unfettered real-time access to consumer metrics and a two-way communication system that allows companies to build a longer-term relationship with consumers, both of which are important sources of information for the entire product and marketing strategy.

To succeed, these efforts will require significant changes in the skills that D2C leaders will need. The changes go far beyond setting up an e-commerce capability. The crucial challenge is instilling a mindset in the entire organization that it is important to meet customers wherever they are. That requires a cultural change, and a new breed of leaders who combine traditional leadership capabilities—such as being inspiring, able to influence all their stakeholders, and being agile and resilient—with newer (and thus rarer in the industry) capabilities such as the ability to disrupt and challenge and foster a fail-fast but safe culture, in addition to digital dexterity.

1 Scott McKenzie, "Consumer disloyalty is the new normal," Nielsen, June 27, 2019, nielsen.com.

2 Alistair Gray, "Big food brands sidestep retailers in pandemic," *Financial Times*, May 28, 2020, ft.com.

Direct-to-consumer requires building new organizational models

D2C is not just another sales channel nor is it just expanding digital or e-commerce capabilities. Fundamentally, it is about meeting the consumer where the consumer wants to be—both online and offline, as Kate McCutchen, vice president for Europe and the United Kingdom at the global travel and retail brand Away, says: “The customer should be able to buy where they want and get the best experience, regardless of where they do so. It needs to be an integrated function to enable the business to deliver the best experience.” This has a deep impact on companies’ business models, as, moving forward, the focus will be on the customer’s experience rather than accessibility, and adapting the customer journey to both digital and storefront channels. The complexity is underscored by a reshuffling of sales channels: while some companies have added direct online shopping capabilities, others have opened their first brick-and-mortar stores, particularly in the United States. Casper, a sleep brand, for example, started online and has now opened its own stores in addition to selling through about 2,000 retailers. Marcus Hartwall, Casper’s former vice president and general manager for Europe, sees digital business models as a competitive advantage, as they allow companies to follow the customer and shift their footprint more quickly than those with a more traditional model: “I think that in the next couple of years, digital-first companies will be in a better position to scale up more quickly than traditional players. Each channel has a clear audience and role, and they need to all serve one single strategy, in whichever combination best serves customers.”

“Selling good products is no longer enough. As consumers seek deeper relationships with brands, they want communities, experiences, and a sense of trust and belonging. D2C is an opportunity to deliver that,” explains Vittorio Tuninetti, global vice president of D2C at Mars. “The challenge for big traditional fast-moving consumer goods (FMCG) companies is to build new business models, new capabilities, and new ways of working to enable doing business in both traditional and D2C channels, including physical and digital flagship stores, home delivery, and social media commerce platforms. A D2C leader needs to understand all channels, online and offline, and all digital or physical products, as this will support the shift from delivering products to delivering an experience.”

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Vice President, Europe and the United Kingdom, Away

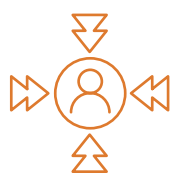
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Putting customers at the center of the organization

Shifting strategy toward D2C, or even experimentation with D2C, has to go hand in hand with a cultural change. “Building a culture is key for a successful direct-to-consumer model, particularly when many people are working from home. It requires a lot of communication, a lot of transparency,” says Claire Midwood, CEO of Amorelie, an adult health and personal care brand. That’s because D2C changes the way most functions operate, from strategy to innovation, supply chain, marketing, and operations. D2C also requires employees to develop more externally oriented skill sets and the ability to be nimbler and more responsive to customer preferences.

There are three tenets of a successful change management shift into a direct-to-consumer model:



Create a relentless customer-first mindset

Even some consumer companies can become overly focused on internal matters as complexity grows with the organization. Earlier Heidrick & Struggles research found that there is a divide between the views of lower-level leaders and executives: younger leaders put more stock in how customer relations align with organizational purpose and vision, while top executives pay more attention to how the work is carried out. Senior leaders should listen more intently to their junior colleagues about what customers want and, indeed, what their own employees want.³ Also, a diverse representation of the customer base among employees at different levels of the organization is central to ensuring the organization is tightly connected to as many demographic segments as possible.

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Let structure follow mindset

Some companies tend to agonize over their organizational structures when, we believe, they should focus initially on designing a set of incentives that reward collaboration and thinking beyond what can, at times, be siloed functions. D2C should not be confined to one function; it should organically embed into the entirety of the organization, driven by the primacy of customer focus as a unifying objective. Kate McCutchen says, “It would be a mistake to make direct-to-consumer a separate function or P&L, as that would create silos and encourage functions to compete against each other. The customer function should sit across the entire organization, and everyone should be an advocate for it.”

³ Karen Rosa West and Megan Herbst, “Putting the customer first—for real,” Heidrick & Struggles, May 6, 2020, heidrick.com.



Develop an environment that values trial and error

Companies will have to take risks and foster a fail-fast culture that encourages fresh ideas and ownership at all levels. Says Jean-Paul Le Roux, head of B2C at Nespresso, “When we developed the boutique concept for Nespresso, we chose a trial-and-error process—an experimentation environment. As we often say internally, ‘the book is not written in advance.’” Marcus Hartwall echoes Le Roux’s thoughts: “Strategy is still important, but it doesn’t have to be perfect. You pivot and learn. Failing might lose a battle but not the war.” And speed is more possible than ever for these companies. In more traditional businesses, progress is often observed on a quarterly or half-year cadence. But in D2C models, there are more key levers from which to pull the immediate data on and insights into customer behavior and sales.

Finding the right direct-to-consumer leaders

What does it take to lead a D2C transformation? To start, D2C leaders should be bold, curious, creative, and obsessed with strategy. They will have to inspire their employees, as Jean-Paul Le Roux notes: “A direct-to-consumer leader has to encourage people to be actors rather than spectators of their company, and encourage them to think as leaders or pioneers rather than followers.” We know from previous Heidrick & Struggles research that when leaders inspire and influence, they create purpose and meaning in their organization, energize their team members, and encourage them to use more foresight in their work to anticipate what is coming their way.⁴

One of the leadership capabilities that—across industries—is often not valued as much as more traditional ones is the ability to disrupt and challenge the status quo,⁵ and this is something that sits at the core of the profile of any successful direct-to-consumer leader. The ability to challenge successfully is crucial to transforming organizational mindsets; establishing an inclusive, fail-fast culture; and rebuilding the company from within. Leaders must have the empathy to put themselves in their customers’ shoes and the innovation skills to make sure everything is aligned so that their organization can meet customers where they show up. Other key leadership attributes needed for D2C leaders are agility and resilience—particularly as they deal with the ambiguity that comes with charting new territories.

Digital dexterity is another key attribute of successful D2C leaders, in particular an embrace of data and analytics that are far more real-time than those in more traditional sales models. Leopold Stratenus, vice president and general manager for coffee at Philips, says, “We are using data on a daily basis; it influences everything that we do. It enables us to understand the customer better, and it saves us a lot of cost and time in terms of product design, as we know what features are essential or superfluous.” Another important area of expertise is understanding the brand, as Chris Seigal, the senior D2C director of razor manufacturer Harry’s, notes: “A critical success enabler is the ability to focus on bringing the strategic rigor of brand management into performance marketing, and the data-centric rigor of performance marketing into brand management. They are, after all, both driving to the same goal: sustainable growth.”

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⁴ Karen Rosa West and Megan Herbst, “The hard business benefits of inspiring leaders,” Heidrick & Struggles, November 4, 2020, heidrick.com.

⁵ Paul Gibson, Karen Rosa West, and Ryan Pastrovich, “Disruptive leaders: An overlooked source of organizational resilience,” Heidrick & Struggles, April 1, 2020, heidrick.com.

Finally, D2C leaders have to take on a broader remit of stakeholder management to secure buy-in from the executive committee and board on the strategic decisions they need to make and that will impact the entire organization. “A direct-to-consumer leader must have the gravitas to align with executives and the board and win them over with a comprehensive road map,” says Laure Baume-Brunel, chief consumer officer at Moët Hennessy, a worldwide leader of luxury wines and spirits. “They should be influencing them and have an affinity with all key stakeholders.” Terkel Wolf, former global vice president of D2C at British American Tobacco, agrees: “My biggest challenge was getting our leadership on board, managing the expectations that results will not show from day one and that there will be changes required right across the value chain, and getting stakeholders to be patient with their investment.”

One consistent message we heard from the executives we interviewed is that the role of a D2C leader is distinctively different from that of a chief digital officer or chief marketing officer. Direct-to-consumer is not just about digital; it is about all channels. A direct-to-consumer leader understands how both the digital and physical worlds work, while a digital leader is more focused on the online strategy and capabilities. Too much focus online is limiting. Richard Chapple, founder of OsbornChapple, an agency that supports e-commerce growth, explains: “A number of retail companies have great marketers, but the difference of a direct-to-consumer leader is that they understand the macro situation in the shopper’s mind as well as how to use merchandising in the stores to cater to customers’ preferences. The bonus skill set is the storytelling ability that can amplify their strategies.”

Understanding what kind of D2C leaders companies need is just the start. Attracting and retaining the right people is, so far, a more challenging proposition for many consumer goods companies. Sometimes this means finding a unique angle that might appeal to prospective talent and being more creative in the way they look for talent. Consumer goods CHROs will likely need to seek talent outside their traditional talent pools, from sectors where people have more experience in areas such as retail, hospitality, or technology. They will likely also have to prioritize which capabilities are most important, and design development programs to build the missing skill sets. Another approach to complement the potential gaps in a new D2C leader’s arsenal is skill grafting—bringing people from different teams to work together—which will happen naturally in a collaborative culture.

The COVID-19 crisis has provided opportunities for consumer goods companies to experiment with direct online channels and start to understand how adding to their current go-to-market strategy can help the business thrive in the long term. Success will require companies to create a simple and premium customer journey, to be relentless with branding across all channels, and to maintain consistency in experience across channels. To do all this, companies will need the right leadership and culture to tie it all together.

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Laure Baume-Brunel
Chief Consumer Officer, Moët Hennessy

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Consumer Markets Practice

As consumers demand more transparency, brand engagement, and sustainability, Heidrick & Struggles' Consumer Markets Practice is at the forefront of industry trends to provide cutting-edge counsel to clients in a wide variety of consumer sectors.

Competition among consumer companies has never been fiercer. Customers are shopping in new and sometimes nontraditional ways, as mass market retailers offer designer goods, brick-and-mortar staples are available online, and venerable brands spin off agile brand extensions. Consumer companies are also keen to capitalize on the potential of emerging and high-growth markets. This means having the right leadership in place is critical. With a broad global presence and deep sector expertise, we anticipate future needs to help clients successfully secure the right leaders who will enhance innovation within their organization.

Backed by a team of passionate experts, we counsel clients in a variety of consumer sectors to clearly assess and identify the competencies needed for success. From building powerful brands and streamlining supply chain operations to penetrating new markets and delivering financial objectives, we are focused on helping companies realize their investment in talent for today and the future.

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