FT DUE DILIGENCE FORUM
THE CONSUMER AFTER COVID-19
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PANEL

Leila Abboud, France Correspondent, Financial Times
John Vincent, Co-founder and CEO, Leon
Lubomira Rochet, Chief Digital Officer, L’Oréal
Elio Leoni Sceti, Co-founder and Chief Crafter, The Craftory
In the first FT Due Diligence Forum to be conducted virtually as a result of the coronavirus lockdown, Leila Abboud moderated a discussion on how Covid-19 is likely to affect consumers. The panel was made up of John Vincent, co-founder and chief executive of Leon, a fast food restaurant chain; Lubomira Rochet, chief digital officer of L’Oréal, the world’s biggest cosmetics firm, and Elio Leoni Sceti, co-founder of the Craftory, a London investment group for challenger consumer brands. Below are selected highlights of the event.

**RELUCTANT SHOPPERS: A POLL SUGGESTS CONSUMERS WILL BE SLOW TO SPEND**

**(BUT NOT EVERYONE IS CONVINCED)**

Ms Abboud began the event by showing the results of a survey which asked people about their plans for the next 12-18 months. The survey reported: “People are deeply cautious about returning to patterns that involve human proximity.” More than half were less likely to fly than before the Covid-19 crisis. Half also said they were less likely to go to bars and restaurants.

Bain did, however, report “a spectrum of reluctance”, with the young, millennials and generation Z, more willing than baby boomers and generation X to go back to how they used to travel, eat out and shop.

Mr Vincent, was sceptical about the findings. “To judge future behaviour at the time of optimum fear is not always the best,” he suggested.

He said Boris Johnson, the UK prime minister, “scared people deliberately... because [they] weren’t obeying the rules”. He believed people were now keen to get back to business. He said that in his experience, people are saying: “Can I please come back to work so I don’t destroy the economy for my generation and my children's generation?”

**A TIP FOR COMPANIES WISHING TO THRIVE: HAVE A PURPOSE**

Mr Sceti said that since the lockdown there was “a heightened awareness” among consumers “that we have done or are doing something wrong [with] the world we are living in – we have abused our world”.

He had noticed that companies with a mission were doing better than those that did not have one. He cited two companies in his portfolio that were thriving in the crisis: Dropps, a detergent company promoting green cleaning solutions, and TomboyX, a unisex underwear company.

Why were these purpose-led companies doing well? Mr Sceti gave three reasons:
1. They are more in tune with the zeitgeist: consumers “realise we are part of a bigger ecosystem and therefore we need to respect that ecosystem in order to thrive”.
2. They are disproportionately digital.
3. They are affordable: they “recognise the need to democratise access” and so typically “take out the middleman”, which in turn reduces the cost of their products.

He concluded that these “brands represent the set of values that consumers want to project for themselves and to others at this point in time”.

**WHAT TRADITIONAL, INCUMBENT BRANDS SHOULD DO NEXT**

If challenger brands have benefited from the shake-up caused by Covid-19, some traditional marques have struggled. Mr Sceti said incumbent brands had “lost something” because consumers disliked the fact that they “lacked awareness” of the societal consequences of consumption.

All was not lost, however. He noted that the big labels tended to be disproportionately present on the shelves of major supermarkets. As consumers return to the shops, such brands would have an opportunity “to make amends and re-engage on new terms”. He advised that they should become “more honest and transparent”. 
WHAT WILL HAPPEN TO THE HIGH STREET?

Mr Sceti said 30-40% of sales currently made on the high street “will transfer to online/home delivery”. He was convinced, however, that “the physical experience ... will never go away”.

Mr Vincent agreed. He said that since Amazon, the world’s biggest online store, was opening high street stores, “you have to ask yourself whether the high street is really dead”.

He acknowledged that the mobile phone was becoming “the new interface with the customer”. But if it was “the primary shopfront”, he said, “the secondary shopfronts on the high street won’t go away”.

WILL CONSUMERS PREFER CHEAPER PRODUCTS OR WILL THERE BE A FLIGHT TO QUALITY?

Ms Rochet said there would probably be a combination of the two. She said L’Oréal had held one of the group’s biggest product launches in China during the Covid-19 crisis. She added: “Brands like L’Oréal Paris, which have products that are very close to luxury but at affordable price points with a lot of science inside, are really winning brands today.”

NEVER UNDERESTIMATE THE IMPORTANCE OF USEFUL PRODUCTS

There was speculation that consumers may rush to buy cheaper products as the economic downturn takes effect. Ms Rochet, though, maintained that consumers would still want useful products. She suggested that executives ask: “What is the utility that your brand, your product brings to the world?”

She highlighted this point by telling how, as the health crisis deepened and the shortage of protective products became clear, L’Oréal devoted a factory to making hand sanitisers for hospital workers.

HOW LEON MET THE CHALLENGE OF DOING BUSINESS IN THE LOCKDOWN

Mr Vincent said that after the government ordered restaurants to shut, “Leon did three things quite quickly”:
1. It turned most of its restaurants into supermarkets (providing customers with groceries from its suppliers)
2. It launched Feed NHS, supporting critical-care Covid wards. So far, it has supplied more than 1m meals
3. It launched Feed Britain, a food delivery service

Mr Vincent expected Leon would continue to provide groceries to consumers. He said the restaurant chain had high-quality suppliers that the big supermarkets did not use. He also anticipated that Feed Britain would carry on and noted that boxed-food providers such as Mindful Chef and Gusto were going from strength to strength.

Finally, he said Leon would “continue to support the NHS but in a more modified way”.

HOW WILL COVID-19 AFFECT ACQUISITIONS?

Mr Vincent said he had “spent 80 per cent of the past five days pursuing an acquisition”. He noted that “any acquisitions that consolidate, which allow the sharing of central costs, are quite likely”. In the restaurant sector, he said “quarterly rent payments” were critical, and that “each week before or after those rent payments you might see significant acquisition”. The next big rent quarter date is the end of June.

Summing up his thoughts, he said: “Anyone making acquisitions today is making a three to five-year bet, not a 12-month bet. If you are prepared to make three to five-year bets, they could be sound investments.”
Mr Sceti agreed it was a good time to make acquisitions, particularly in the consumer goods sector. He said people always needed consumer goods of one kind or another, and the opportunities for growth were “immense”.

Ms Rochet said L’Oréal would continue to monitor the digital beauty-tech market following its purchase two years ago of ModiFace, a Canadian tech firm that allows consumers to try makeup without going into a shop. Instead, customers use the webcam on their phone, tablet or computer.

**WHAT CONSUMER PREFERENCES WILL EMERGE OVER THE SHORT, MEDIUM OR LONG TERM?**

The panellists identified trends that would come to the fore in the post-Covid era. These included:

- **Hygiene**: cleaning products would be more prevalent. Mr Sceti said hand sanitisers, available in dispensers as consumers enter a store, “will probably last forever”.
- **Nature/green/sustainability**: interest in natural products will surge, reflecting the consumer’s eagerness to be in touch with the natural world
- **Safety**: consumers will expect all stores to take contactless payments
- **Digital**: even more business will go online
- **The appliance of science**: the fight against Covid-19 has bolstered people’s faith in science. Products with a scientific foundation are likely to do well.

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