

2013 CONSUMER PRODUCTS TRENDS

The ability of Consumer Products companies to adapt to the rapid pace of change within our industry today is more critical than ever. To do so, CP executives need to consider the various partners and stakeholders that impact their business:



SUPPLIERS

Managing a network of global partners and the associated risks of an increasingly complex supply chain



RETAILERS

Partnering with your customers to drive mutual benefit in spite of competitive differences and blurring business models



CONSUMERS

Engaging with your consumers to continually meet their changing needs and drive brand loyalty



STOCKHOLDERS

Delivering return on their investment dollar through profitable growth and responsible business practices

This paper will touch upon the specific dynamics and trends impacting these constituents and challenge you to consider how to best serve them and realize ultimate success.



SUPPLIERS

For Consumer Products companies, success is often defined by an ability to deliver the right product at the right time and at the right cost. Executing against this is increasingly challenging in a global economy, making it ever more important to select the right supplier network and to develop proper risk mitigation and contingency planning strategies. Consumer Products companies must consider the factors that are impacting their suppliers, as well as new expectations for supplier monitoring, as they put in place supply chain, technology and pricing tactics for 2013.

Supply Chain Volatility

While companies have realized tremendous value from the sourcing of raw materials through global markets, this growing dependence creates the potential for increased volatility throughout the supply chain. With even greater pressure due to Wal-Mart's newly adopted 'zero tolerance policy' for violations of its global sourcing standards, companies will need to think strategically as to how to best manage risk in light of issues such as global water shortages, weather catastrophes and political crises.

Commodity Pressures

The drought of this past year caused a surge in feeding costs and hit the pork and dairy industries particularly hard. With forecasters calling for a dry winter ahead, expect continued impacts on commodity costs and related downstream pressures on margins and product pricing.

From the Farm to the Table

Recent legislation, along with growing consumer sentiment, is mandating manufacturers to better monitor their suppliers throughout the entire supply chain. Consumer Products companies will invest in the ability to view and interact with their supply chain operations all the way from contract procurement to the Retail customer.

MEASURING SUCCESS

- Does your supply chain have the agility to manage volatility and the efficiencies to manage increased commodity costs?
- Do you have the right technology to support full product traceability and product quality claims, as well as how to support suppliers in providing them this information?
- Do you have the right pricing structures and strategies in place to maintain margins in lieu of increasing commodity prices?





RETAILERS

Over the years, the dynamic between Consumer Products companies and their Retail customers could best be described as collaboration amidst a prolonged game of tug-of-war. Looking ahead, 2013 will see the continued evolution of the Retail channel, with the internet Retail format further cannibalizing traditional store sales and tipping the balance of power in the Retail value chain. For Consumer Products organizations, the impacts of this Retail evolution will unquestionably alter go-to-market strategies, challenging companies to evaluate opportunities for improvements in consumer engagement and brand loyalty.

Changing Retail Landscape

The average American Customer Satisfaction Index score for online retailers is 11 points higher than for their brick-and-mortar counterparts. With e-commerce approaching \$200 billion in annual sales, the coming year will see a continued evolution of the shopping experience, with a huge impact on traditional retailers and, perhaps, an even greater opportunity for Consumer Products manufacturers.

Trading Up – Trading Down

Growth in Retail is being seen in two segments, both at the high-end in luxury categories catered towards the affluent consumer and at the low-end with those focused on value. Manufacturers should consider this dynamic in determining the right mix of SKUs across their portfolio and their corresponding pricing strategies – avoiding the dilemma of being ‘stuck in the middle’ in the eyes of the consumer.

Evolution of Store Brands

According to NPD’s market research, while private label’s share of household servings has increased from 18% to 27% over the past decade, satisfaction with these products has dipped in recent years. To take advantage of this, Consumer Products manufacturers will need to continue to invest in innovation as a means to drive growth and to ensure differentiation against Retail store brands.

MEASURING SUCCESS

- Are you effectively leveraging retailer data and using it to drive mutual benefit for you and your Retail partners?
- Are you collaboratively working with your Retail partners to develop the most effective and optimized promotion strategy?
- Have you identified which of your Retail customers are transactional vs. collaborative vs. transformational, employing different strategies and service levels for each group?





CONSUMERS

Consumer power has never been greater. Increasingly connected and with seamless access to information, even a single consumer voice can have a remarkable impact. Consumers are extremely selective in the how, when and where they shop with growing expectations that products and services will fulfill their individual, and ever changing, preferences for selection, tastes, styles and colors. To realize success, Consumer Products companies will have to deploy strategies to effectively engage with consumers and leverage direct interaction to understand desires, listen to concerns and drive advocacy.

Marketing Evolution

With consumers expecting a more open dialogue with brands, manufacturers will continue to invest in experiential marketing tactics, emphasizing the unique experiences associated with their brands. With traditional activities such as conventional circulars and flyers reaching only 21% of grocery shoppers before their Retail store trip, these new strategies will allow for a greater level of consumer engagement, discovery and advocacy and create further differentiation within the marketplace.

Shoppers vs. Consumers

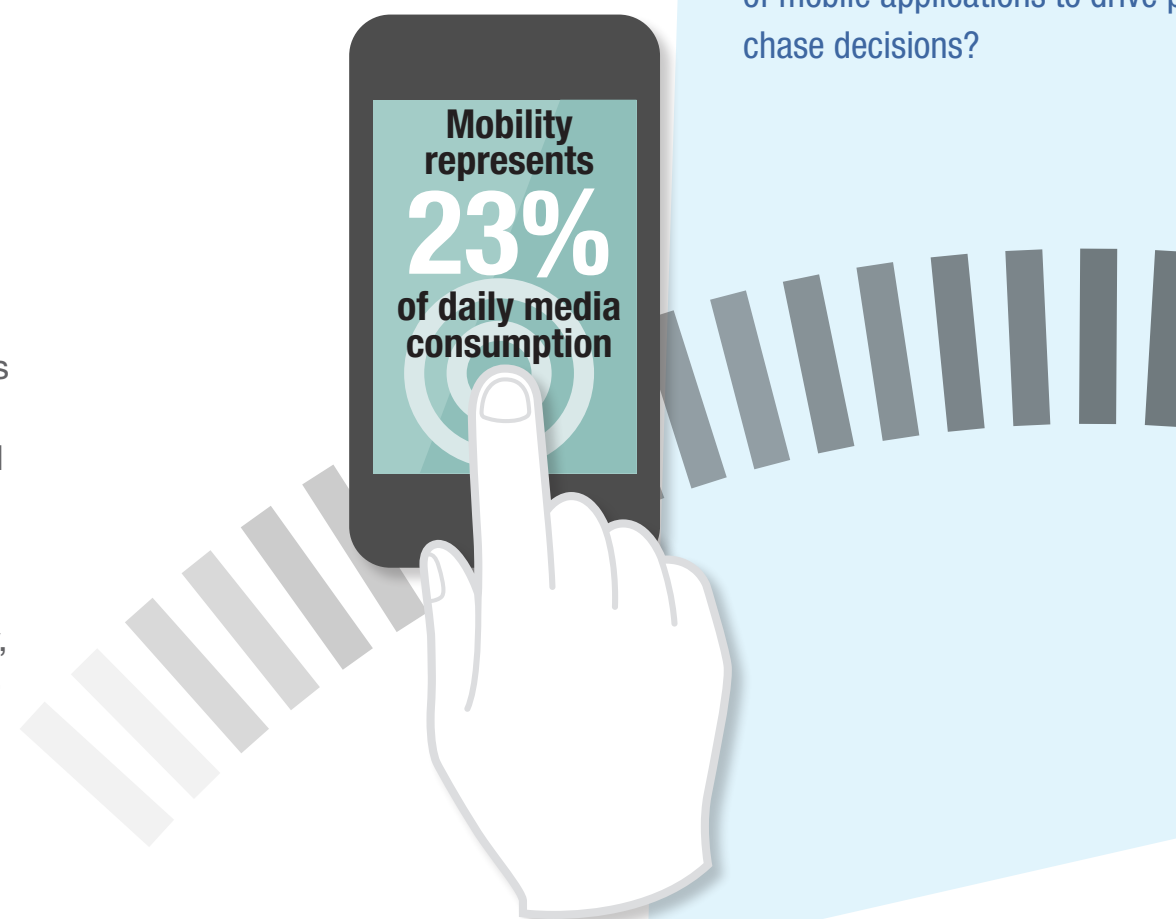
Through increased engagement and analytics, look for more companies to cater their marketing messages towards the shoppers of their products – versus the consumers of their products. Manufacturers and retailers need to get a clear understanding of the segmentations of shopper profiles and behavior to align their marketing mix, rethink their assortment strategy, and adapt their product innovation to today's fickle shopper.

Leveraging Unstructured Data

In the coming year, expect industry leaders to become increasingly effective at leveraging social media data and qualitative consumer feedback into actionable insights. Digital intelligence tools, combined with social channel-facing CRM solutions, will allow brands to drive strategic insights from individual consumers and leverage them across their broader target markets.

MEASURING SUCCESS

- Do you have the organizational capability and analytical tools to effectively understand the consumer?
- Is your marketing organization tracking commentary on social media sites, and incorporating these opinions into your new product development process?
- Is your marketing strategy aligned with a growing shift towards the use of mobile applications to drive purchase decisions?





STOCKHOLDERS

CP company stockholders continue to look for profitable growth through innovation, expansion into emerging markets and operational efficiency. Looking ahead, stockholders will be challenging companies to invest in corporate responsibility initiatives, with social and environmental sustainability efforts becoming an increasing metric for corporate success. Further, growth strategies are too often tied to promotional programs – with price discounts and trade funds the fuel driving revenue and share growth. Look for the companies that are driving growth through the innovation of their products to further differentiate themselves from the pack.

Measuring Sustainability

Expect more companies to follow the direction of Unilever, whose CEO Paul Polman is deemphasizing the push towards short-term results and instead focusing on a long-range business plan tied to environmental and social sustainability. The challenge, and opportunity, will be for manufacturers to ensure that ‘doing good’ is not just a corporate mantra, but a strategy to be measured and expected to drive growth.

Mergers & Acquisitions / Divestitures

Building upon activity seen this past year, 2013 will see a continued uptick in merger, acquisition and divestiture deals. Lower valuations, in conjunction with strong balance sheets, will continue to create an environment ripe for acquisitions. Even more prominent, and at times through pressure from Wall Street, companies will continue to explore opportunities to simplify their business models, focus on their core competencies and divest portions of their businesses.

Health & Wellness

With consumers’ increasing focus on health and wellness, expect to see continued growth in the natural and organic categories and increased demand for cosmeceuticals and functional foods. With this growth, expect greater scrutiny and increased regulation for these products, as manufacturers will need to substantiate their marketing claims.

MEASURING SUCCESS

- Is your organization aligned behind your goals for corporate responsibility and sustainability?
- Are you aligned with the needs of consumers in emerging markets to drive innovation?
- Do you have the regulatory approval processes in place to substantiate the claims of your products?





About the Author

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