



2021 CONSUMER PRODUCTS TRENDS



Rapid periods of disruption and acceleration defined 2020 for many consumer products businesses. The ramifications of the COVID-19 pandemic, the racial justice movement, 2020 elections, and more spurred massive shifts in consumer behavior that will continue to ripple and grow into 2021 and the years to come.

The 2021 Consumer Products Trends Report addresses 8 consumer characteristics and trends with the greatest impact to the industry. Each inextricably links to the others, requiring that businesses take a holistic and cross-functional approach in order to effectively address them.

TREND #1:

Prioritize Health and Wellness

Holistic health remains a top priority for physical and mental wellness to support a healthy lifestyle.

For years, consumers have become increasingly discerning regarding the products they buy and use. More specifically, consumers are hyperfocused to the impacts that products – of any type or category – have on health and wellness. In fact, a study by advertising giant Ogilvy confirmed this, showing that **73% of consumers believe that wellness** is an essential part of any brand's strategy – regardless of the segment.

Addressing this trend in years past was relatively simpler. Today's consumer is incredibly savvy and has a much more nuanced understanding of their wellness and how the products they use can impact it. The health concerns of the consumers of yesteryear were appeased with simpler tactics, e.g., lower calories, less cholesterol, etc. Today's consumer, however, approaches health and wellness more holistically. They're looking for brands that can drive improvements across nearly every dimension of wellness from gut health to mental health to their immune system and beyond.

In dozens of ways, this shift in consumer behavior was even further accelerated by 2020's COVID-19 pandemic. As the pandemic ravaged the globe, consumers were inundated with health-related headlines and news alerts nearly constantly, feeding the growing health trend considerably. Widespread lockdowns have also led to more people cooking at home and experimenting with healthier ingredients. Plant-based protein, for instance, experienced a **231% increase** in grocery sales from 2019 to 2020.

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TREND #2:

Seek Value and Convenience

Cost-conscious consumers are increasingly willing to buy private label & locally-sourced products

With more frequency, consumers are weighing value and convenience as the chief drivers in purchasing decisions. Years of growing economic uncertainty and explosive growth in new digital channels have dovetailed, giving consumers the means to manage financial concerns by price shopping across brands via a variety of new channels.

Diminishing brand loyalty over the past decade has contributed to steady growth in private label. Private label accounted for **16% of the pre-COVID market** and as a result of the pandemic, has experienced tremendous growth, outpacing national brands **by about a third in both dollar and unit sales**, according to Nielsen. Explosive COVID-driven demand caused supply issues for many national brands, inevitably driving consumers to purchase and try private-label products. Even as supply issues resolved, many consumers are continuing to purchase private label and will likely do so well into the future, owed largely to the highly accessible, low cost nature of private label products. Retailers are following suit and **investing heavily** in private label growth.

As COVID-19 has shaken the foundation of consumer confidence in the economy, the psychological impacts on consumer behavior will likely remain well into the future. Particularly as new generations rise in purchasing power – generations that are **increasingly amenable to private label**.



TREND #3:

Desire Personalization

Personalized product, promotion, and placement are critical for unique and tailored experiences.

Personalization isn't exactly new. Brands have been exploring various degrees of personalization and customization across every facet of a consumer's experience for some time. What has changed, however, is the depth and breadth to which today's consumer expects personalization. Now, brands are expected to deliver an entirely personalized experience tailored to the individual, from targeted product recommendations to dynamic content to real-time, personalized communications.

Studies and surveys on the topic have further demonstrated the significance of personalization for modern consumers (and brands):

66%

66% of consumers say encountering non-personalized content would stop them from making a purchase

70%

70% of consumers say that a company understanding how they use products and services is very important to winning their business.

88%

88% of U.S. marketers have seen measurable improvements due to personalization, with more than half reporting a lift greater than 10%.

The hyper-personalization that is expected of modern CPG organizations is ultimately achieved through robust data and analytics capabilities supported by an obsessive, empathic understanding of the target consumer. As data concerns continue to grow, businesses are continuously seeking to strike the balance between personalization and privacy.

TREND #4:

Demand Transparency

Trust can be won through transparency and reliable operations and partnerships.

Trust is perhaps the most valuable asset for businesses in today's age. The widespread commoditization of products and services afforded by the digital landscape has changed consumer behavior, placing a premium on trust. An [Edelman survey](#) showed that 68% of consumers said that when a brand earns their full trust, they will buy first, stay loyal to, advocate for, and defend that brand. And what rests as the foundation of trust? Transparency.

The transparency mandate has evolved over time to include a broad spectrum of operations and processes, business practices, product information, employee relations, and more. While this trend organically sprung from the food sector, expectations for privacy have transcended category boundaries in the consumer products industry – companies of every type are impacted.

Consumers are questioning how products are made, how ingredients and supplies are sourced, how businesses partner with other stakeholders, how decisions are made internally, how employees are treated and compensated, and so much more. There are practical benefits to transparency as well. Consumers that understand your organization and supply chain are less likely to show disappointment in inventory, promotion, or pricing discrepancies.

The highly-competitive nature of the consumer products industry intrinsically sets itself apart from a mindset of transparency. Industry leaders must now be willing to peel back the curtain on strategies, processes, and practices that were previously sacrosanct. Authenticity is the criteria by which transparency efforts are judged and consumers are swift to castigate false or misleading claims.

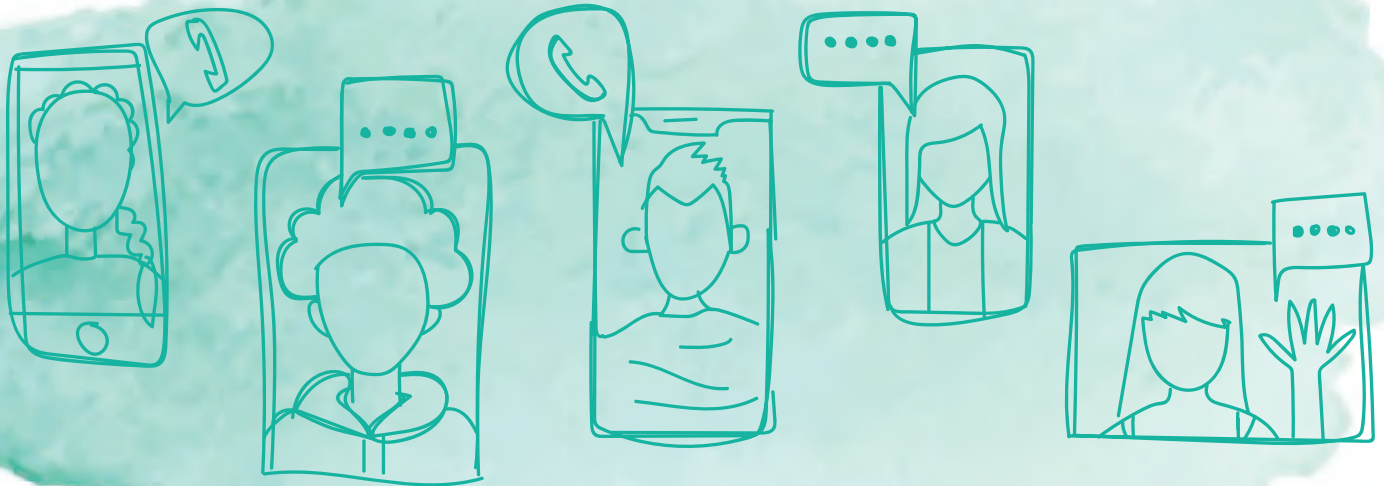


TREND #4:

Crave Community

Virtual experiences through video and social media create a sought-after shared sense of togetherness.

While digitalization has pushed more and more consumers out of the real world and into the virtual one, human nature creates a natural desire for social interaction and connectivity. That desire is growing, too – as each **successive generation places greater emphasis** on the role of brands in fostering community. For brands, enabling a community can open the path to innovation, improve brand loyalty, increase understanding of your consumers, and even improve revenue, among dozens of other benefits.



But, enabling meaningful connection is more than gathering people into the same (virtual or real) space, it's showcasing the commonality of your consumers and fostering an environment that allows them to connect over those commonalities authentically.

Lockdowns and quarantines throughout 2020 further intensified the need for community and consequently armed brands with even more tools and tactics for creating togetherness. Creative brands have used a host of capabilities to use virtual experiences as a means of bringing their consumers together. From virtual concerts and launch parties to **massive Zoom calls**, brands will continue to explore the possibilities into 2021 and beyond. Now more than ever, brands that are able to cut through the noise and create a community won't just gain more consumers, they'll gain loyal brand advocates.





TREND # 5:

Advocate for Sustainability

Intentional support and commitment to employees, the community, and environment are table stakes.

In a [shared study](#) reviewing point of sale data for 73,000+ goods across 36 categories from January 2015 through June 2020, research firm IRI and the NYU Stern Center for Sustainable Business found that market share growth of sustainably-marketed products was growing at a rate 7x faster than that of conventional products. The study also found that sustainably-driven products were contributing to a disproportionate share of CPG category growth. Consumers are spending more consciously than they ever have and by all estimates, this will continue well into the future.

As consumers continue to place greater emphasis on sustainability, businesses have flooded the market with claims on the environmental and/or societal impacts of their goods. Regulations and oversight over many sustainability claims tend to be vague and decentralized, creating a ripe atmosphere for errors, misleading statements, and fraud. The stakes are high for the businesses making these claims as well. Investors, shareholders, and consumers are quick to penalize companies whose claims are found to be inaccurate or misrepresenting. Consumer products companies are being held to an increasingly high quality standard by regulators, as well.

Authenticity and transparency are key in demonstrating sustainability. An annual corporate social responsibility (CSR) assessment and report are increasingly expected of businesses in the consumer products space but it's critical that businesses don't let it stop there. Looking ahead to 2021 and beyond, sustainability must be embedded in strategies and processes across every function of the business from marketing to product design, packaging, hiring, and more. Consumers and regulators are prying ever deeper into the mechanics of CPG companies. Taking a proactive approach to addressing sustainability goals, initiatives, and shortcomings will only benefit the business' long-term profitability and success.

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TREND #6:

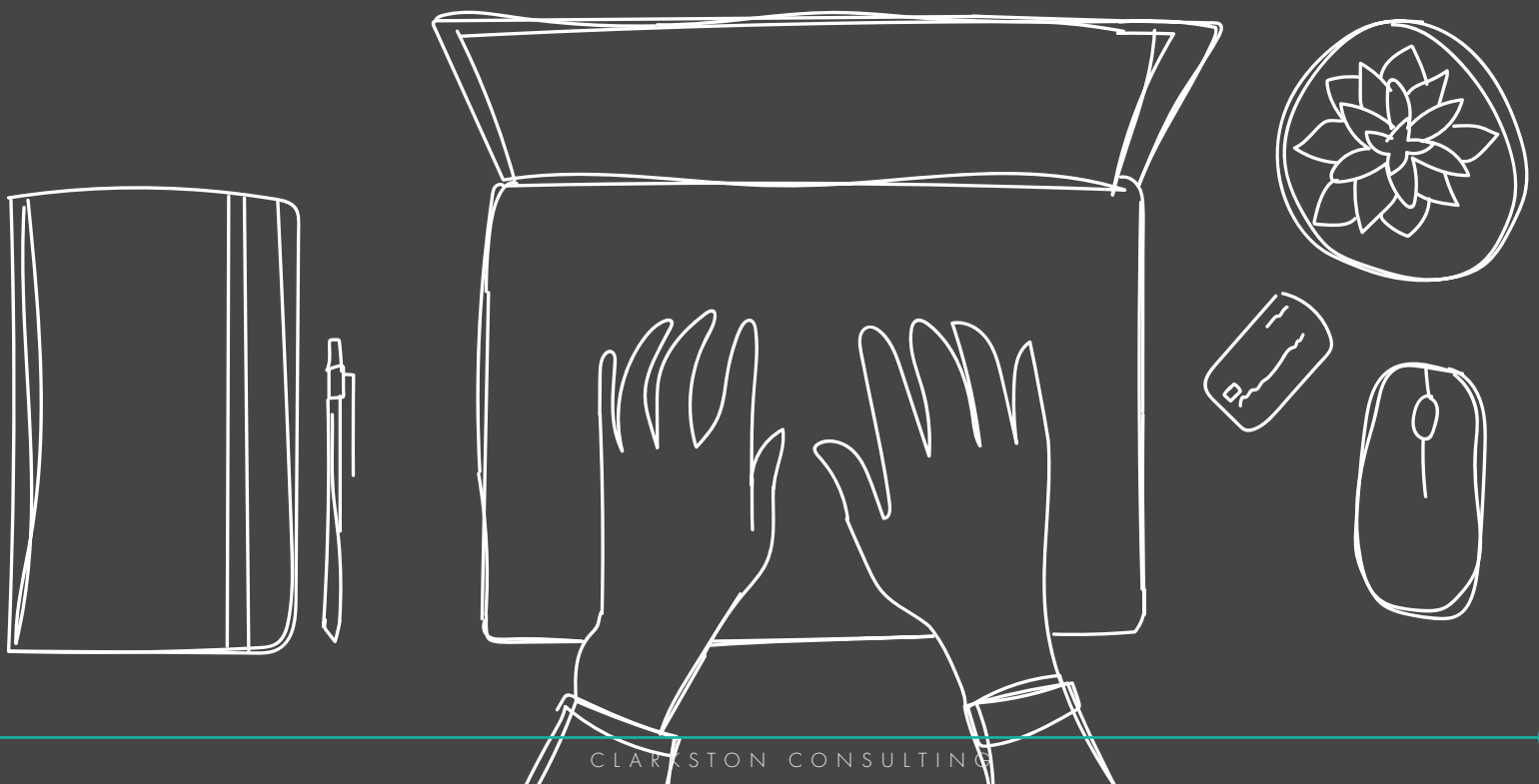
Comfort with Online Commerce

Online platforms such as DTC, Subscription, and BOPIS are growing in popularity across generations.

Over the past decade, eCommerce has grown dramatically and over the past year, that growth has rapidly, and irrevocably, accelerated to a level few could have predicted. Stay-at-home orders forced consumers of every generation to shop online during the COVID pandemic and served as an entry point for many consumer segments who'd previously opted for brick-and-mortar shopping.

For the first time, older generations are more willing to shop online long-term, opening a wider market through eCommerce. A recent [Nielsen study](#) also showed that, in 2020, cash-constrained consumers were not only adapting to eCommerce quickly, they were doing so more frequently than consumers who were not as financially impacted by the pandemic. These cash-constrained consumers are also searching more, browsing more frequently, and paying more attention to price than their counterparts.

Direct-to-consumer, subscription models, BOPIS (buy online, pick-up in store), and mobile commerce have equally accelerated as consumers seek the reliability and convenience such offerings afford. As this trend continues to accelerate and spinoff new expectations from consumers in 2021, CPG businesses will continue to invest further in omnichannel excellence, strategic partnerships, and digital tools to prepare. The leaders and laggards in eCommerce will be defined by the businesses that are able to create an eCommerce strategy that is backed by a data-driven, empathic understanding of the consumer.



TREND #7:

Expect Social Activism

Expectations rise for brands to act on DE+I cultural, operational, and community initiatives.

The racial justice movement in the United States in 2020 opened the doors for a new level of discourse when it comes to diversity, equity, and inclusion (DE+I). Consumers have radically shifted expectations around DE+I and some leaders in the consumer products space are recognizing the significance of this moment and making strides to address diversity, equity, and inclusion across the full spectrum of their business.

In the past, brands demonstrated their DE+I approach almost exclusively through marketing and brand imagery. Needless to say, that approach will no longer suffice. Consumers are probing deeper and forcing brands to demonstrate a more comprehensive DE+I organizational mindset – one that includes how businesses make decisions, hire, promote, operate, and more with respect to diversity, equity, and inclusion.



Beyond DE+I, social activism on the whole has risen as a consumer expectation. Consumers are actively seeking out brands with a demonstrative commitment to the same ethics and values they hold dear. In light of stories of harsh working conditions for essential workers during the COVID pandemic, consumers have begun closely monitoring how businesses handled the crisis with respect to their employees' health and well-being.

Staying silent in the face of controversial sociopolitical issues is no longer an option. Consumers are seeking brands that take a definitive stance and back up that stance with action. In a [2020 study](#) in the United States by market research firm Kantar, 68% of consumers said they expect brands to be clear about their values and that percentage only increases in younger generations. For these generations, “being clear about their values” is more than a simple declaration, it’s an enterprise-wide commitment that must be demonstrated across all aspects of the business.

DEMANDS FOR NEW ORGANIZATIONAL CAPABILITIES

The trends and shifts in consumer dynamics have cross-functional impacts to the business that won't be solved by a single strategy or tactic. Consumer products companies must pursue business transformation as a means for realizing these new organizational capabilities. This transformation will allow businesses to realize competitive advantage today and in the future. We've categorized the path to transformation into 6 key areas:



Diversify Sales



Personalize Marketing



Optimize Promotions



Manage Supply



Ensure Quality



Foster Engagement

Within each area, businesses must employ myriad tactics and initiatives to truly evolve the capabilities necessary for business transformation. This evolution will not only promote transformation but enable demonstrative improvements within each:

	FROM	TO
Diversify Sales	Lack of alignment across brick & mortar, eCommerce, and DTC channel sales strategy	Integrated omnichannel selling backed by strategic pricing and promotions
Personalize Marketing	Marketing driven by anonymized data and product offerings focused on consumer segments	Authentic and hyper-personalized marketing that creates consumer-driven experiences
Optimize Promotions	Historical based promotional strategy emphasizing year-over-year planning and top-line growth	Optimized and dynamic promotional planning that targets key consumers and channels
Manage Supply	Rigid supply chain with focus on efficiency and cost-optimization	Resilient supply chain network with data-driven, agile processes, and an asset-light mentality
Ensure Quality	Siloed risk-management tactics that leave leaders blind to aggregated risk	Localized compliance programs functioning within a global quality strategic framework
Foster Engagement	Independent teams working towards efficiency in organizational strategy, culture, and operations	Interdependent cross-functional teams that effectively collaborate towards common goals

Closing

Consumer behavior trends drive the business trends that impact how organizations strategize and operate. Many of the consumer trends covered in this report have been on leaders' minds for years. The widespread disruption that is now synonymous with 2020 has served as a powerful accelerant for those trends and forced businesses to adjust even more in order to succeed.

In 2021, the path to success in the consumer products industry is rife with even more challenges. Businesses that succeed will take a data-driven, customer-obsessed approach to break down traditional organizational barriers and create a competitive advantage in the market.



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For more information about how we can help your company with the challenges and opportunities in consumer products, [please contact us.](#)

