FMCG Industry Trends

As many have said in a variety of contexts, 2021 has been a year of unprecedented global change. The pandemic brought a variety of challenges to global logistics and changing consumer demands. The fast-moving consumer goods industry anticipated many of these challenges, as 2020 highlighted areas necessary for improvement and amplified past and new consumer demands. FMCG industry leaders can no longer solely rely on their past best practices to continue customer retention and growth. With an abundance of new entrants, natural disasters, supply chain volatility, and evolving consumer demands, companies can no longer be laggards in these areas of change if they wish to compete. Based on our research and industry expertise, we have identified the top five industry trends for 2022. There is an increasing focus on serving customers through direct-to-consumer channels, on operational resiliency throughout FMCG supply chains, and on satisfying consumer desires for ethical and sustainable shopping. Additionally, companies are furthering their investments in creating experiences for their customers, along with use of the Internet of Packaging throughout their supply chain process. FMCG companies who embrace these 2022 industry trends will be best prepared to adapt and successful for what lies ahead.

TREND #1

Customers are Drawn to Direct-to-Consumer Channels

As the world continues to become increasingly virtual, through advancements in technology and societal preference shifts towards convenience and ease of use, the consumer industry has shifted towards more direct-to consumer-shopping. This trend has only been exacerbated by the COVID-19 pandemic, as many consumers felt safer ordering products online. This dramatic uptick in DTC demand has created a need within the fast-moving consumer goods industry to innovate to accommodate this channel shift . In 2020 alone, the total online grocery sales grew 54%, with a total of 12% from e-commerce sales. However, the growth is expected to continue and remain correlated to consumers' growing preferences and comfort and convenience. It is estimated that in 2021 there will be a further 12.5% growth in online grocery sales, on top of the 60% increase over the pre-pandemic five-year sales. Additionally, it is estimated that the online share of the global fast-moving consumer goods market by 2025 will be 10% of the overall market. The pandemic has underscored the importance of DTC for FMCG as consumers are not going to decide to stop online shopping in a post-pandemic economy. In fact, DTC is going to continue to grow as more consumers experience its benefits.

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- Estimated to reach sales of $20 billion worldwide, which is a 15% increase year-over-year
- Total online grocery sales grew 54% in 2020, which was 12% of total ecommerce sales
- The online share of the global FMCG market is estimated by 2025 to be 10% of the overall market
- There will be 12.5% growth in online groceries post-pandemic
- 60% increase over pre-pandemic five-year sales estimates for the online space

TREND #2

Increasing Operational Resiliency throughout FMCG Supply Chains

As the world has become more global, companies across industries have applied cost-saving tactics such as shipping overseas, typically in concentrated areas, to lower their labor and warehousing costs. However, cost-saving strategies have also created avoidable risk towards supply chains and their overall operations due to volatile input costs. Volatile input costs emerge from 3 components: the emergence of bigger and fewer suppliers, reliance on overseas countries, and potential natural resource shortages. As companies continue to specialize and consolidate, other companies mount higher pressure to keep margins low and outsource. For instance, China and Russia alone account for approximately 50% of the world's aluminum production. Additionally, that same consolidation leaves companies at the mercy of said countries' political and financial markets. Lastly, natural resource shortages will continue to pose a major threat to businesses because of company-wide shutdowns or evacuations of facilities. Proactive companies have begun bracing for raw material shortages and many are bolstering their business continuity plans. This issue was only exacerbated by the COVID-19 pandemic as countries held their productions for various amounts of time and put additional strain on global supply chains. Between May 2020 and May 2021, prices of commodities tracked within the Producer Price Index rose by 19%.

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- Supply-chain disruptions by sector (in 2020): "In the last week did this business have domestic supplier delays?" Manufacturing over 60%, retail trade over 50%, wholesale trade over 40%"
- Between May 2020 and May 2021, prices of commodities tracked within the Producer Price Index rose by 19%
- Demand volatility- i.e., stay-at-home orders - led to a sudden 40% increase in demand for retail toilet paper—however, toilet paper is ordinarily very stable which led retailers to keep only 2 to 3 weeks of sales in inventory and plants to operate at 92% capacity
- **Example:** China and Russia account for aprx. 50% of the world's aluminum production UN (United Nations) predicts water withdrawals will increase 50% by 2025 in developing countries and 18% in developed countries

TREND #3

Consumers Prioritize Ethical & Sustainable Shopping

Consumers' desire for more ethical and sustainable products as well as additional supply chain visibility and environmentally-conscious practices has been on the rise for over a decade. Much of this demand is now coming from younger generations, such as Gen Z and Millennials, whose buying power has recently begun to increase. Additionally, the notable uptick in natural disasters has only increased the extent of concern, as well as altered the opinions of older consumers which may have previously been on the fence. Studies have shown that 47% of internet users worldwide have ditched products and services from brands that violated their personal values with protecting the environment at the top of their list. COVID-19 only made this trend even more apparent. There was an incredible uptick in online shopping, as many areas prevented in-person shopping and/or consumers felt it was too unsafe to venture in-store during the pandemic. With more people shopping online, working from home, and having more free time, many consumers were able to spend this extra time looking into the sustainable practices and products of their favorite brands. According to a report by Garnier, 73% of UK consumers want to be more sustainable in 2021. Additionally, almost 50% of those surveyed agreed that 2020 was a "wake up call" to protect the environment. This trend applies to the older generation to an extent as well, as 42% of people over 55 surveyed said the reason they were finding it easier to be more eco-friendly is that they now felt more knowledgeable from the increase of free time and information available during the pandemic.

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- According to a new report by Garnier, 73% of UK consumers want to be more sustainable in 2021

- Of those that reported becoming more environmentally conscious, almost 50% agreed that 2020 was a "wake up call" to protect the environment

- 42% of people over 55 surveyed said the reason they were finding it easier to be more ecofriendly is that they now felt more knowledgeable

- 96% of businesses included in the study said that they are feeling increasing pressure to become more sustainable, and 86% expect their sales to grow over the next year from a greater focus on sustainability

TREND #4

Companies Prioritizing Experiential Consumer Engagement

As the world continues to become more globalized and the FMCG space becomes more competitive, the need for companies to differentiate their products is ever-increasing. Companies have found that implementing unique experiences for the consumers as one of the most successful new options for three reasons. One, as previously mentioned, there is an influx in competition. There is a significant increase in new companies finding success with the increase in direct-to-consumer. As a result of this influx, there are lower barriers for entry and less reliance on partnerships with retailers, which larger FMCG companies have previously relied on. Additionally, experiences are important because consumers are now inundated with an overload of ads. Due to this information overload, Millennials and Gen Z who statistically spend more time online than anyone else, have found that traditional online advertising has lost some, if not most, of its effectiveness. Lastly, the aging of Gen Z and the increased buying power of Millennials has amplified their attitudes and preferences. Historically, these two generations are more apt to spend their time and money on things that garner experiences rather than materialistic products, and this desire has spread to the FMCG industry as well. This has led to many industry players to create new experiences to captivate their audience.

- 80% of customers say they are more likely to do business with a company if it offers personalized experiences
- 39% of CEOs say customer experience is the most effective method of creating a competitive advantage, which was the most common answer
- 81% of companies view customer experience as a competitive differentiator
- 73% of consumers say a pleasant experience is key in influencing their brand loyalties
- Companies that lead in customer experience outperform laggards by 80%
- Two-thirds of companies compete on customer experience, up from just 36% in 2010
- Companies with a customer experience mindset drive revenue 4-8% higher than the rest of their industries

Companies that lead in customer experience outperform laggards by 80%

TREND #5

Growth in the Internet of Packaging

We are also witnessing the growth of the Internet of Packaging, intelligent packaging involving sensors and indicators that monitor the product's condition, driven primarily by the aforementioned trends. It has helped create experiences for consumers, increase transparency in distribution, and alleviate issues that have been brought to light within supply chain because of challenges from COVID-19. Firstly, in regards to implications surrounding COVID-19, many people are currently working from home, and as remote work continues, there is a need for increased data accessibility. The Internet of Packaging, as well as the IoT (Internet of Things), will be vital in allowing companies to continue functioning at full capacity and maximize their consumer reach. Additionally, through implementing this feature into companies' systems there will be improved transparency and visibility of the supply chain that can be reported to directly to consumers . Thirdly, the Internet of Packaging unlocks functionality to bring innovative consumer experiences to life. Companies can provide an experience for consumers and differentiate their products in a multitude of ways, such as using QR codes to provide a way for payment or discount codes, or even creating a window for augmented reality (AR). Lastly, as the world continues to become more digitized so does the growth of IoT. There is growth in 5G and cloud computing, along with faster and wider Wi-Fi access, which is continuing the growth of IoT and making the Internet of Packaging that much more reliable and necessary to stay current.

- According to StartUs Insights the Internet of Packaging has had the top impact in regards to top packaging trends and innovation with 32% impact
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- 42% of people over 55 surveyed said the reason they were finding it easier to be more ecofriendly is that they now felt more knowledgeable
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Conculsion

The year 2022 is looking to be an exciting year of change and growth among the fast-moving consumer goods industry. To maintain one's current customer growth and retention, and remain operationally efficient, FMCG companies must adapt their current practices to better meet changing consumer needs and a multitude of external factors. COVID-19 highlighted the weak points in the industry with supply chain volatility and amplified consumer desires for direct-to-consumer shopping, ecofriendly products, and transparent supply chains. Additionally, conventional digital advertising has lost the attention of discerning consumers, which only necessitates producing new ways to engage and draw in consumers. Fast-moving consumer goods companies who historically leveraged their relationships with retailers to allow for success in the market will have to adapt to creating experiences, being more environmentally-conscious, and developing omnichannel capabilities to stay relevant. Companies should also consider ways to implement Internet of Packaging and other innovations to bolster operational resilience to prepare for the uncertainties of tomorrow.

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