Winning Strategies to Diversify Sales in CPG and Retail

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Modern trends are challenging companies to quickly transform and reimagine their businesses. An ongoing theme that we're hearing today is that the industry is "transforming." It's changing to adapt to consumer, retailer, technology, and other trends that have never been moving faster.

And the stakes have never been higher. CPG and retail companies are working in a world where consumers will switch brands if the one that they want isn't available in the store. A world where the expectation of shipping time is down to a single day. A world where a single event related to product quality can destroy decades of brand building.

Then, COVID-19 is thrown into the mix. One of my favorite comics that I saw in the last few years was a multiple-choice question: Who was the leader of digital transformation at your organization? A - the CEO. B - the CIO or CTO. C - COVID 19.

As a result of all of this and more, companies are seeking to transform how they operate and reimagine their business to address the need for flexibility, the need for agility, and the need to be consumer-centric.

Consumer demand has evolved significantly in the past few years. We're seeing consumers expecting more from the companies they buy from – seeking value, convenience, sustainability, and personalization, and more. As a result, brands are finding ways to stand out among competition and meet those evolving needs of the consumer. Companies are looking to diversify sales to better meet consumers' demands and expectations and to also provide them with a frictionless experience both in stores and online.

Consumer Trends Shaping CPG and Retailer Investment

PERSONALIZED SHOPPING

First, let's think about what's happening in the sales world: consumers are used to personalization, and it's clear that effective use of personalization is driving consumer loyalty, which is harder than ever to find and maintain. They are expecting the product that they want, when and how they want it – and you could say the same for messaging and engagement outside of a buying experience.

Additionally, you have the growth of connected experiences in the space, where companies are delivering value to consumers beyond the product and also being able to collect data from those connected experiences to better the product and proposition. Take Gatorade, for example. Their GM recently shared that they think of themselves less as a sports drink company and more as a leader in athletic intelligence. They are surrounding their athlete consumer with opportunities, launching things like sweat patches that are connected to an app and inform users about their sweat profile.

RETAIL OMNICHANNEL INVESTMENTS

At the same time, retailers are "all in" on omnichannel capabilities. Retailers are trying to deliver the best experience in store and online and provide tools and tracking capabilities across both – and they are moving FAST.

It's not just the mega brands with large capex capabilities that are changing here. Shopify found that 33% of brands that use their tools are prioritizing omnichannel order fulfillment over traditional models in the next year. Additionally, 50% of their retailers are planning to increase their investment in digital channels beyond the store, including social commerce, custom mobile apps, live streaming, and more.

DTC

We're also seeing a maturation in how CPG companies think about their own sales channel - a direct-to-consumer (DTC channel. The DTC channel is not just a small, incremental revenue driver for a traditional business or a competitive imperative; rather, CPG companies are starting to think about DTC as an engine for collecting first-party data and a platform on which to engage consumers and learn. Then, they can take all those insights and make them actionable within every function.

There are a number of retail brands that are already doing this very well. For example, Sephora has been clear about the opportunities they've been seizing to reorganize channels through data learnings online. Many CPG executives think that retail and DTC are enemies of one another, but this couldn't be further from the truth when the strategy is approached differently.

So, how are companies organizing to address these trends? And what are some of the key initiatives that winning companies are spinning up?

CLEAR CHANNEL STRATEGIES

Successful CPG companies are creating clear channel strategies that leverage the strengths of each channel and the strengths of each customer. They're investing in the technology and structuring the business in a way that they have true visibility into performance across these channel strategies, acting more as "one company" than competing internal sales teams.

These companies are crafting clear channels and then iterating these strategies in an agile way as time unfolds and assumptions change. They test new players and new avenues to get their product out and collect data in order to make decisions about where to place their bets.

Take Kellogg, for example. The company has been public about the importance of this approach when it comes to the data they collect and the way they win. They have been on a multi-year journey to build and deploy global next-generation analytics capabilities that allow them to operate more effectively and win across their channels. This includes a combination of first-party data and loyalty data, media performance data, eCommerce data, and more traditional data sources all brought together to optimize strategies.

SEAMLESS ECOMMERCE EXPERIENCES

As companies establish clear channel strategies, they're also offering seamless eCommerce experiences, too, through both physical retailers and their own digital ecosystems. For retailers in 2022, it's often about the supply underpinnings that help create great availability and a consistent supply online that consumers grow to trust. CPG companies are partnering with retailers to understand the content that breaks through the noise on consumers' most-frequented marketing channels, and then doing what it takes to enable buying on those channels.

STRATEGIC OMNI-INVESTMENTS

CPG companies are also making their own strategic omnichannel investments to better understand how they can deploy their resources and investments to support consumers where they are as well as provide the messages they need to hear to drive a change in behavior.

Winning companies leverage traditional and non-traditional data sources in this ambition. For example, General Mills builds a unique dataset within their connected commerce business by combining traditional marketing data and eCommerce data with first-party data collected through the Box Tops for Education mobile app. The blending of this data gives them unique insights they can use to capitalize on trends and benefit the brand. Additionally, the investments they made with the app were each purposeful, and they applied these insights to create tighter channel strategies.

FRICTIONLESS BUYING

Additionally, on their own sites, CPG companies are investing in technology to make it truly frictionless, such as through subscriptions, and leveraging that technology to improve their chances of conversion on a personalized basis. This is a more advanced capability on the back of other key capabilities that companies must invest in first.

First, companies need to have the right products for the right channel so that the consumer can get what they need based on the use occasion and the shopping channel. Then, companies can invest in search optimization, better digital content, and, for many brands, recreate the impulse buying experience online (a tough one, but several brands are winning at this).

Mondelez, for example, has truly doubled down on their eCommerce capabilities, achieving more than 75% eCommerce growth in 2020 from 2019. They optimized their portfolio on eCommerce, crafting large format pantry fillers for certain buying occasions and higher value for gifting occasions. They invested in their eCommerce infrastructure to improve their conversion and ultimately made it frictionless for consumers – not just in buying and subscriptions, but by ensuring their supply chain was able to rapidly ship to consumers in a way that is consistently easy with their in-store buying experiences.

Looking Ahead

Diversifying sales is a key consideration in the CPG and retail industries. Lack of alignment across channels will not meet consumer demand or expectation – rather, companies need to be strategic in their integrated omnichannel selling to retain a competitive advantage and succeed in the DTC space today.

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