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2023 FAST MOVING CONSUMER GOODS TRENDS

It's no surprise that price is at the forefront of consumers' minds when considering purchases within the Fast Moving Consumer Goods (FMCG) space. Elevated cart totals and empty shelves in stores have consumers revisiting their shopping behaviors, especially for routinely purchased products like household goods. Price sensitivity continues to shape purchasing behavior, too, as consumers work to make ends meet.

Furthermore, many CPG organizations are pursuing innovations related to subscription models, automation, and digital trade promotion management (TPM) to continue to reach consumers where they are. The consumer is also becoming better educated on their multitude of product options and to what extent a given manufacturer's ethics align with their own. With all these complex factors at play, the key to success remains surprisingly straightforward: ensure your organization's energy and investments remain deeply rooted in meeting consumers' needs.

In this report, we explore six trends shaping the FMCG space in 2023:

PRICING TO REMAIN FRONT AND CENTER AS CONSUMERS COPE WITH INFLATION

CONSUMERS LOOK TO DTC SUBSCRIPTION MODELS FOR CONVENIENCE AND COST SAVINGS

AUTOMATION TO CONTINUE ENHANCING OPERATIONAL EFFICIENCY

THE DIGITIZATION OF TRADE PROMOTION MANAGEMENT WILL BOOST BOTTOM LINE

HYPERLOCAL DELIVERY PROVIDES UNMATCHED CONVENIENCE TO CONSUMERS

CONSUMERS' PURCHASING CRITERIA WILL TAKE INTO ACCOUNT CORPORATE SOCIAL RESPONSIBILITY MORE THAN EVER

PRICING TO REMAIN FRONT AND CENTER AS CONSUMERS COPE WITH INFLATION

Consumers are looking for innovation in the face of increased price sensitivity. They seek value to inform their purchasing decisions and to regulate and maximize personal budgets. The household items category is a place where the consumer wants to secure small wins and feel confident they're making the best financial choices. Naturally, inflation affects both the consumer and the manufacturer, as higher costs of goods erode increasingly tight margins. However, these tighter margins ultimately cannot cause added pain to the consumer. Due to price increases among the go-to labels, consumers are increasingly gravitating toward private-label products to further stretch their dollar.

Strategic investments in supply chain systems can ease this dynamic and can shepherd heightened efficiencies. Manufacturers that make the right investments to maximize these efficiencies will be able to pass the increased value directly to consumers.

Consumers are choosing products based on perceived value, shelf life, and usage efficiencies as well. Products marketed as having multiple functions are perceived to have a higher value in the mind of consumers—whose dollar needs to be stretched as far as possible. The "creation" of a multipurpose product does not necessarily require redesign either. Manufacturers can often harness influencers and shape marketing messages to draw consumer awareness to new, innovative product uses.

More than 80% of consumers are opting for private-label items.

SOURCE

CONSUMERS LOOK TO DTC SUBSCRIPTION MODELS FOR CONVENIENCE AND COST SAVINGS

Subscription models within Direct-to-Consumer (DTC) channels are emerging to be both consumer-conscious and operationally efficient. Subscription models have typically been reserved for food, apparel, or luxury goods, but many consumers will be interested in receiving their household goods directly to their homes, in alignment with their other consumer goods purchasing habits.

For the consumer, subscription models offer greater convenience for those who don't wish to shop in person. There is also real value added in having the flexibility of getting your household goods delivered to you when it's most convenient for you.

This subscription model could also continue to reduce consumer pain points related to pricing by passing along cost savings that occur from ordering household goods in bulk. Especially on non-perishable items, bulk ordering and delivery look to ease consumer anxieties related to empty shelves both at home and in-store. These fears began with toilet paper and hand sanitizer during the beginning of the COVID-19 pandemic but remain present amid ongoing supply chain disruptions. As such, catering DTC solutions to both meet consumer demand and deliver increased value will continue to be key for manufacturers in 2023.

20% of Amazon's revenue is being driven by "Subscribe and Save."

SOURCE

3 AUTOMATION TO CONTINUE ENHANCING OPERATIONAL EFFICIENCY

The next area that companies should pay attention to in 2023 is specifically driven by advancements in technology. It should be no surprise that technology is again a key element of consumer goods trends, but automation is specifically the key for the upcoming year.

Automation requires smart integration between all production devices throughout every stage of manufacturing, enabling better inventory visibility and eliminating waste resulting from human errors. This can aid in cost savings and provide a sense of control over a complex system. Further, with automated data reports that leverage artificial intelligence and machine learning, companies can improve their automated systems based on the actual usage data from their manufacturing lines. This is also a benefit for consumer goods companies and manufacturers that are facing labor shortages, as an automated, data-driven system can offer unmatched operational efficiencies.

A connected, automated enterprise also benefits the customer experience, and 93% of companies are reporting that automation can aid in the ability for customers to engage with the products they are ordering. Automation is typically seen in self-service interfaces like shipment tracking, but additional use cases are emerging in the fast moving consumer goods space. Some examples include the automation of loading and unloading trailers, product customization to account for seasonality, and real-time inventory counting.

Automation improves the customer experience by 93%.

SOURCE

4 THE DIGITIZATION OF TRADE PROMOTION MANAGEMENT WILL BOOST BOTTOM LINE

Trade promotions are an essential element of revenue growth, especially in an inflationary environment, but these promotions need to be managed well to maximize their potential. The majority of well-intentioned trade promotions don't even break even, despite their potential, often due to poor management – more than 70% of consumer goods companies were still using spreadsheets in 2020 to manage their promotional activities and spending. Therefore, digitizing Trade Promotion Management (TPM) will be crucial in 2023.

Digitization allows for better optimization and analysis, translating into revenue gains of 4% and a 10% reduction in promotion-related write-offs. This happens through promotion synchronization and real-time analysis that can identify which programs are profitable. In 2023, this will allow managers to pinpoint the factors that can drive success on a specific promotion and capture value of that promotion at scale. Once trade promotion is effectively managed digitally, further steps can be taken to enhance the ongoing TPM process even further.

$104 billion of trade spend is lost on inefficient in-store and digital execution.
SOURCE

One step is through leveraging omnichannel promotions, which can be analyzed to get a pulse on which Point of Sale (POS) locations will align best with various promotional methods. As companies increasingly implement new technologies and solutions to meet consumers in various channels, it will be wise to study the efficiency of each and leverage that data to make improvements or adjustments within each channel.

Digitized TPM can also enable constant price elasticity and price personalization. Promotions could be tailored down to the individual consumer, and companies can base this promotional activity directly on the data profile created about that consumer's specific price tolerance. For companies looking to further optimize growth and boost bottom line, they'll need to leverage digitized TPM in the coming year and beyond.

5 HYPERLOCAL DELIVERY PROVIDES UNMATCHED CONVENIENCE TO CONSUMERS

Continuing the consumer-centric trend, companies need to hone in on the fact that consumers are leveraging their own value-based criteria when making purchasing decisions. At the crux of this criteria are two main components: convenience and innovation. Consumers, when segmented by income level, also place different emphases on these components. Low- and middle-income households have a higher focus on convenience, while the high-income segment places more value on innovation, indulgence, and self-care.

An interesting way that this is looking to manifest itself in 2023 is through hyperlocal delivery of household products from local stores or other individualized delivery partners. Similar to the subscription model trend, home delivery appeals to consumer psychology and their value-based purchasing criteria. This offering is targeted more at middle to high-income individuals or households with the extra purchasing power to splurge on hyperlocal delivery. There is a tolerance for the cost of this luxury, as 41% of consumers say they are willing to pay for hyperlocal delivery.

To begin to tap into the consumer purchasing criteria, it's important to understand what they value in their purchasing decisions. Then, companies need to align products and services with those corresponding values, especially convenience and innovation, to meet that demand.

41% of consumers say they are willing to pay extra for hyperlocal delivery.
SOURCE

CONSUMERS' PURCHASING CRITERIA WILL TAKE INTO ACCOUNT CORPORATE SOCIAL RESPONSIBILITY MORE THAN EVER

Consumers are becoming more informed and are continuing to view their spending as an alignment with the ethics of the companies from which they purchase. This means that manufacturers should be conscious of how their business processes, products, and marketing represent their brand as a whole. Aligning with the criteria of the target consumer can encourage and predict spending patterns.

Another key element of this is the potential for increased brand loyalty. Correlating products with a consumer value-based purchasing criteria can foster allegiance to a product. This will be especially important in a time when consumers may be quick to switch brands to chase a lower price. A large element to business ethics is a continued focus on environmental sustainability and Corporate Social Responsibility (CSR). Consumers remain devoted to keeping their environmental impact low with their purchases, as demonstrated by 85% of consumers worldwide who have reported shifting their own purchasing behavior to emphasize sustainable practices.

In 2023 and beyond, this emphasis on CSR could create new business opportunities in the fast moving consumer goods space. Reduction of product waste, recycled packaging, and new use cases for existing products are all ways that sustainability can be highlighted by companies. Another emerging idea is one born in the food industry, where "misfit" products are sourced, packaged, and delivered to consumers who desire to reduce food waste while still purchasing fresh produce. This idea could be translated to household items, creating a potential marketplace for household items to be sold to consumers that may have the wrong specifications or simple label errors.

85% of global consumers have shifted their purchasing behavior to emphasize sustainable practices.
SOURCE

CONCLUSION

Moving into 2023, companies in the fast moving consumer goods space will have to consider the external pressures of inflation, developments in automated technology, and the consumer value-based purchasing criterion in their business decisions. In an ever-evolving and increasingly competitive industry, companies must remain consumer-conscious and be strategic in their efforts to deliver innovative, accessibly priced products.