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CONSULTING

2024 INDUSTRY TRENDS:

CONSUMER PRODUCTS

The [consumer products \(CP\) industry](#) continues to experience lingering impacts from an uncertain economy, leading to price increases and fluctuating demand in the last three years. As we look to 2024, these economic uncertainties will be compounded by various factors such as the U.S. election, geopolitical tensions, changing consumer demands, and the growing presence of artificial intelligence. CP leaders will be faced with challenges to both achieve profitable growth and resonate with consumers despite macroeconomic pressures. Moreover, we see the abundance of data as an opportunity and complex challenge as organizations grapple with how to realize strategic and actionable insights that drive business value.

To be best positioned in the consumer products industry today, CP organizations must focus on how they leverage their differentiated capabilities to act on the trends in front of them. Most importantly, each of these trends should not be viewed in their functional silos of sales, marketing, manufacturing distribution, and finance. Rather, CP leaders must engage in [cross-functional collaboration](#) to effectively manage each competency and deliver against consumer expectations.

In this piece, we've outlined four core competencies across digital channel engagement, pricing and revenue growth management (RGM), distribution channel optimization, supply chain resiliency, and how CP companies are leveraging Artificial Intelligence (AI) to meet their specific business objectives around those competencies. Combined, investments and improvements against these key competencies will help companies realize a competitive advantage in today's CP market.

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1 EXPERIENTIAL MARKETING IS NO LONGER A “NICE TO HAVE”

Consumer interactions with brands continue to evolve into 2024, influenced by the growing divide in generational wealth and purchasing habits, along with a preference for experiences over things. CP companies have opted to keep their SKU count low and focus on their core product offerings. While there are fewer choices for product variants, there's no shortage of experiences across physical and digital channels that provide opportunities for CP companies to connect with consumers in other ways beyond purchasing products.

Over the last several years marketers have become savvy about the needs and patterns of millennials, and most recently, [Gen Z's consumer behavior](#) took the world by storm. However, as we head into 2024, we would challenge companies to continue to focus on learning the patterns of [Generation Alpha](#), while also not overlooking the Baby Boomer generation.

As the first entirely online generation, we're seeing Generation Alpha [make its mark quickly](#) when it comes to consumer preferences. They're not interested in “kiddie brands” but more likely to adopt adult brands before they even reach their teens. For example, we see [the Gen Alpha generation is obsessed with skincare](#) and inspired by influencers on social media. Even more concerned with a brand's purpose than Gen Z, Generation Alpha is sure to push brands' purpose-driven marketing to the next level. On the other hand, in 2024, we're seeing Baby Boomers' [social media footprint](#) expand. Since this group has the real buying power, brands that will win in 2024 will be sure to keep this group top of mind, with a particular focus on attributes tied to health and wellness.

In 2020 and 2021, we saw COVID dramatically decrease consumer choices as businesses [pared down SKUs to mitigate supply chain issues](#). But several years later, many of these additional SKUs haven't returned – and consumers don't seem to mind. Before COVID, CP companies invested heavily in personalization, intending to attempt to cater to each potential consumer's unique needs. But now, brands [from Coca-Cola](#) to [Kimberly Clark](#) are taking advantage of SKU rationalization and helping consumers not face the paradox of choice.

In 2023 [phygital marketing experiences](#) came to the forefront, as brands looked to bridge the digital space and physical world. In 2024, experiential marketing will become more mainstream, extending beyond just brands paving the way. We know that half of consumers say they “[shop the omnichannel](#)” – looking to both online and offline channels to meet their needs – so brands that successfully make this experience seamless will come out on top.



2

SETTING THE RIGHT PRICE FOR VALUE-DRIVEN

Despite a more recent positive economic outlook than this time last year, many consumers are still feeling the pinch of inflation, especially when it comes to lower-price point [grocery items](#). Over the holiday season, consumers displayed a willingness to spend, but also a high degree of sensitivity to discounts and largely avoided big ticket items. Further, price increases over the past several years have left consumers sensitive to price changes and [seeking value](#) in the items they do purchase.

The methods that consumers use to find value in the marketplace are often determined by their income level. High-income consumers have traditionally looked for bulk value and tend to seek out retailers, like Costco, that specialize in large-volume purchases. On the other hand, lower-income consumers seek out low entry-level price points that can typically be found at stores, like Dollar General, that frequently offer lower prices for smaller pack sizes. In 2024, consumers are likely to continue to be cautious with their purchases and [search out value wherever](#) they can find it.

As consumers hunt for lower price points, retailers are also pushing back against higher prices. [Carrefour recently made news](#) in Europe when it announced plans to discontinue PepsiCo and FritoLay products amid government pressure to reduce consumer food prices and resist ‘shrinkflation.’ In the U.S., retailers are looking to boost their margins by [investing significantly in private-label brands](#) to communicate to consumers that these products offer significant value at a lower price point than branded items. Walmart has even gone as far as to incorporate scale images of their private-label products into their retail media marketing to help consumers visualize how those products will fit into their everyday life.

Manufacturers were certainly not immune from inflation themselves, but they seem to be running out of runway to take portfolio-wide price increases as pressure mounts from consumers and retailers alike. As a result, [Revenue Growth Management \(RGM\)](#) tools are becoming even more essential to ensuring a positive outcome not only for manufacturers, but for consumers and retailers as well. Tools like [Trade Promotion Optimization](#) and [Price Pack Architecture](#) can ensure manufacturers reach the right consumers with the correct price points, while retail media and [shopper marketing](#) can help manufacturers keep branded products top of mind in the eye of the consumers and provide additional revenue streams to retailers. Moving forward, manufacturers need to emphasize their [RGM capabilities](#) to ensure their products remain competitive in a challenging environment.

In 2024, consumers are likely to continue to be cautious with their purchases and search out value wherever they can find it– SOURCE

3

BLURRED LINES BETWEEN PHYSICAL AND DIGITAL

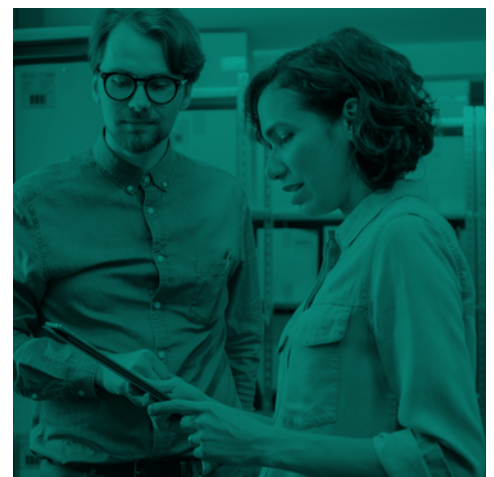
EXPERIENCE REQUIRES OPTIMIZED

DISTRIBUTION CHANNELS

Reflecting on the last three years, we saw tremendous growth for DTC and eCommerce capabilities as the COVID pandemic accelerated the online shopping and delivery trend. Consumer behavior and shopping habits abruptly changed in 2020, which led companies to [think about their distribution channels](#) differently to enable online (click and collect, delivery, and ship-to-home) capabilities. At the time, there wasn't as much strategic thinking around how companies were enabling online channels like click and collect, delivery, and ship to home capabilities; they just needed to get products out on the market.

As we look to 2024 and beyond, it will be imperative for CP leaders to be intentional about [distribution channel strategy](#) and execution to enable a superior consumer experience. Offline retail expansion is expected to pick up pace in 2024, with brick-and-mortar stores accounting [for over 85% of total sales in 2024 globally](#) compared to [81%](#) in 2021. CP companies are present in online channels thanks to acceleration from 2020 to now, and the eCommerce channel is in a “steady state.” However, it's not just enough to be present in these channels. We believe a shift is required for brands to make sure that wherever consumers are shopping, they have an optimal experience.

Putting this into practice means maintaining seamless integration of technology platforms so that a consumer can easily research products online via Amazon, search engines, and/or brand websites, pick up curbside, and then walk into the store to pick up a couple more items they need for the week. The vast majority (84%) of consumers now research online before visiting a store, primarily to search for the best deals ([50% in 2023 versus 40% in 2022](#)) as well as to learn more about a product or check stock availability.



We expect the following core questions to be on the minds of CP executives:

- How do I think about my distribution strategy holistically? What value am I trying to realize through each channel (e.g., superior consumer experience, [access to first-party data](#))?
- Which channel(s) will my target consumers spend their limited dollar?
- How effectively are we harnessing the power of DTC experience? How are we going to use the first-party data that we have from those DTC channels to drive our innovation pipeline and to test and learn?
- What are my long-term plans for growing the consumer base for a given brand? Paying attention to the divide in consumer demographic interests should drive which distribution channels you invest in.

Once these strategic questions have been answered, we recommend CP leaders make sure that the strategy translates into execution through infrastructure to manage content, promotions, user experience, and overall brand messaging to bring forth an optimized consumer experience.

In addition, focus on where most of your consumers are searching for products and make sure you maintain a superior experience. Many consumers search for products first on Amazon. According to a [report from Jungle Scout](#), in 2023, over 56% of consumers started their product searches on Amazon. Can consumers easily search to find your products? Do you have an appealing brand page that aligns with your other channels?

Lastly, regularly look at [consumer reviews](#) across platforms and ensure proper engagement with those reviews to address any concerns or praise; keeping a pulse on feedback from consumers can both maintain a strong engagement to build brand love and loyalty as well as learn from feedback to improve overall product and channel experience.



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– SOURCE

4 SUPPLY CHAIN RESILIENCY REMAINS TOP PRIORITY

As the consumer products industry landscape is shaped by ever-changing consumer preferences and intricate supply chain dynamics, companies need to continue to pursue supply chain resilience as a top priority. However, this has continued to be a challenge for many CP organizations, with Gartner reporting that [95% of companies will struggle](#) to achieve true end-to-end supply chain resiliency by 2025.

To accomplish true resiliency, companies will need to invest in a cross-functionally unified organization, one that is empowered by robust risk management and [supplier management practices](#) and enhanced through advanced planning solutions and analytics to enable timely risk detection. Through this, companies will have the necessary agility to swiftly respond to increasing volatility and disruptions.

Additionally, diversification of the supplier base remains a critical lever of supply chain resilience, as consumer goods companies will need to continue to strategically cultivate relationships with multiple suppliers, creating a collaborative and responsive supply network. Unilever has already committed [more than \\$2 billion annually](#) to purchasing from diverse suppliers, stating that this investment will help them “fill holes and step up during disruptions.” To do this effectively, regular communication, performance monitoring, and joint risk management initiatives will be critical.

Further, the adoption of processes that enable an integrated [organizational approach to demand](#) and supply planning, such as Sales & Operations Planning (S&OP) [or Integrated Business Planning \(IBP\)](#), will also be a key aspect of the overall resilience strategy. Through IBP, as an [evolution of traditional S&OP](#), organizations will be able to ensure a synchronized and integrated approach to business planning. By aligning financial goals, marketing strategies, and product development with supply chain operations, supply chains will naturally [become more agile and responsive](#).

[IBP's cross-functional collaboration](#) and decision-making are further enhanced by planning solutions with capabilities such as AI-driven demand forecasting, scenario planning, and Multi-Echelon Inventory Optimization (MEIO) inventory optimization. These capabilities, coupled with robust risk management practices – including geopolitical risks, natural disasters, and other factors that could impact the supply chain – will enable organizations to [plan for, prepare against, and adequately respond to disruptions](#).

Finally, connecting master data and real-time (or near real-time) operational data will allow for [an end-to-end view of the supply chain](#) and greatly improve critical decision making. When [advanced planning solutions](#) are married with clearly defined processes, and a well-prepared organization, it amplifies the ability to precisely pinpoint issues across any of the multiple layers within the supply chain. Combined, these strategies empower consumer products companies to proactively assess potential risks and adapt their supply chains to navigate disruptions effectively.



EXPLORING GENERATIVE AI USE CASES FOR CONSUMER

PRODUCTS COMPANIES

We've discussed the key competencies of a successful consumer products company in today's landscape: a focus on digital marketing and consumer engagement; understanding their RGM and pricing strategies; being intentional and strategic with their distribution channels; and identifying ways to increase their supply chain efficiencies.

As we're seeing across almost every industry, one way that CP companies can achieve these specific strategic business goals is through Artificial Intelligence (AI).

Below, we explore examples of CP companies who have been leveraging AI capabilities to meet the evolving needs of their business and their consumers.

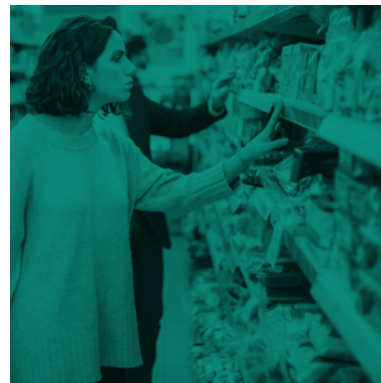
- Revieve, a health and beauty brand, has been utilizing both [interactive, generative AI](#) to digitally engage with customers about skincare and beauty choices. It can recommend solutions, products, and even routines in real-time -- it can also break down certain makeup looks and tailor those recommendations to customers, providing an additional layer of personalization. In-person shoppers can ask employees about recommendations, but traditionally this didn't translate for online shoppers; now, with AI assistance, Revieve is helping to solve that customer service gap for its digital customers.
- Nestlé is using a generative [AI platform called Tastewise](#) to perform product testing and better process its market data. With Tastewise, a platform developed by food scientists and AI experts, the brand is improving its ability to analyze massive sets of data to help predict trends, generate new product ideas, and assess its marketing campaigns and messaging -- all in a more cost- and time-effective manner. According to [Nestlé's annual report](#), they're "producing high-quality content 50% cheaper than their previous model," as well as tracking, correcting, and enhancing more than 500, 000 digital assets to achieve performance improvement on their ad spend. The use of AI has helped to reduce the cost of advertising, homogenize marketing materials, and ensure that market data is effectively processed and incorporated so that they can launch more successful products.
- Colgate-Palmolive is testing a generative AI chatbot called [Ask Profitero](#) to help streamline digital shelf optimization and content creation for their products across various merchant websites. Ask Profitero gathers data – like pricing, stock levels, product details, search placements, reviews, and competitor information – which allows Colgate employees to more easily analyze competitor performance, identify market trends, and gain valuable insights for

their own product strategies. The potential benefits of Ask Profitero include better data curation and insights retrieval, content optimization (e.g., for better product descriptions), and cost and time savings across the board. Since the chatbot is still in its testing phase, however, Colgate will need to monitor and assess its performance for any potential risks, like providing inaccurate product information or messaging that isn't consistent with Colgate's branding. The pilot program's success, though, could lead to a wider rollout of the technology within Colgate and potentially influence other companies in the CP industry.

With the use of AI also comes a need to emphasize [strong data and analytics practices](#). This is nothing new; prioritizing data and analytics within your business has always been mission-critical in order to drive profitability and ensure customer needs are being met. In fact, according to one study, many CP companies are focusing their tech budgets on modernizing data platforms across customer, supplier, and product value streams with an [emphasis on AI](#).

To get the most value out of AI and analytics investment, it's critical to ensure your data is governed and informed by the strategic competencies explored in this trends report. This includes a focus on the human elements, where [AI supports but doesn't disrupt](#) existing roles and processes. This is especially important as more workers are hesitant to adopt AI technology for fear that it will overtake their role. Ultimately, people should be leveraging AI to improve and embrace process efficiencies and achieve valuable insights that come along with them.

66% of customers expect companies to understand their unique needs and expectations, setting a new standard in customer experience – one that is tailor-made and deeply personal. – SOURCE





2024 AND BEYOND

As we move into 2024, the CP landscape brings both challenges and opportunities for brands. Economic uncertainties persist, as do the challenges of evolving political landscapes, global unrest, environmental imperatives, and the increased presence of artificial intelligence. So, what will separate successful companies from those who struggle to maintain a competitive advantage?

The answer lies in CP companies' ability to truly be strategic, purpose-driven, and intentional as they strive to incorporate the key competencies we've outlined above. Successful companies will identify ways to best engage with and market to their consumers; establish the right pricing strategies as consumers search for value wherever they can find it; create a strategic and holistic distribution channel strategy; and seek out ways to enhance supply chain resiliency – all while also considering the immense potential of AI to help achieve those business objectives.

The core competencies explored in this piece aren't standalone acts, but interconnected factors that will be integral to a company's success in today's consumer products landscape in 2024 and beyond.

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