2025 CONSUMER PRODUCTS INDUSTRY TRENDS

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Through a continuing period of cost pressures concerning both shoppers and retailers, the consumer products (CP) industry has always been able to adapt to shifting market demands. Now, as we enter 2025, leading CP brands continue prioritizing strategic adaptability to protect core revenue growth in an increasingly complex landscape.

Foreign exchange headwinds and shifting fiscal monetary trade policies—including new tariffs on Canadian and Mexican imports— are putting strain on CP companies that depend on international trade partners for essential goods. Now, a critical decision for these companies moving forward is whether to absorb the financial hit, or to adjust costs and pricing strategies, knowing either could impact margins or consumer demand. At the same time, consumer, retail, and geopolitical dynamics are driving CP companies to rethink how they operate. Inflation and interest rates continue to increase, while input costs grow to be more unpredictable, adding further financial pressure. As companies continue to grapple with a range of volatile macro-economic impacts, a "regulation-ready portfolio" and agile strategy is more critical than ever.

Staying ahead in today's highly diversified market requires CPs to leverage their core competencies and resources, aiming to further drive a competitive edge and better align cross-functional teams with consumer-centric value-creation strategies. While cost and operational efficiency is key, there's renewed focus on driving top-line growth and maximizing the value of strategic digital investments. And, with a number of digitally native brands gaining ground, consumers are overwhelmed by the intense competition, so it's even higher of a priority to seek differentiation through optimized marketing strategies. Also, rising costs—fueled by uncertain economic conditions and new tariff policies— are demanding more precision in pricing and sourcing. However, with a clean digital core and diversified supplier network, brands will be well-prepared to handle any of these emerging concerns.

In this trends paper, we will explore five strategies that will define success for CP companies in the year ahead.

1. MARKET FRAGMENTATION MEANS BRANDS NEED A NEW APPROACH TO SALES & MARKETING
2. SHIFTING FROM VALUE CREATION VIA COST TO VALUE CREATION VIA GROWTH
3. REALIZING VALUE FROM STRATEGIC INVESTMENTS IN DIGITAL CORE
4. INVESTMENTS IN AGILITY, MULTI-SOURCING, AND INPUT AND LABOR AVAILABILITY CONTINUE
5. BRANDS TAKING AN INNOVATIVE APPROACH TO COMBAT PRICING ISSUES

1 MARKET FRAGMENTATION MEANS BRANDS NEED A NEW APPROACH TO SALES & MARKETING

So much growth in the CP industry continues to be realized by small- to mid-sized businesses that were born digital and capitalized on diminished barriers to entry. Now consumers are faced with an abundance of choices—and brand switching or lack of brand loyalty has never been higher. This shift in consumer buying habits as a response to the fragmented market, coupled with ongoing inflationary pressures, has prompted leading consumer products brands to adopt new tools and processes for sales and marketing. Amidst mounting pressure from consumers and retailers alike, these capabilities must be optimized now before companies run out of room to make more strategic, pointed price increases.

Achieving price excellence through maximizing revenue growth management (RGM) efforts has become a key source of competitive advantage today. While this may not be a new concept, the vast amount of data companies can now access makes RGM the most critical focus in all of sales and marketing today. Driving stronger returns on commercial investments requires companies to leverage their promotional efforts not as a means to discount, but to instead drive trial and highlight innovation.

Canned water brand Liquid Death, for example, utilizes their wealth of consumer data to improve online promotional campaigns. They strategically release limited-edition products to tap into current trends, generate online buzz, and drive brand awareness. Their targeted marketing strategies and strategic pricing model then work in tandem to convert customer interest into sales. With a robust data foundation, CP companies can better leverage both internal and external insights to ensure promotional communication reaches consumers at the right time and place.

Beyond digital strategies, winning at the store and the shelf is just as crucial. CP companies can break through distractions and noise by partnering with retailers to create stand-out, in-store executions that will grow brand awareness and drive profit for both the retailer and the CP firm. Candy company SmartSweets exemplifies this with their well-known, eye-catching displays that differentiate their candy from competitors on retailer shelves. Further, after an era of unprecedented price increases across most CP categories, many companies are investing in tools to maximize price pack architectures and bring product packs back in line with pricing slopes. Global food and beverage company Danone restructured their pricing strategy with coconut water brand, Harmless Harvest, offering bulk packs of smaller bottles to compete on affordability while still maintaining a premium “on-the-go" position.

To sustain a competitive edge in such a highly fragmented market, CP brands must focus on driving growth through strategic adjustments to sales and marketing. Data-driven insights are the key to identifying opportunities for maximum revenue growth – whether through dynamic pricing or targeted promotional strategies. Moving into 2025, brands that follow a more strategic approach to sales and marketing will be better positioned to respond to future market shifts.

2 SHIFTING FROM VALUE CREATION VIA COST TO VALUE CREATION VIA GROWTH

After years of prioritizing bottom-line efficiency and EBITDA improvement, there's now a renewed focus from CP brands on driving top-line growth to return to or even exceed historic topline growth rates of 3-5%. This has stemmed from evolving brand to consumer interactions influenced by the pursuit of value, diminished brand loyalty, and the growing preference for experiences over products. While there are natural limits to the number of product variations offered in a company's portfolio, the opportunity to connect with consumers beyond the purchasing journey through physical and digital experiences is limitless. To truly retain this competitive customer market that is constantly brand switching, CP brands must focus on organizational growth and redefining value creation through innovation and adaptation rather than just cost efficiency.

Considering these broader macroeconomic impacts, it is critical to understand how consumer habits and preferences are shifting. Uncertain economic conditions like rising inflation and stagnant wage growth have created several headwinds. Value-seeking consumers have long played a role in CP strategies, but almost 70% of consumers today will switch brands for a lower price, so there's a heightened emphasis on exceeding the needs of this segment through product innovation.

At the same time, convenience of delivery continues to sway purchasing decisions. With retail proliferation enabling near-instant gratification, brands that can best deliver on-demand solutions are well positioned to succeed. Affordability and convenience remain top priorities, but many consumers are also seeking experiences that go beyond the product itself—and they're willing to pay for it. This is evident in the rising demand for unique flavors, specialized offerings, and immersive brand interactions that drive deeper connections with your consumers. Good Culture Cottage Cheese, for example, released protein-packed, on-the-go cups to target the active, health-conscious consumer market that is more focused on portion control. Since over half of consumers

today will seek out brands that adapt to fit their needs, constant innovation and realignment is necessary to satisfy the unique demands of value-seeking consumers.

Additionally, tech-savvy CP brands are exceeding competitor value through hyper-personalized consumer experiences. We're seeing this through many brands' approach to marketing, where they're leveraging advanced AI capabilities for accelerated personalized advertising optimized for different consumer targets. After all, over 90% of shoppers prefer brands that personalize their offers and messaging. Companies with strong analytical capabilities and a clean digital core can maximize the true value of AI to make faster, more informed decisions on consumer strategies. Mars Petcare, leading provider of pet care products and owner of Nom Nom pet foods, integrated AI strategies to recommend meal plans based on individualized pet needs and targeted promotional messaging at different consumer segments. This level of personalization, enabled by digital initiatives and investments, allows companies to better meet customer expectations and create deeper connections within the market.

Shifting focus from cost efficiency to strategic expansion, the emphasis in 2025 will be for CP brands to deliver value through innovative offerings. Expectations for low price combined with heightened brand switching are pushing brands to find new, creative avenues for engagement beyond the product alone. Moving into 2025 and beyond, leveraging real-time insights with AI capabilities will support leading brands to foster deeper connections throughout the purchase journey and further drive top-line growth.

3 REALIZING VALUE FROM STRATEGIC INVESTMENTS IN DIGITAL CORE

For many CP companies, COVID was the catalyst for digital transformation, where the focus was on making smart investments for survival and building the foundation for greater value realization down the road. The next few years, however, are when leading CP brands expect to truly realize the value of the strategic investments made during the pandemic and further drive organizational growth through innovation.

Rather than directing all innovation efforts on risky, new-to-market products, strategy-driven CP brands are placing greater emphasis on "lowercase i" innovation. This renewed focus encourages brands to not only enhance their products but also their experiences through product line additions, packaging improvements, or revamped formulations of existing products. For instance, CP giant General Mills addressed changing preferences with popular brand Annie's Mac & Cheese by innovating their products to be smaller and easier to snack on without making major changes to the original formula. Moving forward with more strategic, innovative investments will have tremendous long-term value for CP brands seeking sustainable growth.

Beyond consumer-centric innovations, digitalization demands over recent years have driven businesses of every shape, size, and type to realize new capabilities within their internal operations. To keep up with dynamic market demands, agile companies are investing in leaner teams to leverage data-driven decision-making and respond more efficiently to common disruptions. Maintaining efficient end-to-end planning, many innovative CP companies are also leveraging AI technology with integrated demand-supply systems to reduce cycle times and costs, limit unexpected downtime, and improve responsiveness and service levels.

For several years now, digital transformation investments in sales and marketing, supply chain, and back-office operations have dominated capital allocation plans and investor presentations. Those who have embraced digitalization are realizing enterprise-wide capabilities empower their teams to do more with fewer resources, make better data-driven decisions, and find new ways to engage and delight your consumer. Thrive Market, for instance, leverages investments in AI technology to not

only optimize supply chain and inventory management, but also to hyper-personalize the consumer purchase journey, ultimately boosting conversion rates.

With tailored communication strategies and advanced personalization capabilities, brands can ensure that the right product reaches the right place at the right time. Renewed investment in the digital core, especially with a modern ERP, is the most foundational investment for brands to build additional capabilities on top of. When an organization invests in a best-in-class digital core, they can refocus human resources and energy into more high-value, strategic activities that drive organizational growth and innovation.

CP companies will continue to reap the benefits of past digital investments made during the pandemic, but the priority has shifted to now realizing their long-term value. Instead of chasing innovations that carry high uncertainty, brands are refining their existing offerings to drive more sustainable growth. Looking ahead to 2025, it's critical that companies build a strong digital core to drive long-term growth through innovative, sustainable decision-making.

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4 INVESTMENTS IN AGILITY, MULTI-SOURCING, AND INPUT AND LABOR AVAILABILITY CONTINUE

Supply chain disruptions that originated during COVID-19 and have persisted from geopolitical tensions are permeating the mindshare of many brands, resulting in lower service quality, reduced profitability, and higher consumer prices. However, thanks to investments made in agility, multi-sourcing, and enhanced input and labor availability, larger CP companies now feel that the worst of these disruptions and their resulting costs are behind them.

As we move into 2025, strategic CP companies will continue to make agility improvements, ensuring they're better able to mitigate future supply chain disruptions. We are seeing more and more companies move past single-source dependency for key inputs by diversifying their network of partners across various regions, reducing their exposure to ongoing supply chain bottlenecks, and minimizing reliance on trade partners in tariff-impacted countries. Reshoring and nearshoring can also minimize global supply chain risks. When manufacturing is done closer to home, companies can limit their overseas dependence, respond faster to home demand shifts, and cut down on rising tariff costs.

To further support these efforts, data access and strong analytical capabilities are key to enhancing collaboration across the supply chain. By providing suppliers with the same level of visibility, CP companies better support network-wide collaboration, leading to more consistent, responsive operations. Along with that, coordinating a data-driven risk mitigation plan with secondary suppliers ensures companies have a fallback if any geopolitical disruptions impact a primary source. Modern technologies like AI can further streamline inventory or demand management, and in fact, over 40% of high-performing supply chains today leverage some form of these tools in their forecasting analyses. As AI continues to demonstrate its value— with over half of CPGs reporting a 6-10% revenue boost after integrating AI—these tools can greatly enhance supply chain visibility, enable strategic agility, and further drive sustainable success for brands.

The need for flexibility has shifted from reacting to pandemic-induced crises to proactively building agile, diversified networks that can better withstand changes in the current supply chain environment. Organizational agility, especially among partners and suppliers, continues to be critical for success in 2025. With continued investments in agile sourcing, CP brands will be better positioned to maintain seamless coordination with external suppliers and continue to mitigate ongoing supply chain challenges.

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5 BRANDS TAKING AN INNOVATIVE APPROACH TO COMBAT PRICING ISSUES

As costs continue to rise for CP companies, cutting prices further might not be the most sustainable strategy, as it can negatively impact product quality and profitability. Instead, some innovative brands are leveraging real-time data to make selective price adjustments, ensuring they balance both value and profit without resorting to broad quality reductions. Additionally, companies are finding intuitive ways to save costs in their supply chain through waste reduction, automation, and other efficiency improvements. As consumer behavior continues to evolve, brands must find other ways to carefully adjust their pricing and expense strategies to protect core profitability while retaining consumer trust.

With more shoppers prioritizing essential goods and turning to discount retailers, leading CP brands are seeking alternative ways to offer more high-value products without extensive price or quality cuts. To appeal to cost-conscious consumers, subscription bundling models and loyalty programs offer the exclusive savings they seek in exchange for their brand commitment. Leading food and beverage brand PepsiCo has driven over a 60% increase in spending among members of its "Tasty Rewards" program, which offers exclusive perks and savings to frequent shoppers. Moreover, with AI or predictive analytics, CP brands can adopt a dynamic pricing approach to ensure key segments receive the best value while still driving maximum profit return.

Beyond pricing tactics, transparency and product positioning are also key to maintaining consumer trust. When brands clearly communicate the reasoning behind price changes—such as investing in eco-friendly, sustainable packaging—consumers are more likely to accept and continue their support. At the same time, some brands are taking a different approach by embracing premiumization, targeting higher-income demographics willing to pay more for better quality or exclusivity. CP brands that adopt more transparent, data-driven pricing strategies are better prepared to tackle rising costs and continue to strengthen both consumer relationships and long-term profitability.

Costs will continue to rise for companies well into 2025, so a sustainable pricing strategy that protects profit and customer loyalty must be applied. It's possible, through flexible revenue models, for CP brands to offer high-value products without sacrificing quality. Adopting strategic, data-driven pricing will be key to driving core profitability while sustaining this sense of strong consumer trust.

LOOKING AHEAD

As the industry continues to face major changes in consumer preferences, economic and geopolitical uncertainty, and digital advancements, CP companies can no longer rely on traditional growth models as a source of competitive advantage. In 2025, success will entirely depend on a company's ability to make proactive, data-driven adjustments to product offerings, customer experiences, and internal operations.

Maintaining this sustainable advantage beyond 2025, CP companies must continue to invest in intelligent, agile practices that provide the flexibility needed to navigate supply or demand shifts, ensuring they can consistently satisfy their consumers' unique needs. Prioritizing the needs of smaller, defined segments rather than relying on broad-based, mass-market approaches will be key to retaining customer loyalty amidst high brand switching. The goal for companies now is no longer just to be cost or operationally efficient, but to instead optimize their existing capabilities and offerings to find new sources of competitive advantage and new avenues of value creation through strategic growth and sustainable innovation.

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