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A More Disciplined Era of Growth

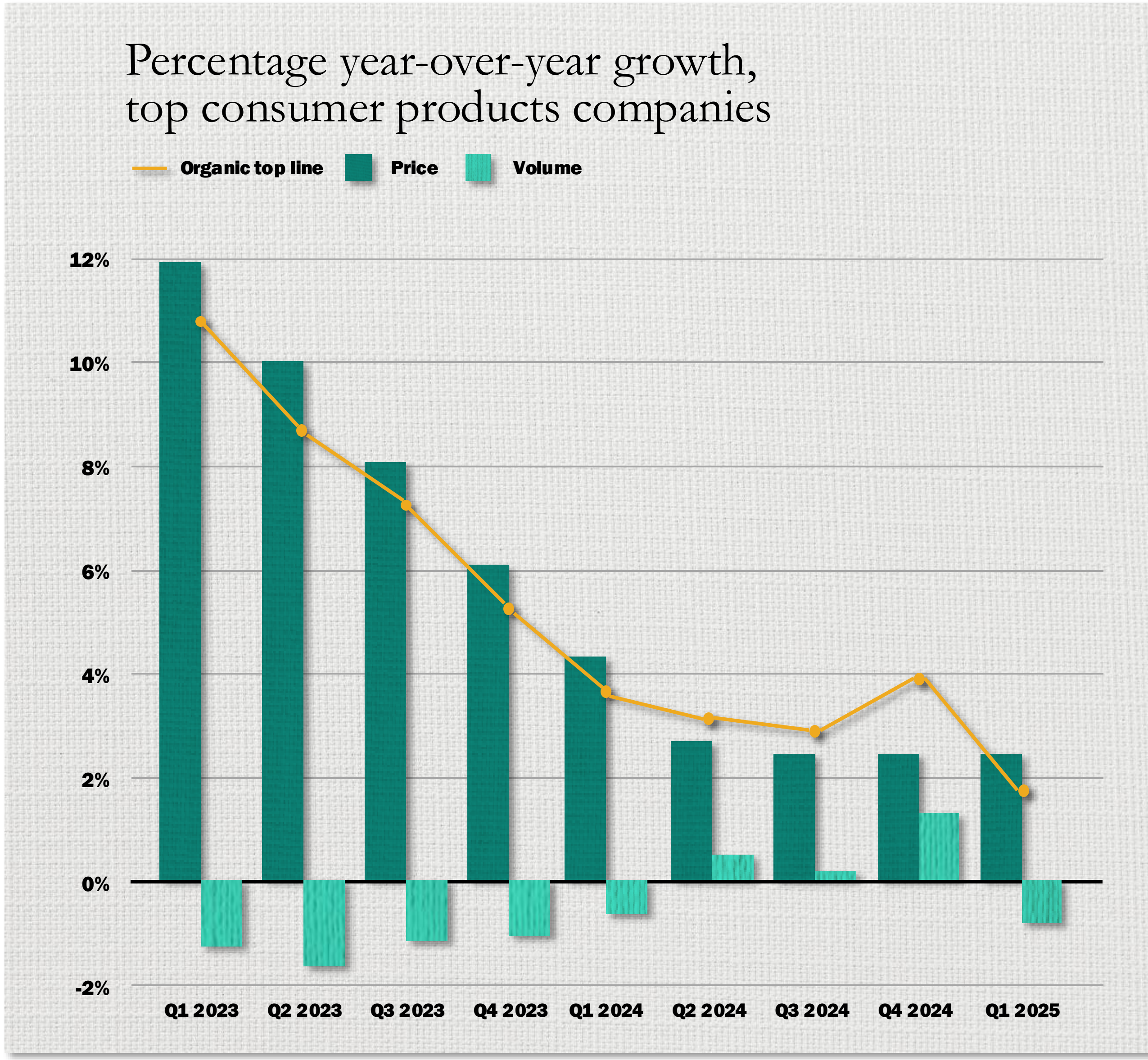
THE INDUSTRY IS CHANGING.

Consumer products companies are operating in a slower-growth, more polarized environment. Rather than broad expansion, leaders are concentrating resources behind core brands, embedding AI into operating workflows, and elevating commercial precision. Scale alone is no longer enough. Competitive advantage in 2026 will come from focus, pricing discipline, channel strategy, and integrated capabilities.

STATE OF THE INDUSTRY

The era of price-led growth is ending. With moderating price increases and negative volume trends, restoring profitable volume without eroding margin is now the central challenge.

Leaders are responding by narrowing portfolios, modernizing revenue growth management, and redesigning distribution strategies to serve a more polarized consumer base.



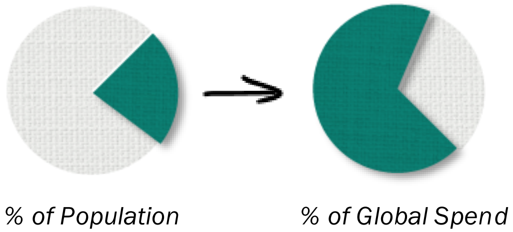
CONSUMER HABITS AND PREFERENCES ARE SHIFTING

A FOCUS ON CONVENIENCE
Consumers expect convenience – from finding information about a product to the instant gratification of a speedy delivery.

SEEKING OUT EXPERIENCES
Consumers are willing to pay for more than just a product – they're seeking a personalized, engaging experience, too.

HEALTH-CONSCIOUS
Mental and physical health and well-being are increasingly important to the average consumer.

VALUE & AFFORDABILITY
From meal planning, to promotions and coupons, to value retail channels, today's consumers want the most bang for their buck.



Rise of Gen Z & Millennials

By 2030, Gen Z and Millennials will make up 23% of the global population, accounting for 69% of global spend by 2040.

Aging Population

Protein-forward, fiber-rich, and function-driven offerings are gaining momentum as consumers prioritize longevity and wellness.

Expanded Ethnic Diversity

Hispanic and multicultural population growth is reshaping flavor profiles, brand positioning, and go-to-market strategies.

MACRO TRENDS IMPACTING THE INDUSTRY

The CPG industry is navigating consumer slowdown fueled by poor economic conditions and geopolitical uncertainty.

However, emerging markets, insurgent brands, and strategic M&A are acting as pockets of growth in a struggling industry.

Economic Uncertainty

Economic pressures and inflation have led to 80% of surveyed consumers cutting spending.

K-Shaped Economy

Rather than simply buying less, consumers are rather solving for the poor economic conditions by searching for value with every purchase.

Online *and* Omnichannel

Online CPG sales grew 10% YoY, far outpacing physical retail growth.

Emerging Markets

Emerging markets were the primary engine of global sales growth, growing at a rate of 11% YoY.

Insurgent Brands

Insurgent brands are capturing outsized market share, accounting for 40% of 2024 growth in the U.S.

Strategic M&A

Companies are divesting low-growth business units and strategically acquiring to further their technological capabilities and innovative offerings.

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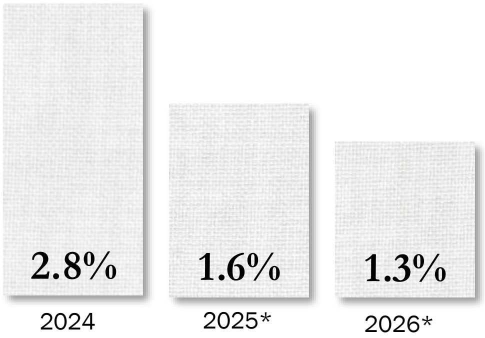
Economic Uncertainty

Rising prices are the number one cause for concern among consumers, far outranking next lead causes for concern including climate change, international conflict, and job security.

80% of consumers in the U.S. and E.U are cutting spending due to cost-of-living concerns.



ANNUAL YOY U.S. GDP GROWTH

Unforeseen Consequences

- While consumers are reportedly spending less, they are not necessarily buying less.
- Rather consumers are solving for the value equation by searching for promotions with every purchase.
- Additionally, consumers are trading down across categories, trading down in one area to spend more in another area.

79% of consumers are looking for deals on every purchase

47% of U.S. consumers report they wait for a sale or promotion in apparel when making a purchase

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K-Shaped Economy

Growth is expanding at both ends of the income spectrum, while the middle of the market remains under pressure.

Households are simultaneously trading down in some categories and trading up in others — often within the same basket.

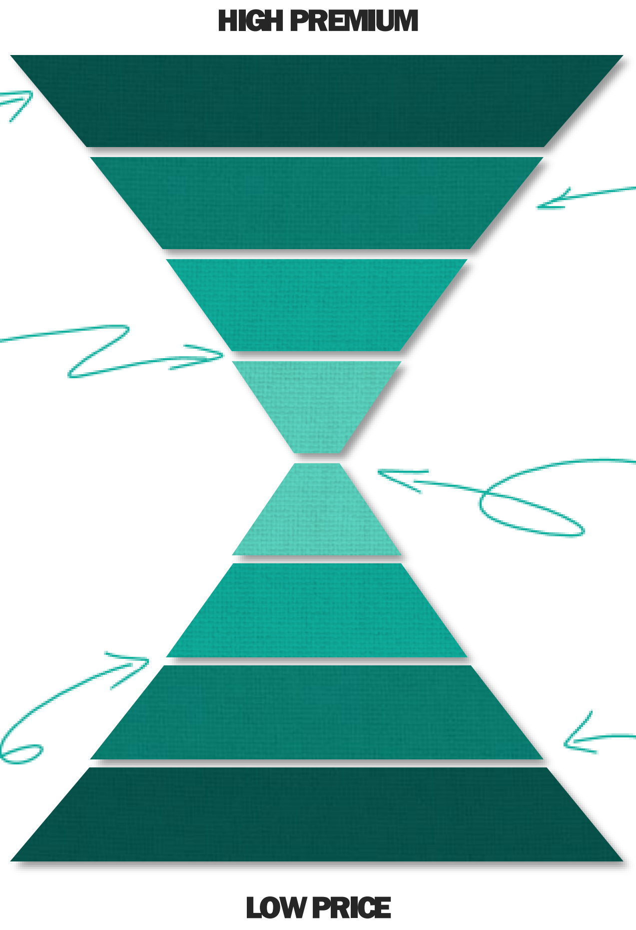
Winning requires deliberate portfolio design, refined price-pack architecture, and channel-specific assortment strategies — not broad-based discounting.

Prestige Brands

Prestige brands focus on status, scarcity, and emotional aspiration to pull in consumers.

Premium Brands

Brands that offer some additional promise like sustainable packaging, local ingredients, or better-for-you alternatives, are dominating the market despite a higher price point.



Masstige

Acting as a mix of mass and prestige, these products bring the allure of prestige to a more accessible, higher than mass price point.

Traditional CPG

Traditional CPG companies have lost market share, with the 50 largest CPGs globally posting 1.2% of revenue growth in 2024 H1.

Deal Seeking

47% of US consumers reportedly wait for a sale or promotion to purchase apparel.

Private Label

Private label food and nonfood hit all time high of 270.6B in 2024.

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Online and Omnichannel

Online eCommerce and omnichannel continues to be a major market driver in CPG, with online CPG sales growing 10% YoY, far outpacing physical retail growth of 2%.

86% of U.S. CPG sales come from consumers engaging both online and in stores.

Alone and Online: *U.S. consumers are spending more time alone and online than pre-pandemic, leading to an increased focus on convenient shopping and a lower tolerance for friction.*

Convenience & Frictionless Experiences

- As digital and physical retail converge, consumers now expect fast, seamless, and personalized shopping journeys across channels.
- 74% of consumers report convenience is a key factor in where they shop

AI and machine learning enable tailored **product recommendations, promotions, and content** to individuals.

Frictionless experiences shift competitive advantage towards brands that **simplify discovery and purchase** both in person and digitally.

Linking **brick and mortar stores, websites, mobile apps, and social platforms** into a single ecosystem drives engagement and repeat visits.

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Emerging Markets

Developed markets saw a sharp decline in CP sales growth (4.5% in 2024 vs. 7.7% in 2023) with flat volumes despite easing inflation.

Emerging markets drove nearly all global volume growth, posting an 11% increase in retail sales value.

Asia – Pacific led in revenue generation, supported by rising per capita income and lifestyle shifts in countries like India and China

Rewriting the Growth Playbook

Growth in emerging markets requires distribution precision, not just brand scale. Competitive advantage is increasingly defined by:

- Hybrid DSD and warehouse models
- Channel-specific pack formats
- Precision distribution into fragmented retail
- Supply chain flexibility aligned to route-to-market economics

E-commerce is far less popular, with **physical stores** and markets generating large fraction of sales.

Emerging markets often **lack granular data** about population, spending habits, item data, and tracking.

Growth doesn't result from occupying shelf-space in large chain stores but rather ensuring precision distribution at **small corner stores in neighborhoods.**

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Insurgent Brands

Insurgent brands are capturing disproportionate growth by focusing on narrow consumer needs, strong brand identity, and operational agility.

In response, incumbents are "shrinking to grow" — divesting non-core assets, reducing SKU complexity, and concentrating investment behind power brands where they have a clear right to win.

in·sur·gent brand

noun

Has generated $10M - $25M of annual revenue

Has grown more than 10x category's average growth rate

Has maintained positive growth while remaining independent or have been acquired within the past 2 years

Insurgent Brands Across Categories

FOOD

Insurgent brands responsible for 27% of category growth despite accounting for less than 1% of market share.

NON-ALCOHOLIC BEVERAGES

Insurgent brands responsible for 32% of category growth despite accounting for less than 3% of market share.

PERSONAL CARE

Insurgent brands responsible for 45% of category growth despite accounting for less than 3% of market share.

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Strategic M&A

Portfolio transformation is increasingly about strategic coherence, not expansion.

Companies are divesting non-core complexity while acquiring capabilities in health, functionality, and demographic growth segments.

M&A is serving as a mechanism to reinforce core advantages and extend power brands into adjacencies and new regions.

Unilever announced ice cream divestiture by end of 2025

Kimberly Clark is acquiring Kenvue in a deal valued at over $40 billion

Major MA&D Deals of 2025

Sub-Industry	*Deal Type*	*Deal*	*Deal Value*
CONSUMER HEALTH	*Acquisition*	Kimberly Clarke to acquire Kenvue	**~$48.7 B**
GROCERY	*Divestiture*	General Mills sells North American yogurt business (Yoplait, Go-Gurt)	**~$2.1 B**
GROCERY	*Spin-Off*	Kraft Heinz to split into two independent, public companies	
GROCERY	*Acquisition + Spin-Off*	Keurig Dr Pepper to acquire JDE Peet's and split coffee and beverage units	**~$18 B**
GROCERY	*Spin-Off*	Unilever completes spin-out of ice cream units	
GROCERY	*Acquisition*	Ferrero buys WK Kellogg	**~$3.1 B**
BEVERAGE	*Acquisition*	PepsiCo buys Poppi	**~$1.95 B**
BEVERAGE	*Acquisition*	Celsius Holdings acquired Alani Nu	**~$1.8 B**
BEAUTY	*Acquisition*	E.l.f. Beauty to acquire Rhode Beauty	**~$1 B**
PERSONAL CARE	*Acquisition*	Unilever acquired Dr. Squatch	**~$1.5 B**

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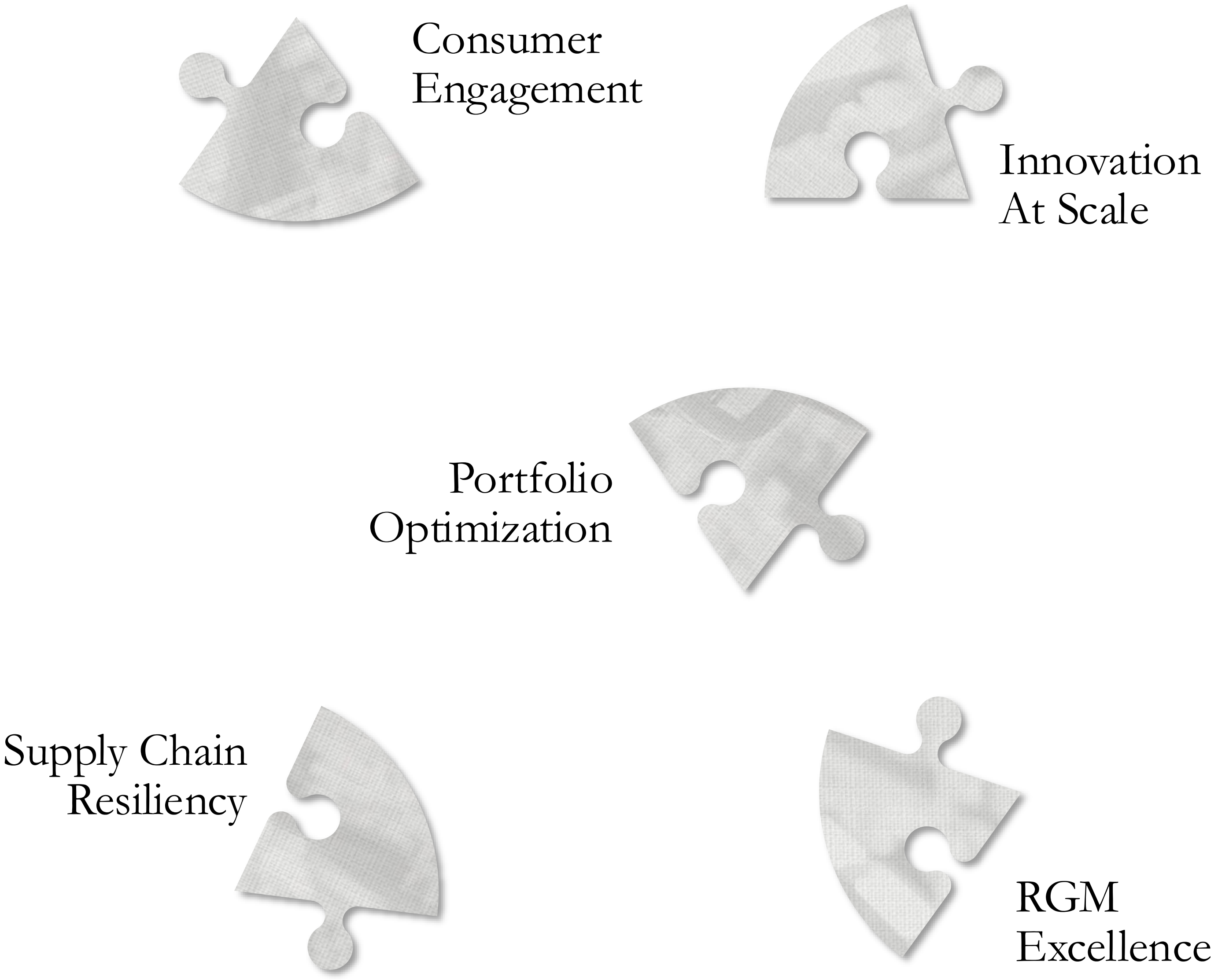
How CPG Companies

CAN WIN

In a slower-growth, polarized consumer economy, winners will align portfolio focus, pricing discipline, AI-enabled decision-making, and distribution precision.

The next phase of competition will be defined less by breadth and more by executional precision across supply, demand, and commercial strategy.



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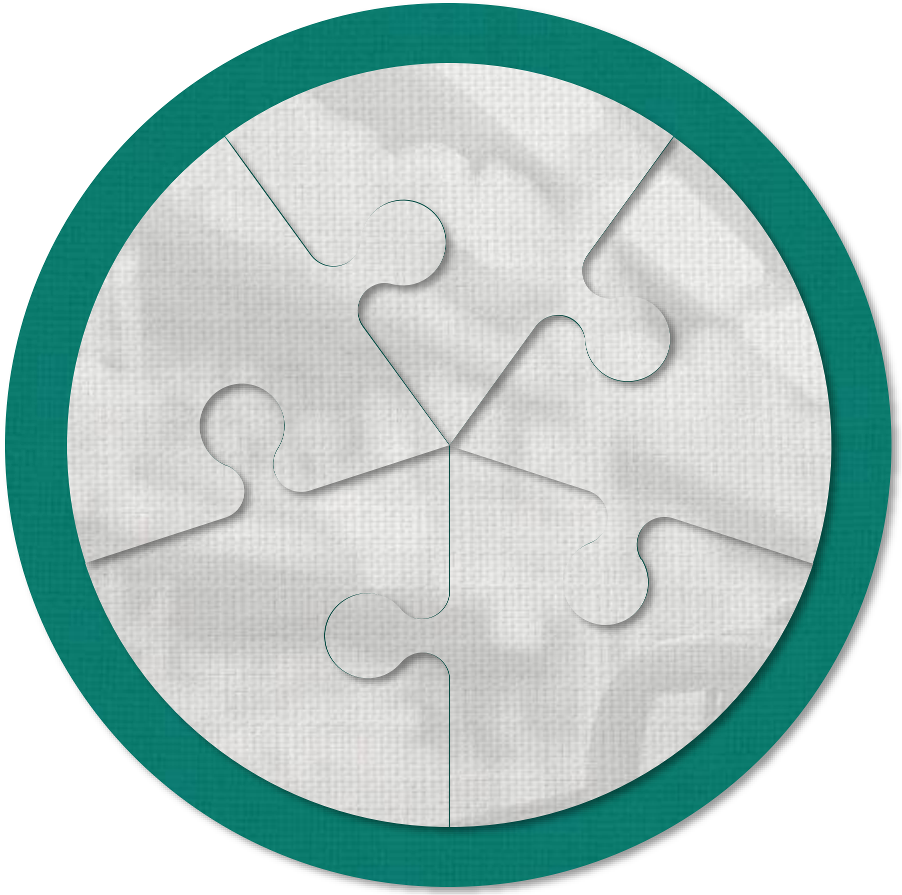
How CPG Companies

CAN WIN

Advanced analytics, AI, and digital tools are the glue that holds every puzzle piece of CPG transformation together.

Without a strong digital backbone, even the best strategies fall short.



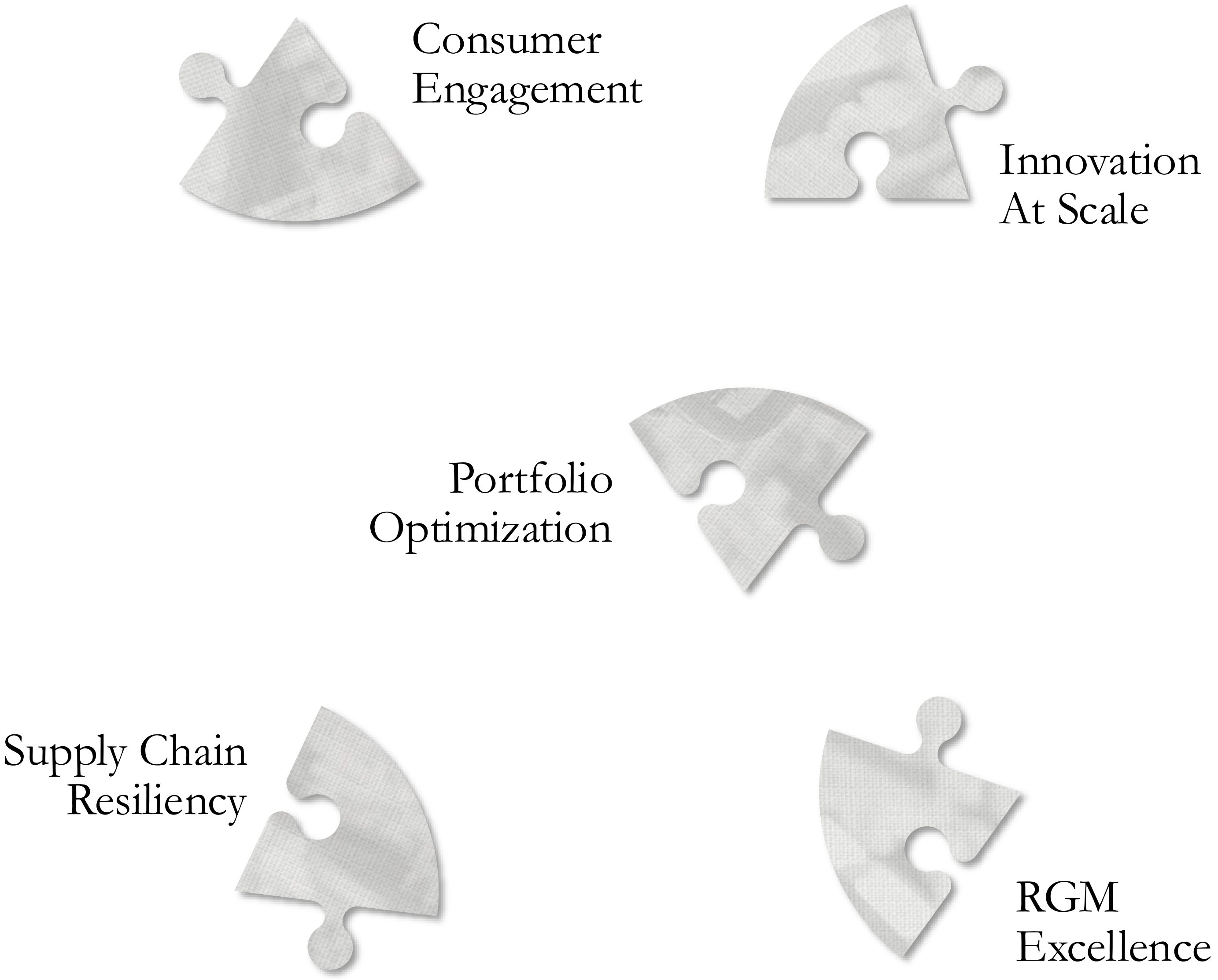
Analytics and AI are the critical missing piece that makes every CPG strategy **snap into place.**

How CPG Companies

CAN WIN

In a slower-growth, polarized consumer economy, winners will align portfolio focus, pricing discipline, AI-enabled decision-making, and distribution precision.

The next phase of competition will be defined less by breadth and more by executional precision across supply, demand, and commercial strategy.



Turbulent geopolitical climates demand CPG companies have *strong and resilient supply chains.*

HOW CPG COMPANIES ARE WINNING

Competitive advantage is increasingly defined by how well companies align network design, supply chain flexibility, and channel-specific commercial strategies.

The intersection of sales forecasting and demand planning – both process and system integration – is becoming a core differentiator.

Focus on Speed and Agility

Build a responsive and resilient supply chain that can plan for unexpected challenges.

Understand Supply Chain Cost Drivers

Utilize analytics and leading technology to have accurate and timely visibility of products and supply network to adapt quickly when cost changes occur.

Introduce Redundancies to Supplier Network

Incorporate manufacturing that can be shifted anywhere and pre-approve material substitutes in order to combat disruption.

Limit Supply Chain Complexity

Implement tactics such as SKU rationalization, focused product catalog, and postponement to limit complexity.

As shoppers become more cost conscious, CPG companies that excel will utilize strong *pricing strategy and revenue growth management.*

HOW CPG COMPANIES ARE WINNING

Revenue Growth Management has moved from margin protection to growth engine.

Leading organizations are advancing:

- Precision price-pack architecture
- Elasticity modeling by channel and cohort
- Integrated retail media and trade investment strategy
- Promotion optimization embedded into everyday decision-making

RGM is no longer a standalone team — it is becoming a core commercial discipline.

Optimize Promotion Optimization

Deploy advanced analytics to refine promotion design, improve trade spend effectiveness, and maximize ROI across key customers and retail media environments.

Elevate Pricing Strategy

Ensure the right price for the right product in the right channel through data-driven insights, competitive benchmarking, and disciplined price-pack architecture.

Strengthen Assortment & Distribution

Curate the most profitable product mix by channel, leveraging localized insights, space constraints, and evolving shopper behaviors to drive growth.

Align Shopper & Retail Media Investments

Integrate retail media, shopper marketing, and trade tactics to reinforce branding, accelerate conversion, and capture full channel value.

Companies that are winning among consumers are providing value, whether through price, health and wellness, or story. CPG must *embrace innovation at scale* to win consumer trust.

HOW CPG COMPANIES ARE WINNING

Innovation is accelerating, but with greater discipline.

Focus areas include:

Demographic-led platforms (Hispanic flavors, protein-forward, clean label)

Renovation and line extensions to stretch core brands

AI-enabled concept testing and faster development cycles

Speed and agility are becoming as important as novelty.

Adopt a Test and Learn Mindset

Accelerate product readiness by rapidly testing, validating, and iterating concepts to minimize risk and strengthen product-market fit.

Build Speed & Agility into Innovation Cycle

Shorten development timelines through agile springs, cross-functional teaming, and rapid prototyping to bring winning ideas to market faster.

Leverage Deep Consumer Insights

User advanced research tools and real-time customer feedback to inform concept creation, positioning, and in-market performance.

Expand Beyond Core Items

Drive growth through renovation and tangential innovation across line extensions, packaging designs, and strategic co-innovation with partners.

CPG companies that are winning with customers are *optimizing their portfolio,* reducing SKUs to highlight high-growth categories and capabilities.

HOW CPG COMPANIES ARE WINNING

Depth over breadth.
Organizations are concentrating capital and talent behind fewer, stronger brands.

SKU rationalization, divestitures, and disciplined innovation investment are enabling clearer strategic focus and improved return on invested capital.

M&A&D for Growth

Deploy divestitures, acquisitions, and disciplined dealmaking to reshape the portfolio around higher-growth categories and capabilities.

SKU Rationalization

Reduce complexity by eliminating low-performing SKUs, concentrating resources on high-margin, high-velocity items.

Category Role & Profitability Management

Reassess category roles, product positioning, and profitability drivers to ensure each part of the portfolio creates clear value.

Innovation Pipeline Discipline

Prioritize innovation investments around consumer demand signals, whitespace opportunities, and scalability potential.

Successful CPG companies are *engaging with consumers* in new and exciting ways ranging from tailored offerings and messaging to lived experiences.

HOW CPG COMPANIES ARE WINNING

As digital and physical channels converge, engagement is becoming more precise and data-driven.

AI-enabled personalization, integrated retail media, and frictionless omnichannel journeys are shifting advantage toward brands that can simplify discovery and purchase — while maintaining pricing discipline.

Personalized Experience Delivery

Leverage data and AI to tailor messages, content, and offers to individual shoppers across channels, improving relevance and conversion.

Connected Omnichannel Journey

Build seamless experiences across digital and physical touchpoints, ensuring consistent brand engagement and reducing friction.

Community and Loyalty Activation

Strengthen brand affinity through loyalty programs, social communities, and direct engagement strategies designed to deepen long-term relationships.

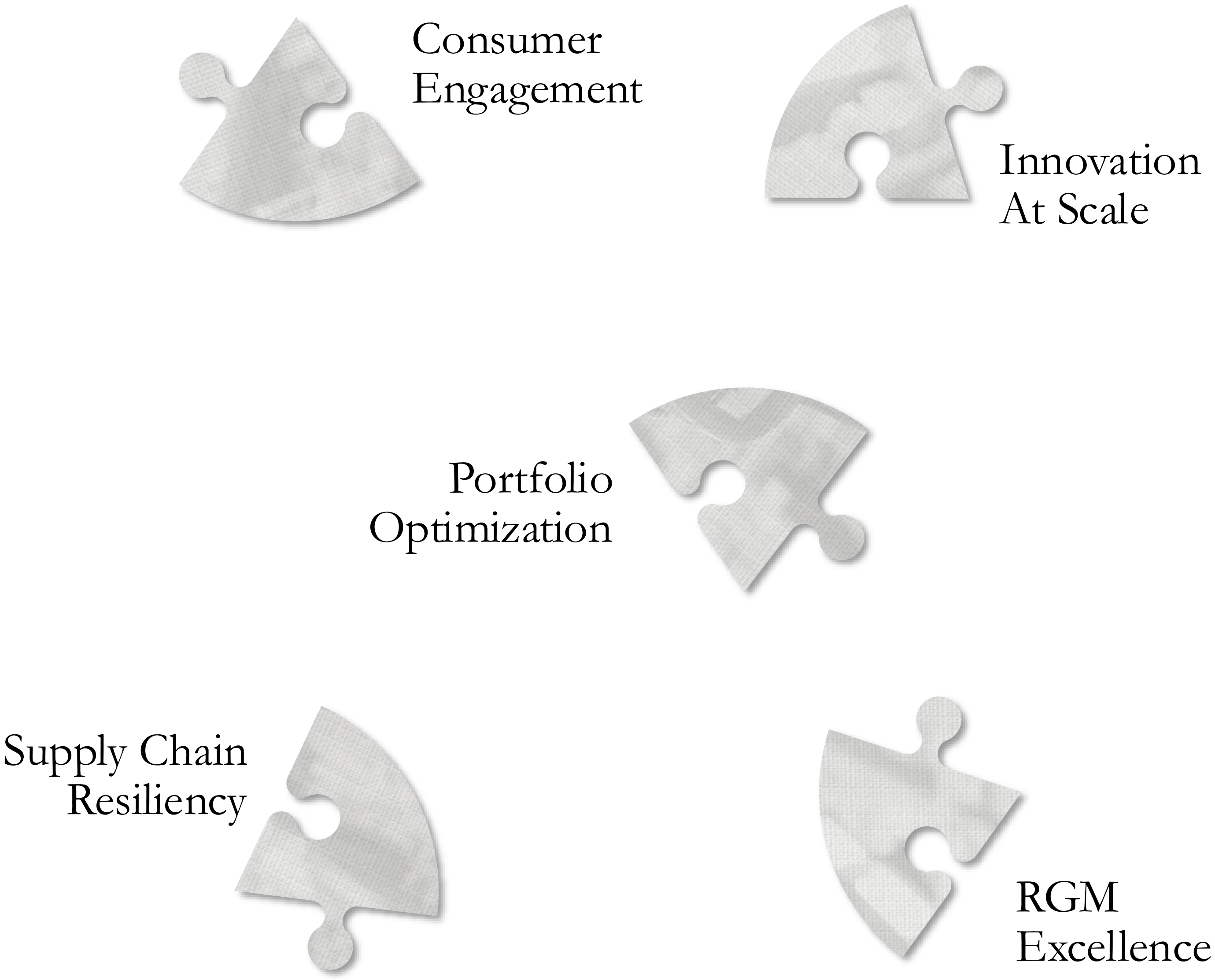
Experience Led Innovation

Incorporate consumer insights into rapid product and experience innovation to meet evolving expectation and unlock stickiness.

How CPG Companies

CAN WIN

In order to win amid tightening consumer wallets and shifting global growth engines, CPG companies must invest in a resilient global supply chain, RGM, innovation, consumer engagement, and portfolio optimization.



Closing

In today's slower-growth environment, focus matters more than breadth. Scale alone is no longer enough, with the winners will being those who align capital, capabilities, and operations around a smaller set of improved competitive advantages.

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