



KAIHAN'S

# CONSUMER PACKAGED GOODS

## INSIGHTS AND PERSPECTIVE

### CONTEXT

- Shopping for consumer goods increased by 50 percent in 2020, with the majority of sales occurring in eCommerce channels ([Supermarket News](#), [Nielsen](#)).
- In the year ended September 2020, consumer preference for in-store grocery pickup options increased by 26 percent ([Supermarket News](#), [Nielsen](#)).
- In the year ended November 30, 2020, online food and beverage sales, including grocery and restaurant delivery and pickup options, increased 125 percent to \$106B ([Bringoz](#)).
- CPG food and beverage online sales are forecasted to grow into a \$103B market by the end of 2021, the largest CPG segment ([Supermarket News](#), [NielsenIQ](#)).
- The CPG industry grew 10.3 percent in 2020, with private-label products (store brand) accounting for 18 percent of that growth ([Bloomberg](#)).

## TRENDS .....

### 1. Food and Beverage

- CPG food and beverage online sales became the largest CPG segment in 2020, and are forecasted to expand to a \$103B market at the end of 2021 ([Bringoz](#)).
- Converting store shoppers into online shoppers could lead to \$58B in growth for CPG ([Supermarket News, NielsenIQ](#)).
- 20 million new customers made CPG purchases online in 2020, doubling the market's revenue from 2019 ([Bringoz](#)).
- Constraints from the pandemic have reshaped how people meet, greet, and eat, and delivery and contactless pickup options offer great opportunities for growth.
- Given that 83 percent of monthly grocery delivery and pickup users indicate they will make another purchase within 30 days, companies should explore expansion into these services ([Supermarket News, Mercatus](#)).
- Companies like Instacart and Shipt are capitalizing on a market of consumers who want to order from home by offering comprehensive grocery delivery and pickup services from a variety of grocery stores and retailers ([Forbes](#)).

### 2. Digital and DTC

- The rapid influx of new customers in the online space revealed CPG companies' need to interact and understand their customers in a more personal way.
- Previously, the data they used was reliant on third-party reports from retail stores and eCommerce websites ([Bringoz](#)). Now, CPG companies are seeing the value of connecting with their

customers directly, creating personalized experiences for them, and obtaining actionable first-party data on consumers in their market.

- CPG brands in the direct-to-consumer (DTC) model saw great growth during the pandemic due to their agile digital position which allowed them to meet and exceed consumer demand ([The Future of Commerce](#)), while traditional retail struggled.
- Large CPG companies are exploring DTC models as ways to test new products and gather data on their customers in a more meaningful way.
- Clorox, Unilever, and Nestle have all expanded into digital territory by creating new DTC opportunities to interact with their digital-native customers—such as the Objective Wellness brand from Clorox which targets young, health-minded individuals with natural wellness products ([Forbes](#)).

### 3. Sustainable and Responsible Packaging

- COVID-19 spurred the globe towards a higher focus on health and wellness, and towards a higher awareness of sustainability and responsibility in manufacturing.
- CPG companies on the edge are exploring innovative ways to replace plastic in their packaging with more sustainable materials like glass, aluminum, and recyclable paper. These materials, though more costly than plastic to manufacture, are continuously recyclable with little to no loss in quality end-over-end ([SLD](#)).
- Sixty to seventy percent of consumers are willing to pay more for sustainable packaging, and 52 percent said they would buy more sustainably packaged products if they were priced like conventionally packaged products ([McKinsey](#)).

- The definitions of eco-friendly packaging can be opaque to consumers, providing opportunities for companies to clarify their impact and provide younger generations the information they desire regarding the products they purchase—a move which can both foster loyalty with customers and positively impact the environment ([Fast Company](#)).
- Colgate unveiled the world’s first recyclable toothpaste tube in 2019, and plans to move it fully into circulation by 2025, along with a message to build awareness of the “ready-to-recycle” nature of the new packaging ([Business Wire](#)).

## 8PS .....

Leverage Point	“8Ps” of Strategy	Opportunity for Disruption	Recommended Leverage Points
<u>Position</u>	The customer you are targeting and their need that you seek to fulfill.	6	<ul style="list-style-type: none"> <li>• How is your company viewed in terms of your eco-friendliness and sustainability?</li> <li>• How can you interact with DTC in the Food and Beverage industry?</li> </ul>
<u>Product</u>	The things you sell and the characteristics that give them value.	8	<ul style="list-style-type: none"> <li>• How can you design your product and packaging with sustainability and responsibility in mind?</li> <li>• What value does your product bring to consumers beyond its basic functions?</li> <li>• How does your product and packaging satisfy the needs of your customers? How do you measure their satisfaction?</li> </ul>
<u>Price</u>	How customers pay to obtain your products.	5	<ul style="list-style-type: none"> <li>• How do you currently determine the pricing of your product?</li> <li>• How can you price your product attractively knowing consumers’ opinions regarding sustainable packaging?</li> </ul>
<u>Placement</u>	Where and how customers can view, access, and purchase your products.	4	<ul style="list-style-type: none"> <li>• Do you currently offer your product through DTC channels?</li> <li>• How can you optimize your digital channels to reach more digital- native consumers?</li> </ul>

Leverage Point	“8Ps” of Strategy	Opportunity for Disruption	Recommended Leverage Points
<u>Promotion</u>	How you connect and communicate with current and potential customers.	3	<ul style="list-style-type: none"> <li>How can you better communicate your sustainability plan to customers?</li> </ul>
<u>Physical Experience</u>	How your brand experience meets the needs and expectations of the customer.	7	<ul style="list-style-type: none"> <li>How can you innovate your packaging to create an enticing “unboxing” experience for customers?</li> </ul>
<u>Processes</u>	<p>How you manage your supply chain.</p> <p>How you manage and use the data and information of consumers.</p>	9	<ul style="list-style-type: none"> <li>How can you redesign the manufacturing and design of your packaging to attract more customers?</li> <li>Do you have a plan in place to move towards eco-friendly packaging?</li> <li>How can you restructure or expand your current model to offer DTC options to your customers?</li> <li>How are you gathering actionable first-party data on your customers? How can you utilize it to personalize their experiences with your products?</li> </ul>
<u>People</u>	The choices you make regarding hiring, organizing, and incentivizing your people and your culture.	3	<ul style="list-style-type: none"> <li>How do your staff add to the purchase experience of your customers?</li> <li>How can you leverage expertise and talent from within to create personalized experiences for shoppers?</li> </ul>



- Instacart offers a grocery delivery and pickup service with a variety of options and packages for customers.
- In addition to groceries, Instacart shoppers can visit locations such as Best Buy, Big Lots, and Sephora based on the requests of customers.
- Instacart simplifies the ordering process by giving customers the option to pre-select items for shoppers, so that changes can be made independently of customer interaction ([Fast Company](#)).
- The Instacart interface has four access points: customers, shoppers, advertisers, and retailers. Recently, Instacart enhanced advertisers' ability to engage with their customers directly through the Instacart application, leading to higher sales and increased loyalty ([Forbes](#)).
- Loop is an online platform providing popular goods, like food and makeup, in reusable packaging via a subscription-based service ([Fast Company](#)).
- Loop has partnered with companies and brands like Ulta, Febreze, Crest, and Purina to deliver their products to customers at home; the products are packaged in sustainable, reusable packaging made from aluminum, glass, and plastic ([Loop](#)).
- After picking up empty containers from customers' households for free, Loop cleans and sanitizes containers to be reused for other deliveries.
- In order to protect against loss, Loop holds customer deposits until containers are returned and then automatically refunds the deposits. ([Loop](#)).

