



CPGs on the hunt for profitable growth

Consumer packaged goods companies are investing in next-generation capabilities, recalibrating their portfolios, and doubling down on brand investments to grow revenue with desired margins intact.

Consumer Products State of the Industry survey 2024



Table of contents

1 Key themes and executive summary

2 Price volume tension

3 Profitable volume growth

4 Next generation capabilities

5 Appendix | Demographic profiles

01

Survey summary

CPG state of the industry: Survey summary

Given continued high prices for everyday goods and apparel, many consumers feel like they must buy less or buy cheaper. For consumer packaged goods (CPG) companies facing high fixed costs and the elasticity ceiling, profitable growth is a challenge requiring new approaches and capabilities. KPMG LLP (KPMG) surveyed CPG executives in spring of 2024 to understand how the industry is grappling with the price-volume tension and found the following:

As prices soften, CPGs are urgently trying to revive volume growth in order to accelerate their top line and preserve margins.

In the US, volume decline is pervasive across categories, from grocery to personal care to household products. The impact is dramatic, particularly considering the ability of CPGs to increase revenue through several pricing rounds over the past 18-plus months. Many CPGs are looking at developing and emerging markets where volume growth potential is greatest but very different capabilities are required.

CPGs are using data and analytics (D&A) to create required data quality and veracity across functional domains to generate accurate insights from D&A and determine how to generate demand across their portfolios.

CPG companies are building more cohesive data supply chains, using D&A insights to more accurately determine how to generate demand across their portfolios, including investing in core brands. In developed markets, the ability to measure the impact of trade investments more precisely is a top priority, allowing CPGs to reallocate their spend to the most profitable channels and customers. Given that a significant share of promotions do not create value for CPGs, increasing the ROI of investment in promotions could be a radical step. CPGs are also calibrating their portfolios which again requires precision around where that complexity supports growth and where it destroys value.

Visibility around customer profitability and unit economics is more important than ever.

Very few CPGs can answer if their pricing aligns with service levels or know whether it costs more to serve their biggest or smallest customers. They also can't isolate margins at the product level. The ability to achieve such granularity presents a massive opportunity, not just for CPG supply chain leaders who oversee costs, but also for commercial leaders who are accountable for customer profitability. Understanding product contribution margin can identify underperformers across customers, channels, and products to drive prioritization, resource allocation, and investment choices. With this improved visibility, combined with a cost to serve lens and customer segmentation by profitability, CPGs can help drive profitable growth.



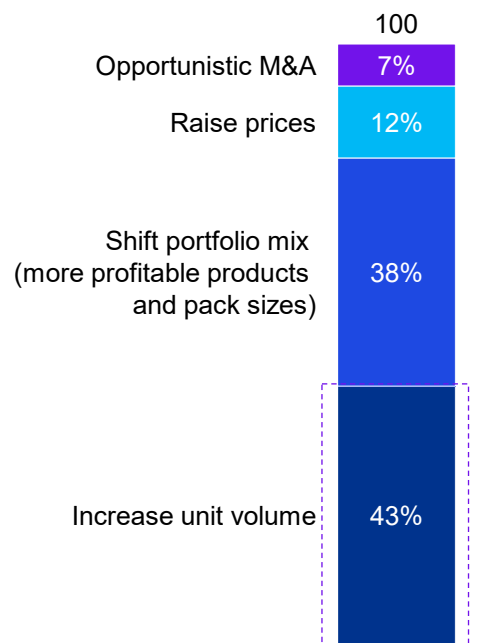
02

Price volume tension

After a series of pricing rounds, CPGs are clearly pivoting their focus on unit volume growth with some exploring emerging markets where category penetration is still low

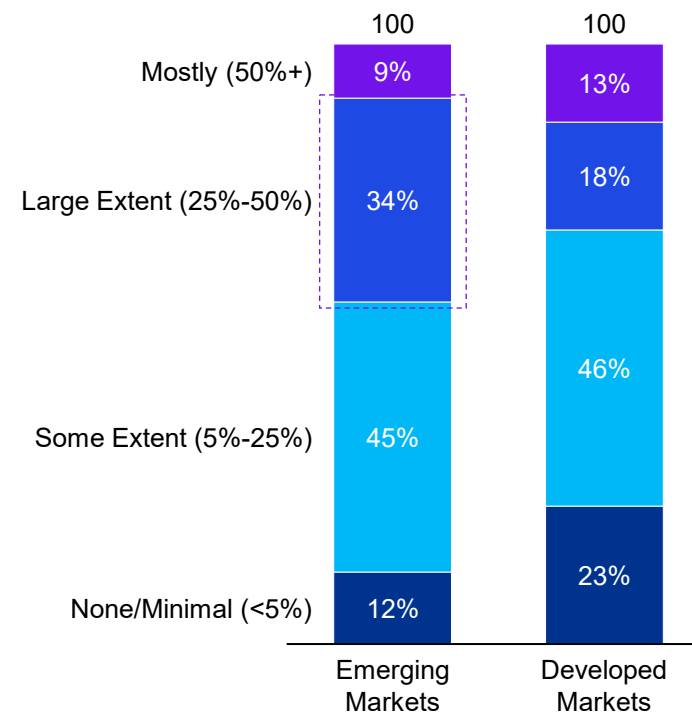
Growth emphasis for the next 12 months (N = 100)

Which of the following growth drivers will receive most emphasis over the next 12 months?^(a)



Volume growth: Developed vs. Emerging Markets (N = 100)

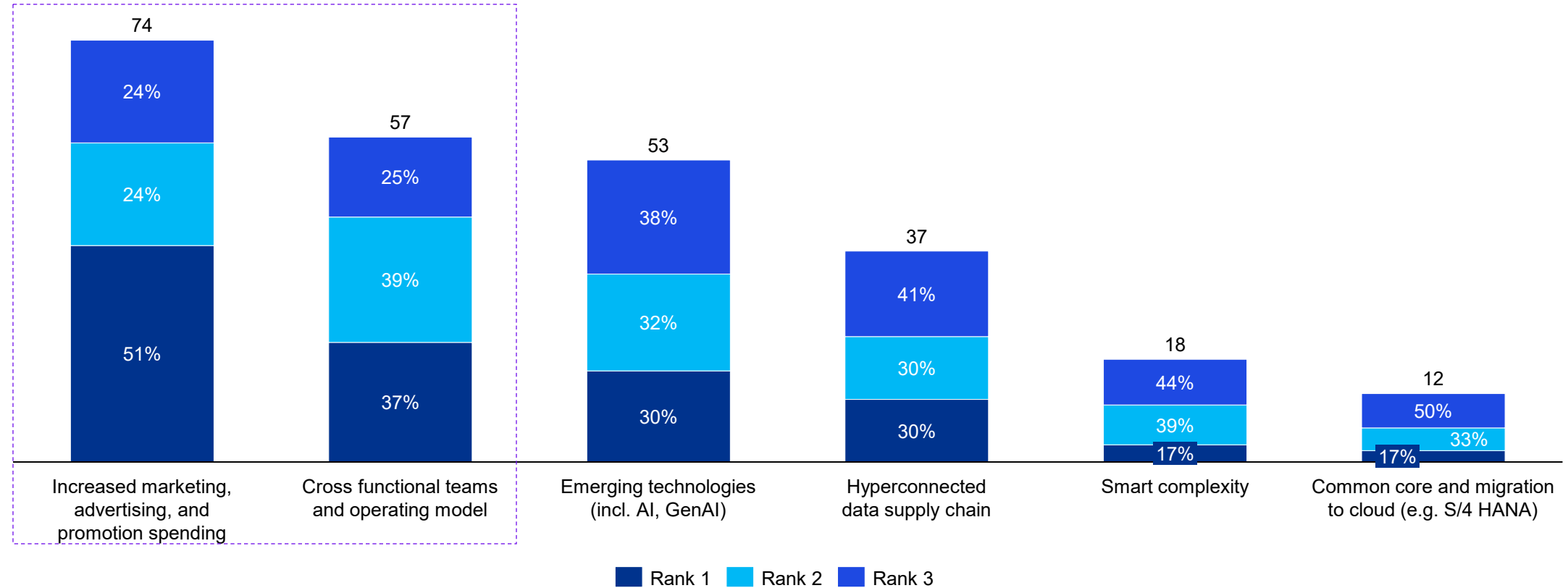
To what extent do you expect volume growth to come from developed vs emerging markets?



Note(s): (a) Excluded respondents who chose "Do not know/ Prefer not to comment" (n=0)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Increased demand generating investments in marketing, advertising and more targeted trade promotions with a greater application of emerging technologies are expected to fuel volume growth

Top investment priorities for profitable volume growth (N = 100)
 Please rank the top three investment priorities to support profitable volume growth

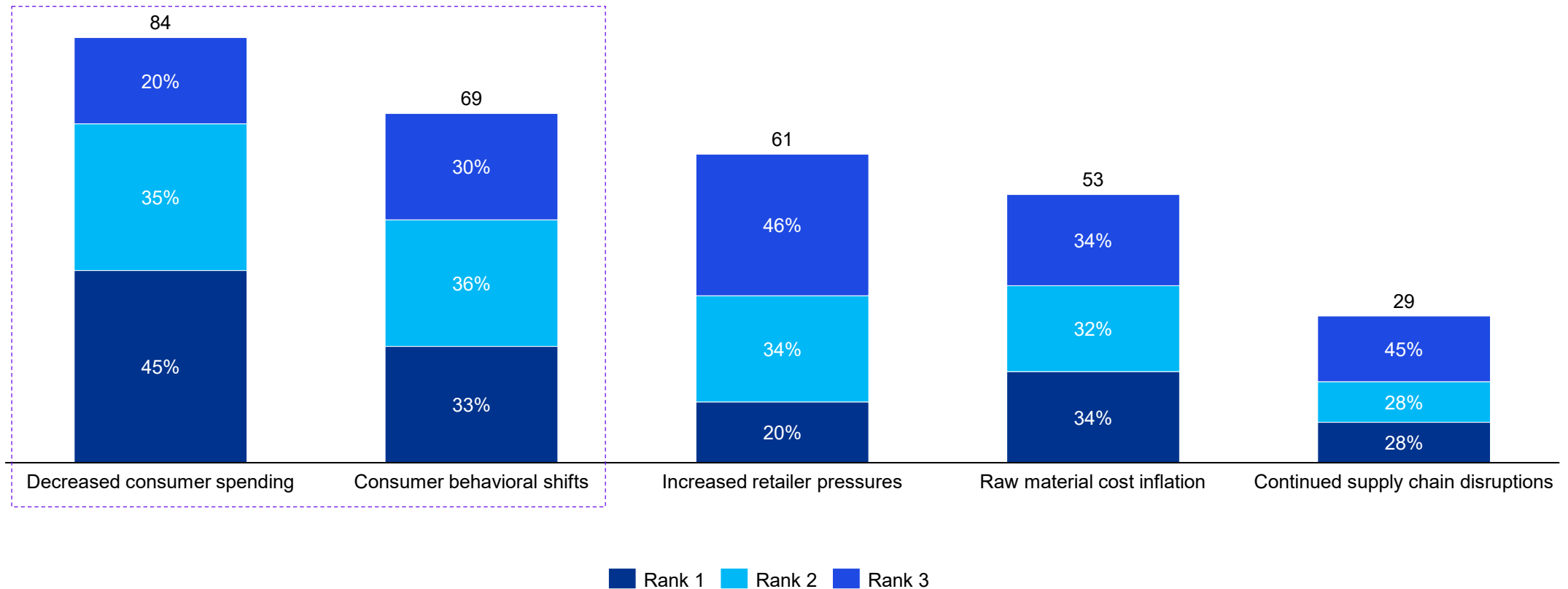


Note(s): (a) %s may not add up to 100% due to rounding off for representational purposes
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Decreased consumer spending is prominent concerns and reacting quickly to channel shifts (club/discount) as well as what and when cash strapped shoppers buy

Top concerns in achieving growth targets (N = 100)

Please rank your top three concerns that might hinder your growth ambition



Note(s): (a) %s may not add up to 100% due to rounding off for representational purposes; (b) Excluded respondents who chose "Others" due to low n-count (n=4)
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

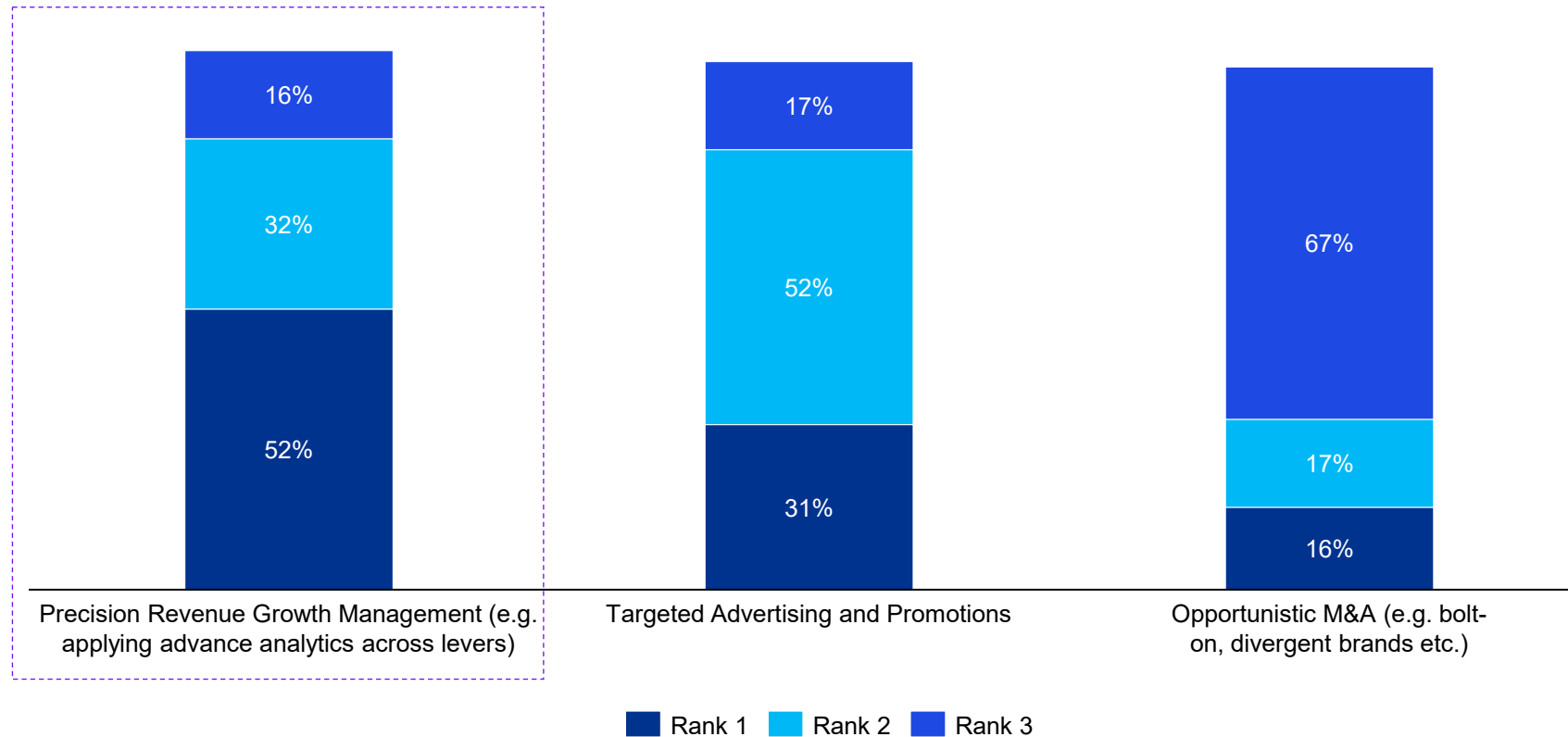
03

Profitable volume growth

RGM capabilities continue to evolve allowing greater precision across promo, price and mix which is the highest focus for majority of CPGs

Prioritizing Volume growth: Strategic ranking (N = 100)

Please rank how you intend to prioritize your volume growth efforts

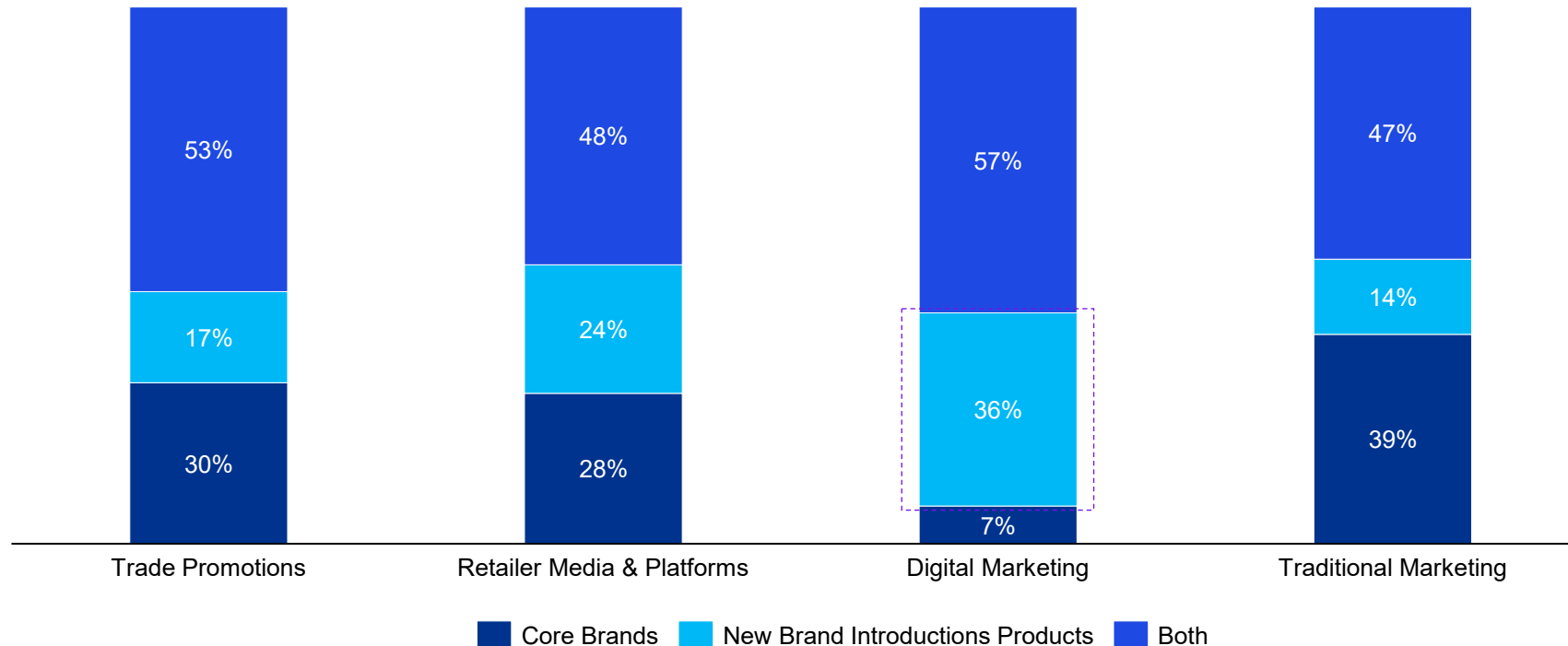


Note(s): (a) Excluded respondents who chose "Do not know/ Prefer not to comment" (n=2); (b) Excluded respondents who chose "Others" due to low n-count (n=5)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Brand investments are steered towards the core portfolio where CPGs have greater confidence to win – learning to how to play with retailer media is a challenge given the growing important of this source for retailers

Advertising and promotion investments strategy for core portfolio vs net new products (N = 100)

How do you intend to allocate your targeted advertising and promotion investments across your core portfolio vs net new products/ brand introductions?

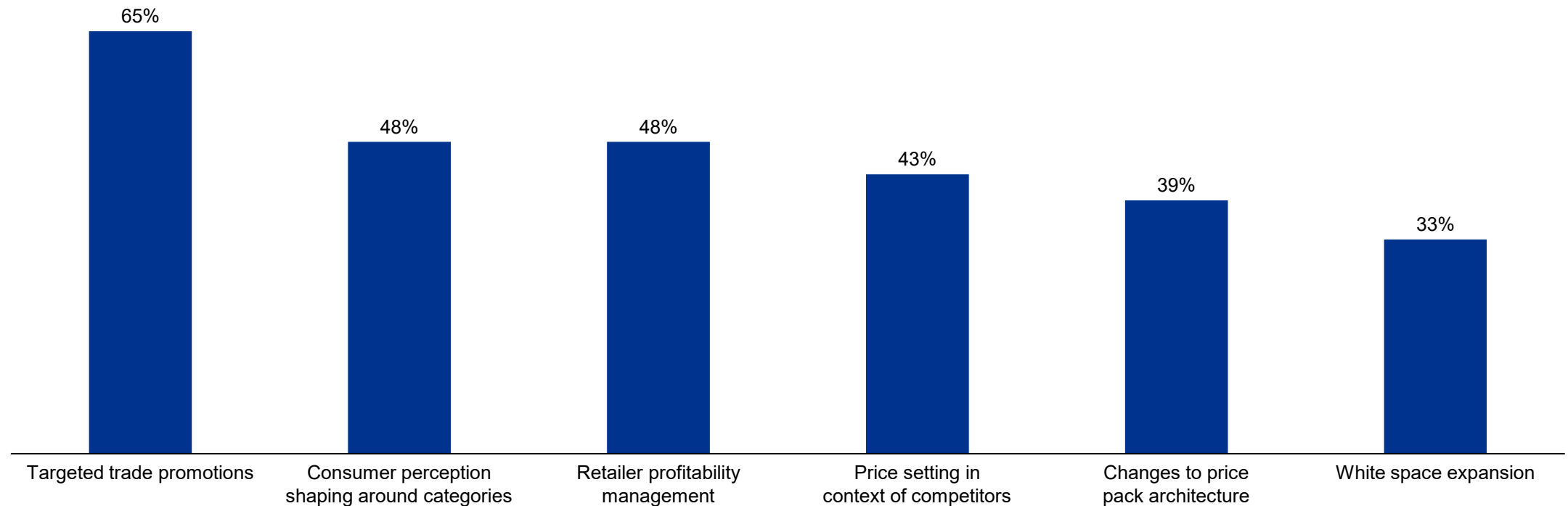


Note(s): (a) Excluded respondents who chose "Others" due to low n-count (n=4)
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Getting trade promotions right, as the pricing lever has been exploited, is a priority for more than two thirds of CPGs which is closely tied to creating greater precision around consumer perception and choices around categories

Focus areas to drive greater precision in revenue growth management (RGM) (N = 100)

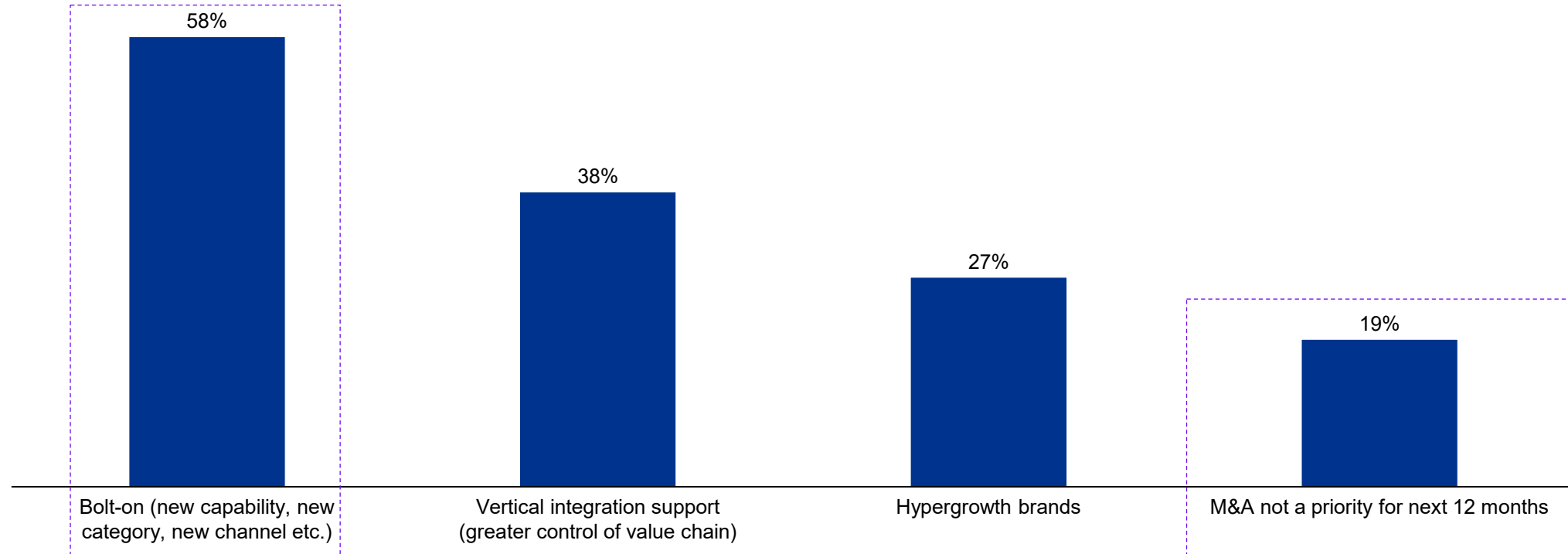
Where do you intend to create more precision in your RGM tactics?



Note(s): (a) Excluded respondents who chose "Others" due to low n-count (n=0)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

For most CPGs, M&A is still an important growth lever but with a very targeted focus acquiring new capabilities, entering a high growth category or additional routes to market

Primary intention of M&A strategy (N = 100)
What is the main intention with your M&A strategy?

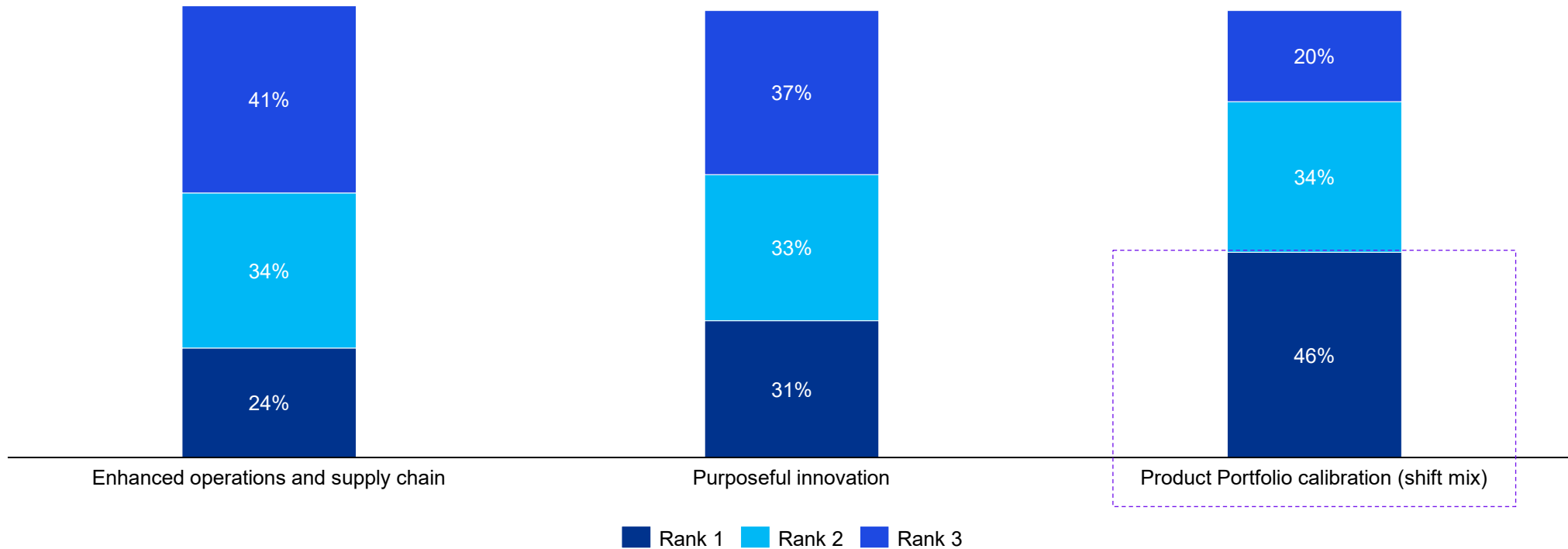


Note(s): (a) Excluded respondents who chose "Others" due to low n-count (n=1)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Product portfolio calibration ranks highly for CPGs to expand margin and curate profitable portfolios – which can alleviate supply chain pressures and help focus innovation efforts

Prioritization of profitability expansion efforts (N = 100)

Please rank how you intend to prioritize your profitability expansion efforts

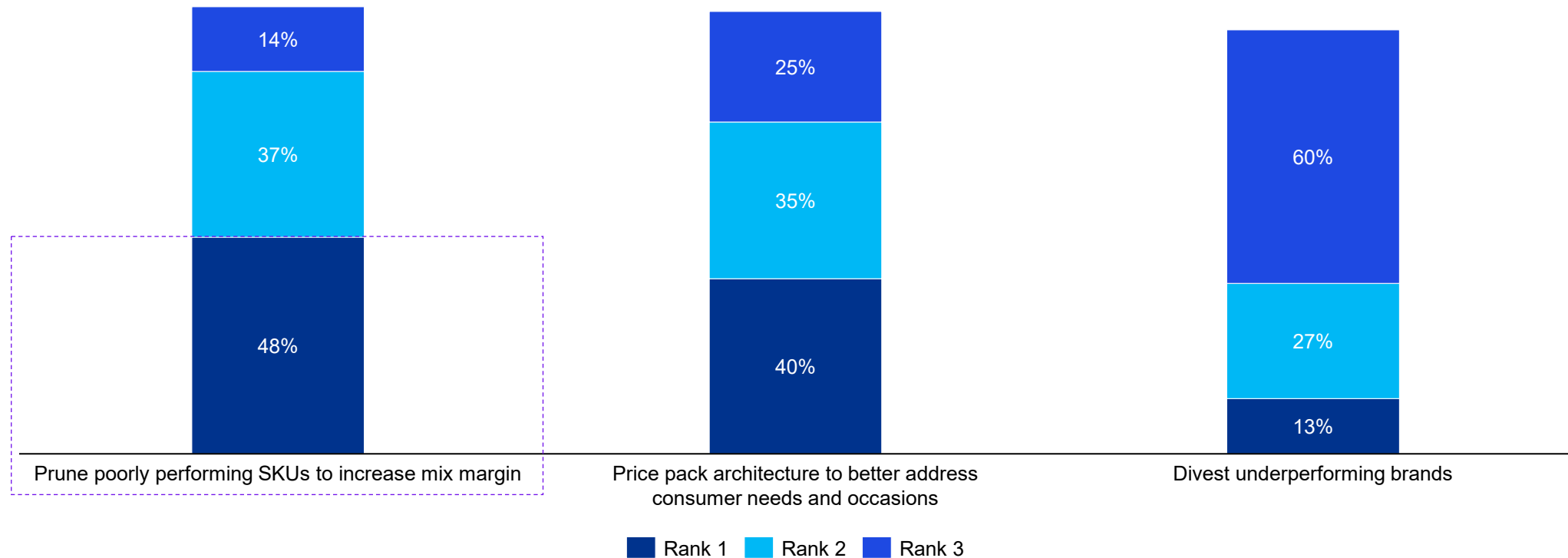


Note(s): (a) Excluded respondents who chose "Unsure/ Cannot Discuss" (n=1); (b) Excluded respondents who chose "Others" due to low n-count (n=2)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Pruning or divesting poorly performing products and adjusting price pack architecture, to create more price points and play in more consumer occasions, are default interventions for most CPGs

Calibration of portfolio to improve profitability (N = 100)

How do you intend to calibrate your portfolio to improve profitability?

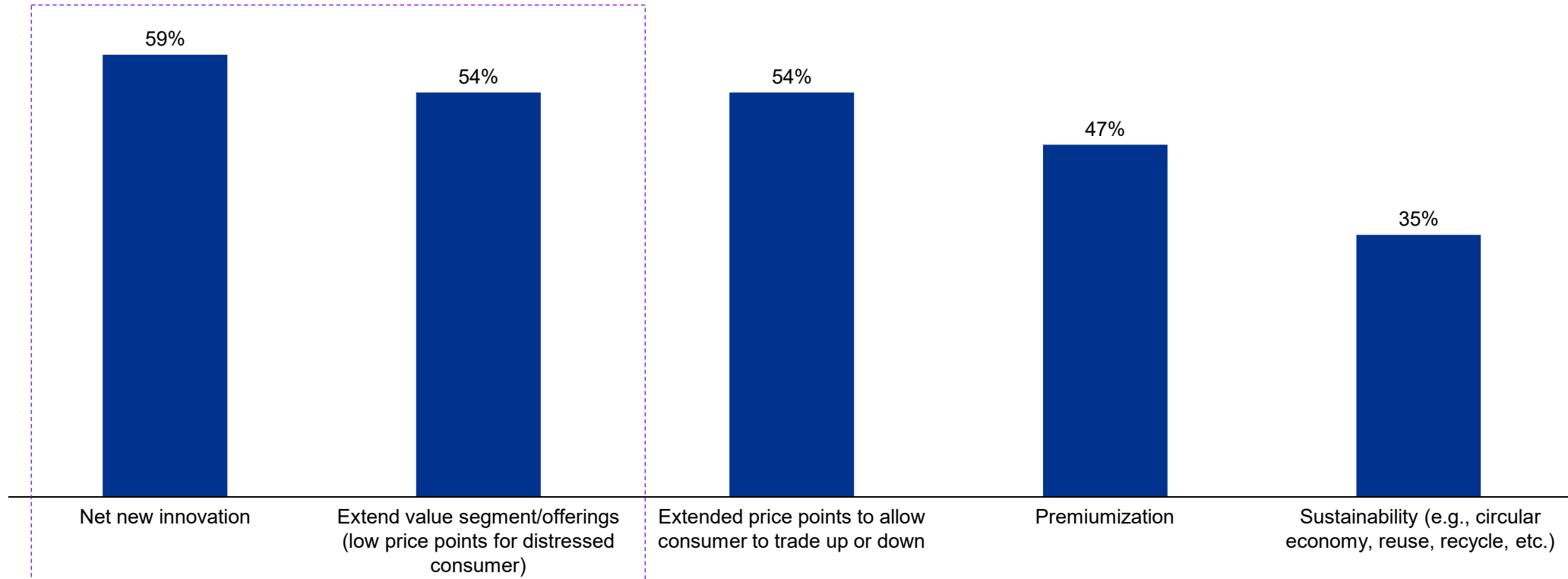


Note(s): (a) Excluded respondents who chose "Unsure/ Cannot Discuss" (n=3); (b) Excluded respondents who chose "Others" due to low n-count (n=6)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Transformation efforts to keep consumers “in brand” are anchored on net new innovations and extended value offerings to directly address decreased spending and buying patterns

Transformation efforts for consumer engagement (N = 100)

Where do you intend to focus transformation efforts to keep consumers “in brand”?

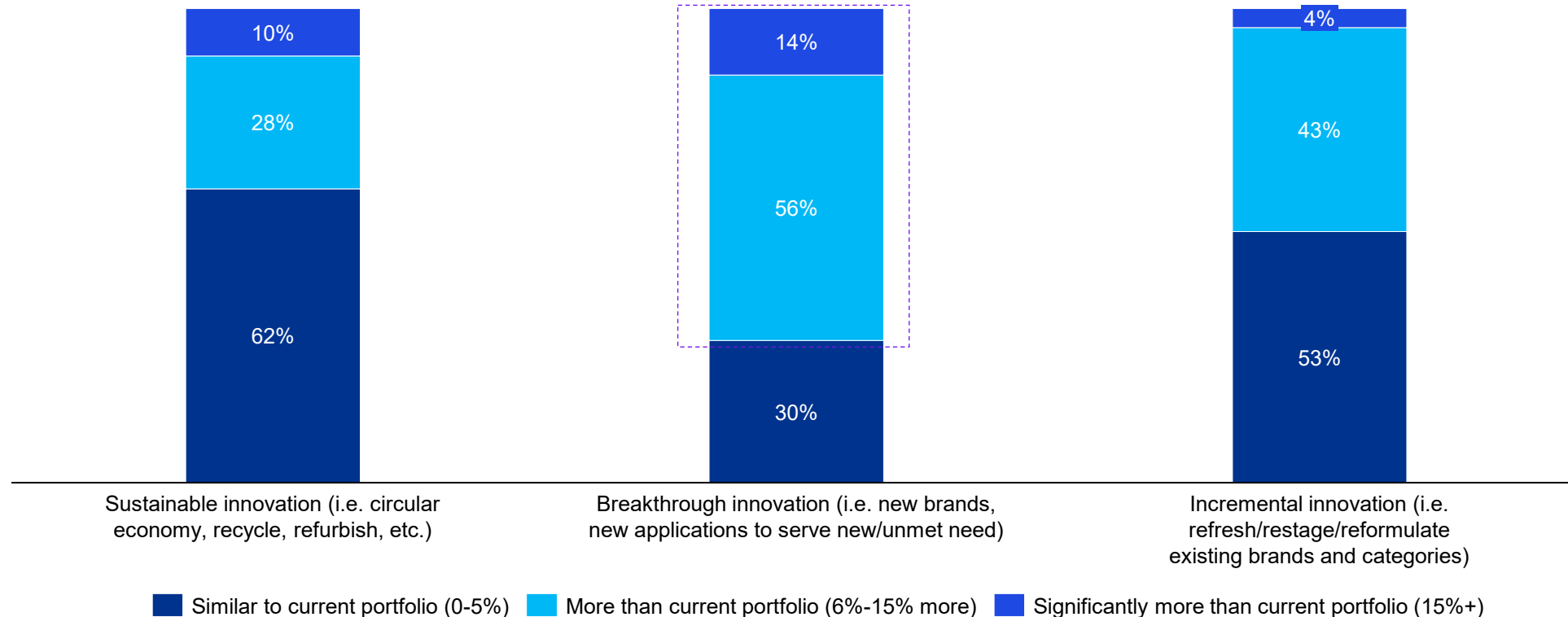


Note(s): (a) Excluded respondents who chose “Others” due to low n-count (n=0)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Innovation efforts are more closely aligned with margin expectations with disproportionate margin ambition for breakthrough innovation

Margin expectations from product innovation (N = 100)

What are your incremental margin expectations for your product innovation investments?

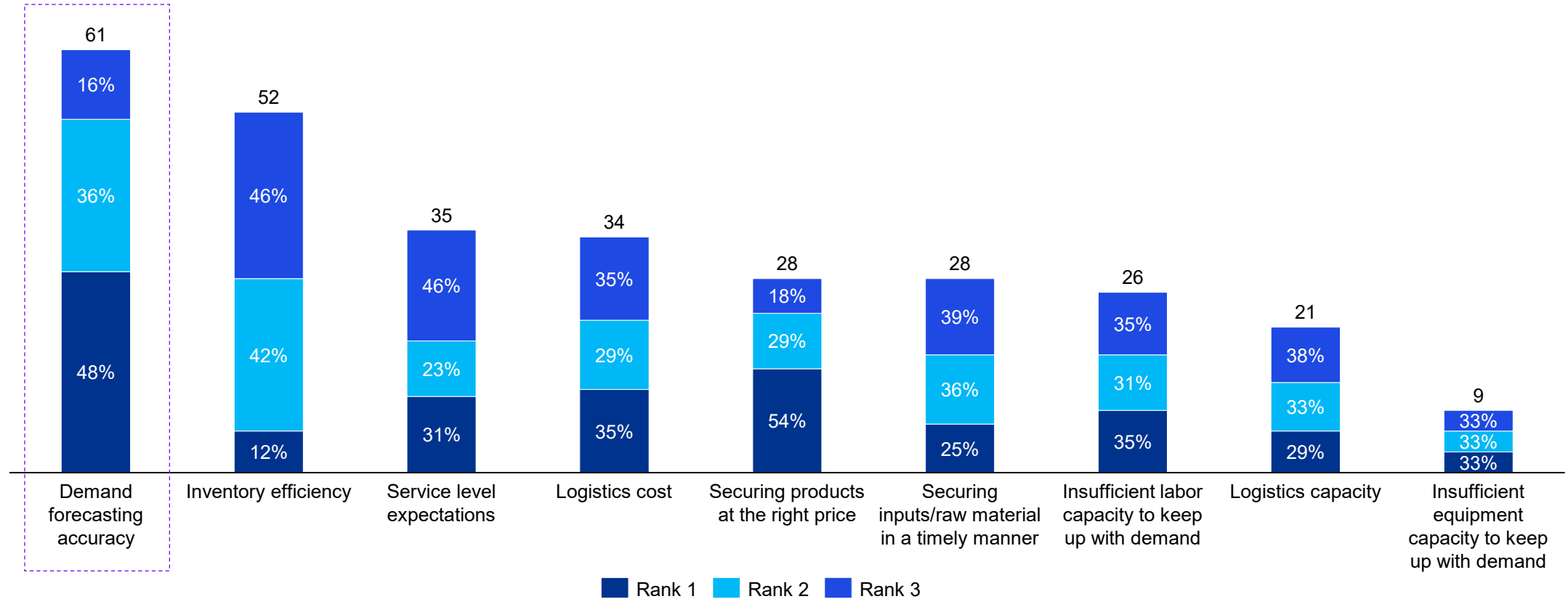


Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

With input costs remaining high and channel shifts apparent, majority of CPGs rank demand planning as the most critical capability to keep their total delivered cost at bay

Supply Chain Challenges (N = 100)

What are your most difficult supply chain challenges that hinder or slow your efforts to create a more resilient supply chain and preserve profitability?

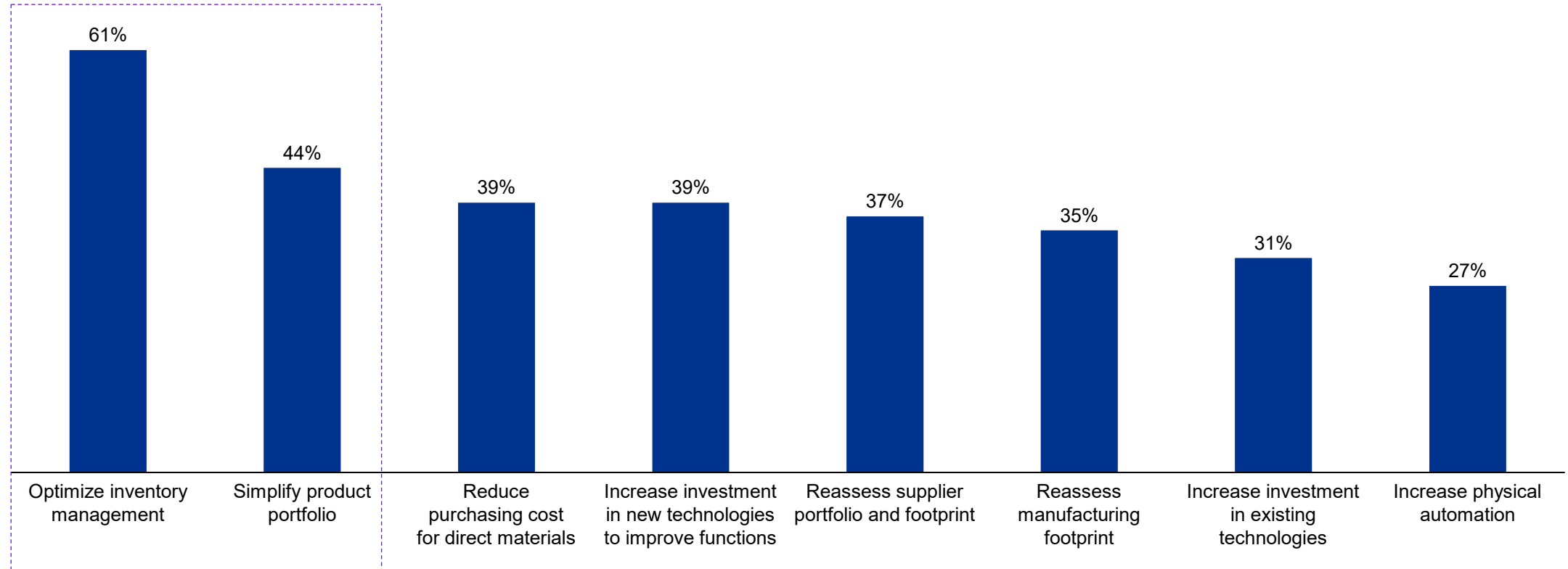


Note(s): (a) Excluded respondents who chose "Others" due to low n-count (n=0)
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Inventory optimization continues to rank highly for two thirds of CPGs to meet retailer expectations and keep costs low

Management of supply chain costs (N = 100)

How are you managing supply chain costs?

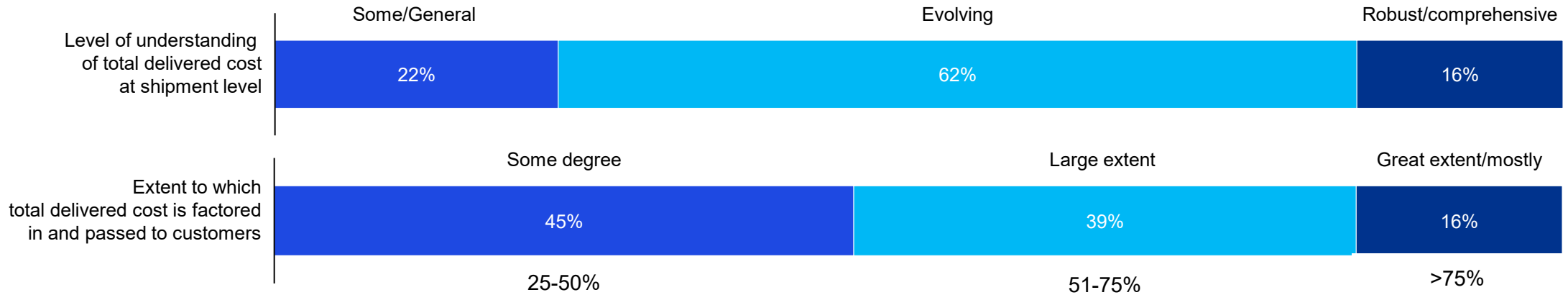


Note(s): (a) Excluded respondents who chose "Unsure/ Cannot Discuss" (n=2); (b) Excluded respondents who chose "Others" due to low n-count (n=0)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

While most CPGs have a general understanding of their total delivered cost to customers, but do not always act on it

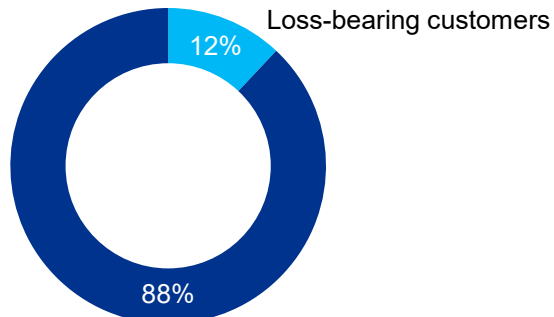
Total delivered cost impact (N = 100)

What is your level of understanding of your total delivered cost?

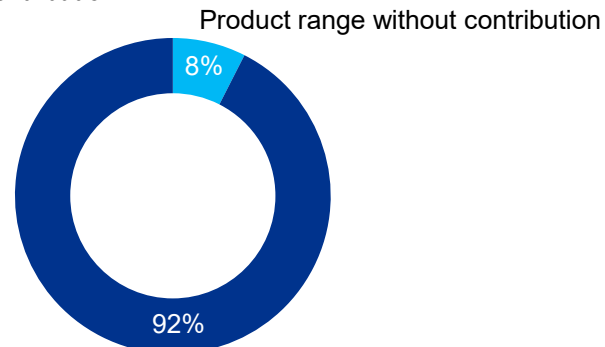


Total delivered cost impact (N = 100)

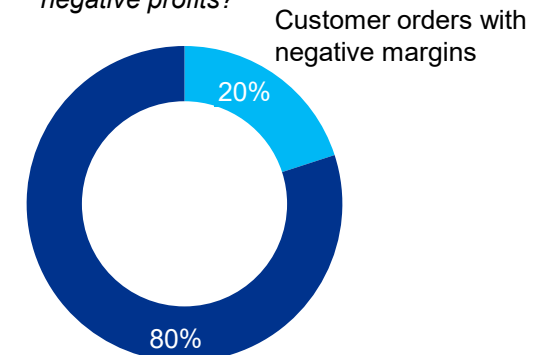
What portion of your customers serves are loss bearing due to high distribution & storage costs?



What portion of product range does not result in any contribution?



What portion of customer orders made led to negative profits?

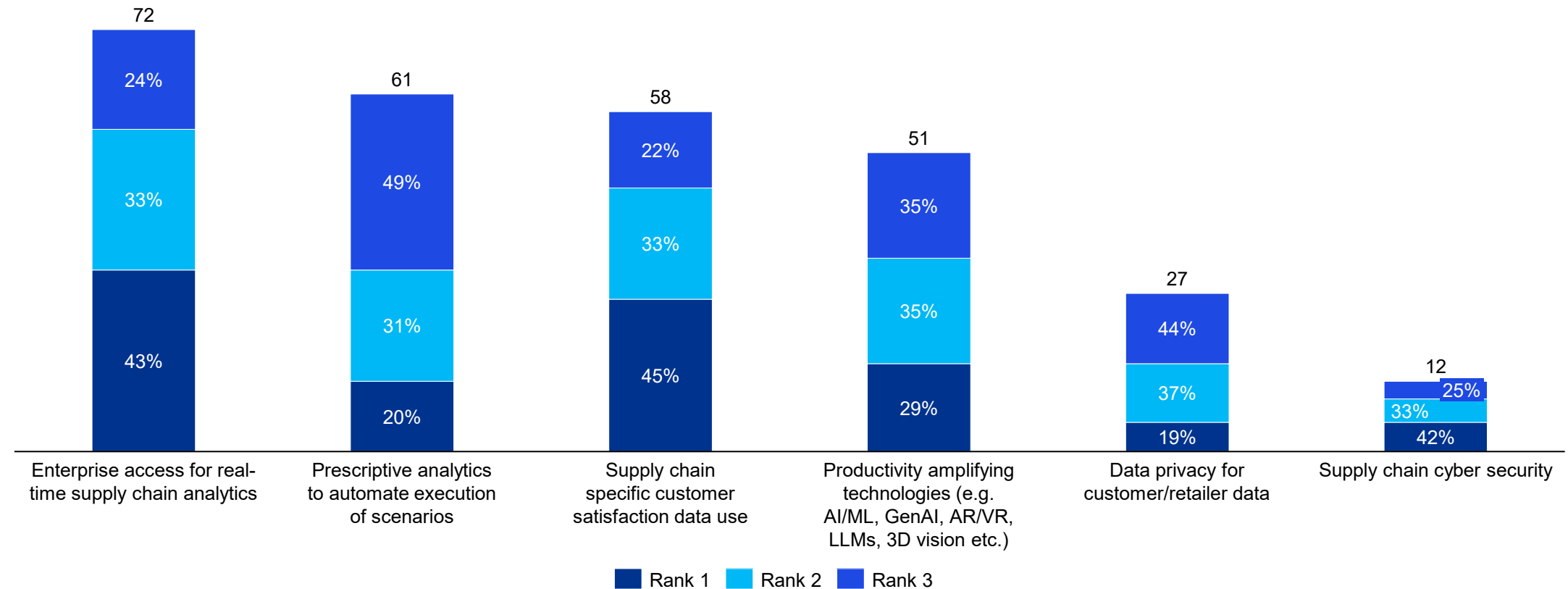


Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

Digital transformation efforts are centered around creating real-time supply chain insights and greater focus on analytics on retailer satisfaction as retailer execution is more important than ever

Digital transformation impact areas (N = 100)

Where do you see most economic value from your digitization efforts and investment?



Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

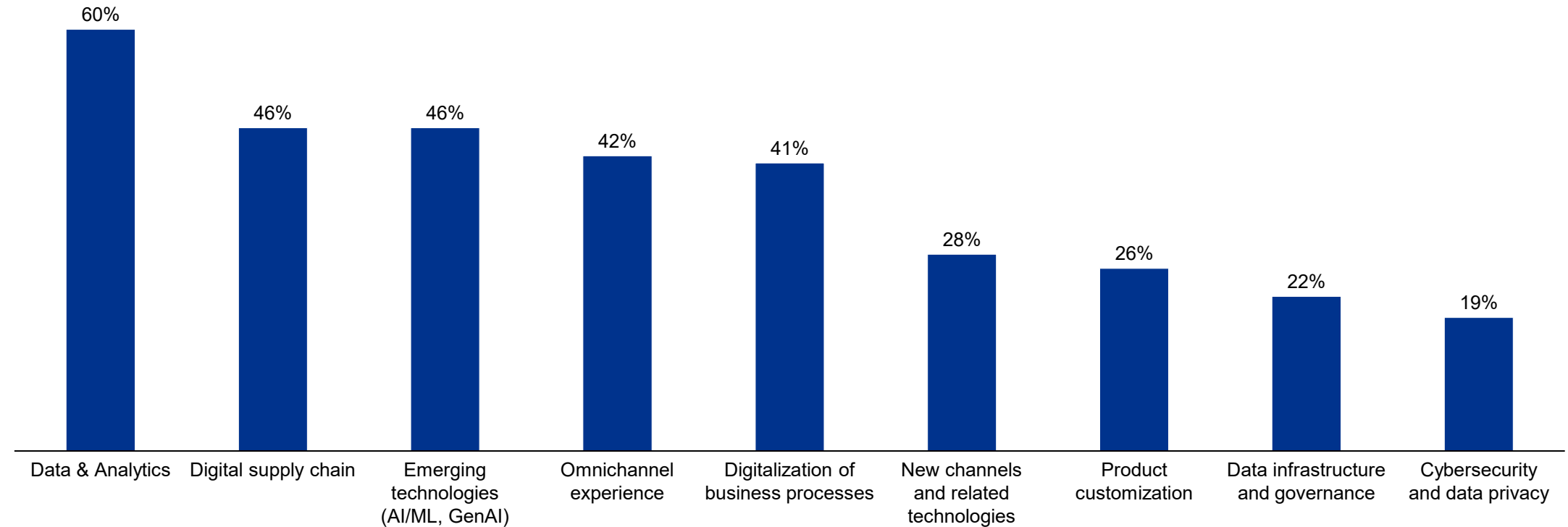
04

Next generation capabilities

Data & Analytics continues to be a top strategic priority with most CPGs investing cohesive data supply chains...

Investment focus for next 12 months (N = 100)

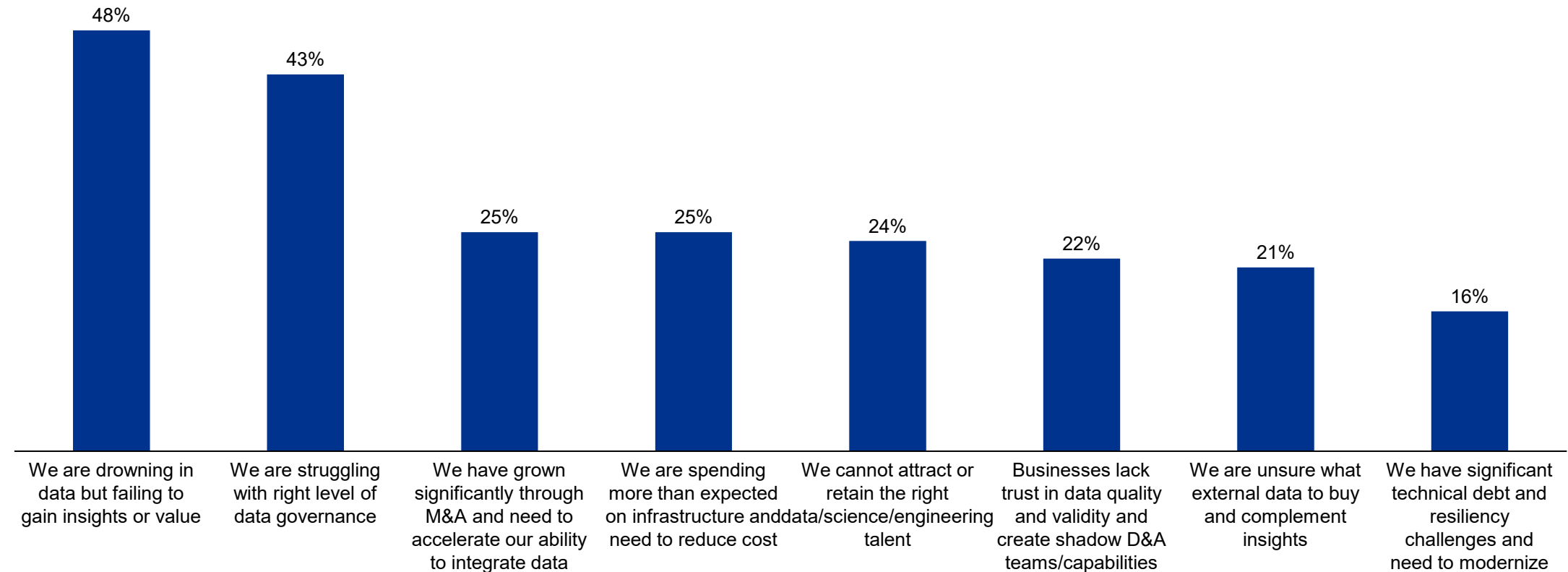
Where do you plan to increase your investments in the next 12 months?



Note(s): (a) Excluded respondents who chose "Do not know/Prefer not to comment" (n=2); (b) Excluded respondents who chose "Others" due to low n-count (n=1)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

However, many are still struggling to extract desired insights and creating the right level of data governance

Data & Analytics capability challenges (N = 100)
What are your Data & Analytics capability challenges?

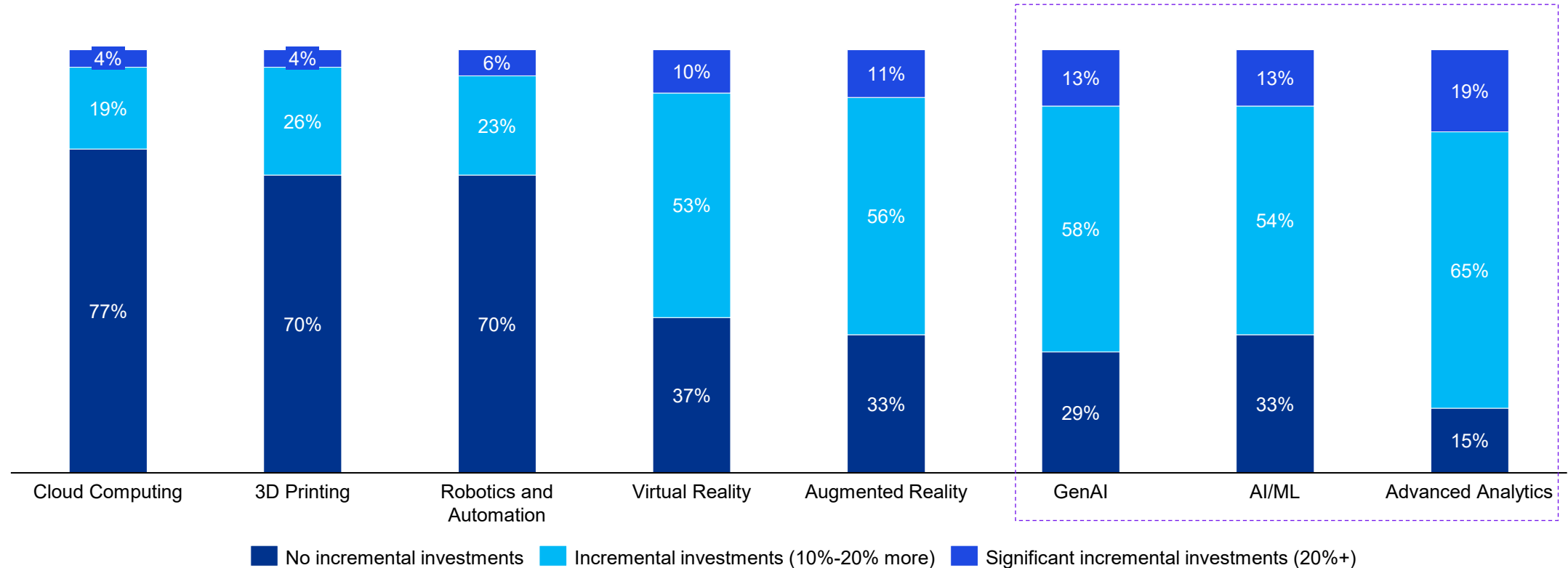


Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

After a year of experimenting, and learning, more deliberate investments are geared towards AI and GenAI with more line of sight to value creation

Investments in advanced technologies (N = 100)

To what extent do you plan to increase your investments across advanced technologies?

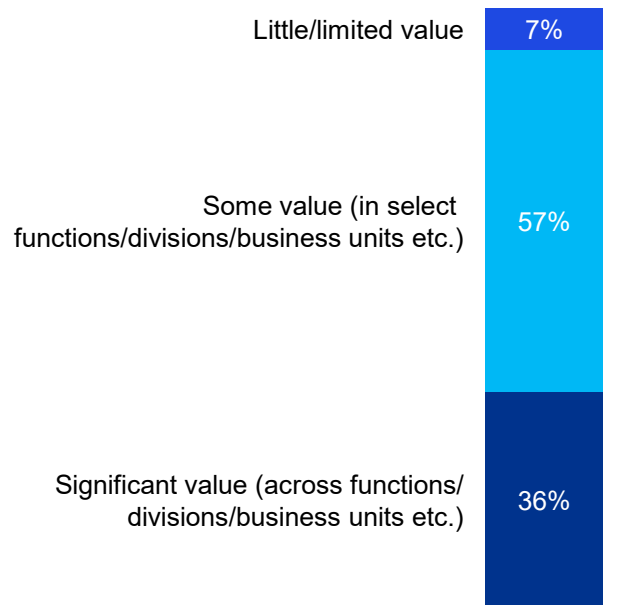


Note(s): (a) Excluded respondents who chose "Do not know/ Prefer not to comment" (n=2); (b) Excluded respondents who chose "Others" due to low n-count (n=2)
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

More than half of CPGs have developed and are applying specific GenAI use cases...

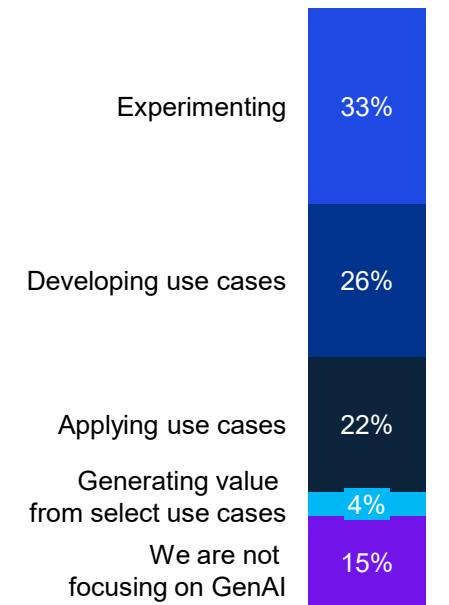
Value addition from Data & Analytics (N = 100)

To what extent have you seen Data & Analytics add value in your company?



Evolution of company's GenAI capabilities (N = 100)

To what extent have you evolved your GenAI capability building?^(a)

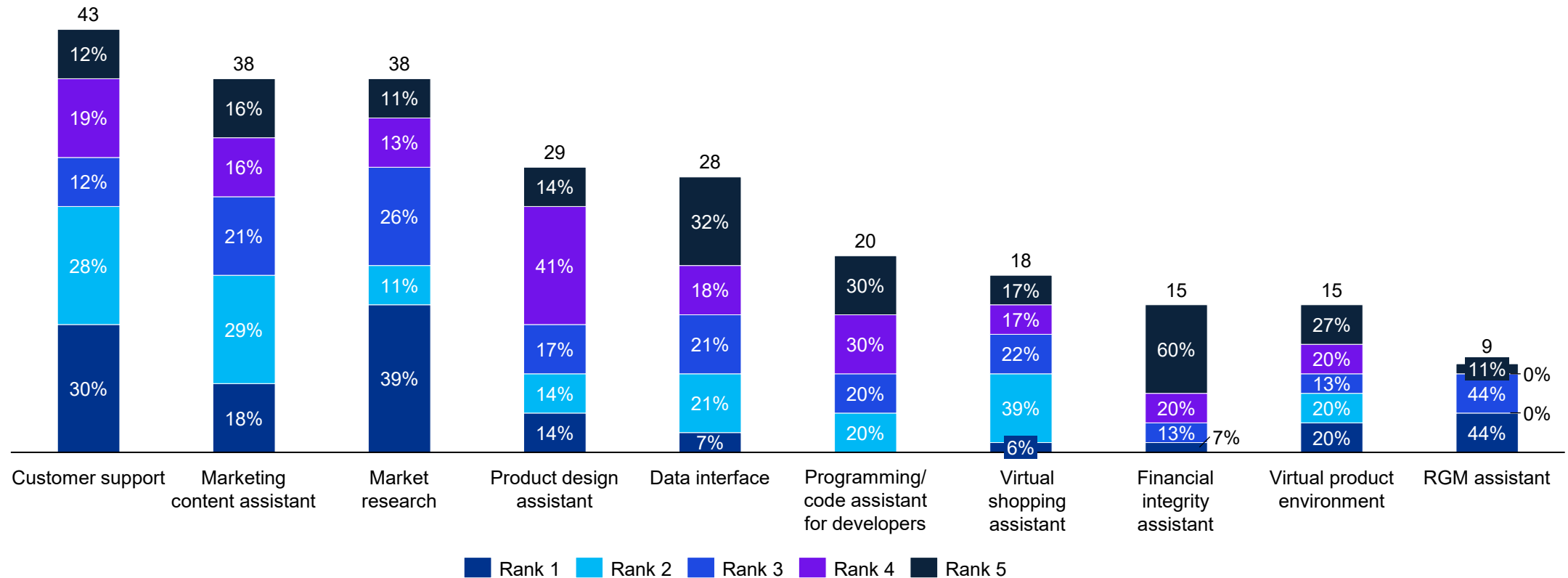


Note(s): (a) Excluded respondents who chose "Do not know/ Prefer not to comment" (n=2)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

... with greatest value and highest potential observed in the area of customer support and marketing content creation

Use cases for GenAI in Company (N = 100)

Which use cases do you see the highest potential for GenAI?



Note(s): (b) Excluded respondents who chose "Others" due to low n-count (n=2)
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

How KPMG can help | With forensic granularity, we help you better control and calibrate commercial strategies, improve cost bases and unlock value where over/underserving with customers are happening

Amplify ROI of RGM efforts

Isolate unprofitable products

Calibrate service costs

Know your demand generating investments

Know your profitable products and channels

Know what it costs to serve your customers

Purpose



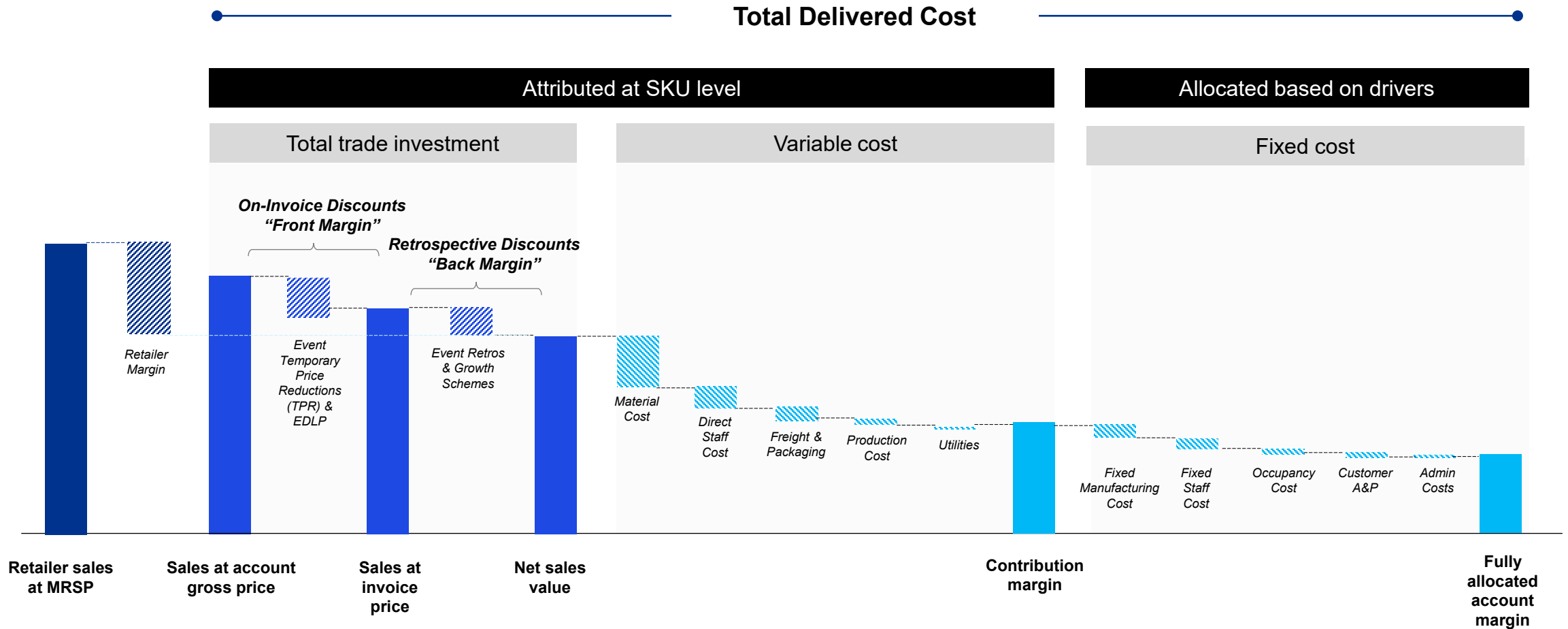
Value creation

- Reconfirm brand and pack purpose by retailers
- Apply long-term pricing ladders
- Evaluate concerted pricing and promotions
- Integrate promotion, pricing and mix decisions

- Calibrate portfolio mix
- Correct under/over pricing
- Adjust resource allocation to the most profitable and fastest-growing segments
- Improve cost of goods sold variance
- Align sales and marketing effort

- Restructure distribution channels
- Shift customers to different product mix
- Gain volume with low cost to serve customers
- Avoid over-servicing customers
- Negotiate alternate delivery times and frequencies

How KPMG can help | A full costed profitability analysis to determine the total delivered cost for customers helps uncover opportunities for further evaluation at customer, channel and SKU level



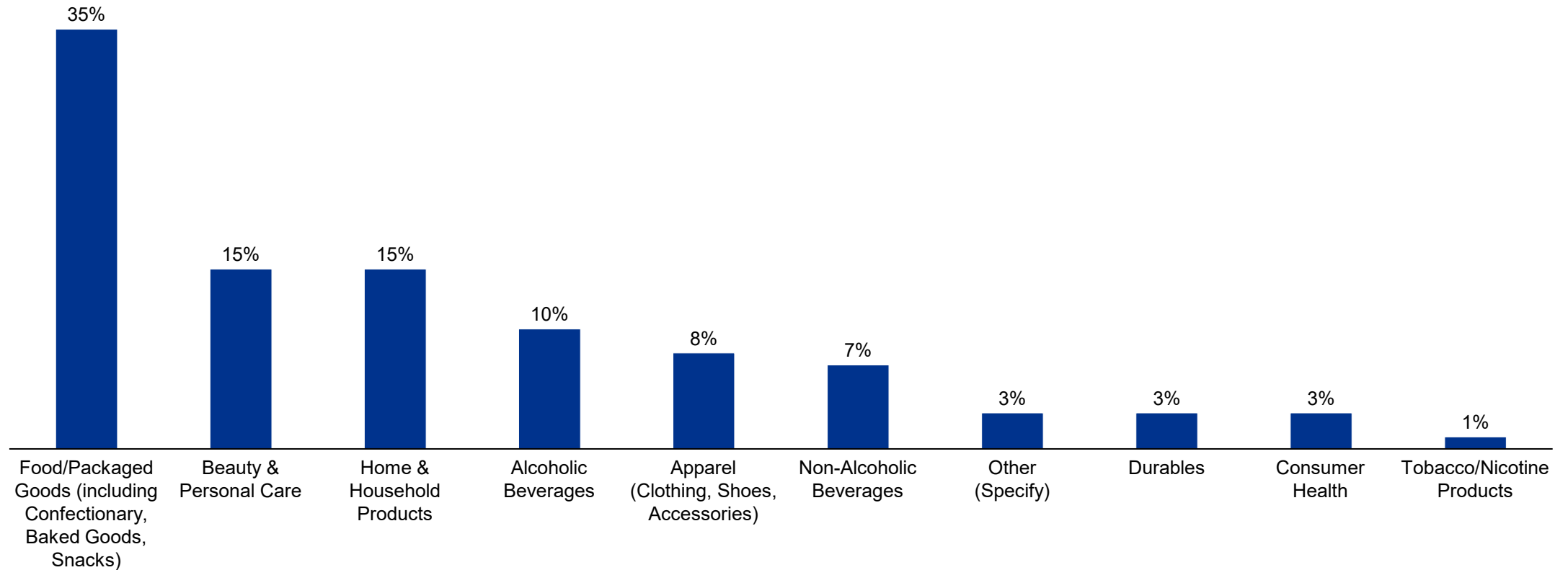
06

**Appendix I
Demographic
profiles**

Over one third of survey respondents represent the food/packaged goods industry

Respondents' consumer products sub-sector (N = 100)

Which of the following most accurately reflects your Consumer Products sub-sector?

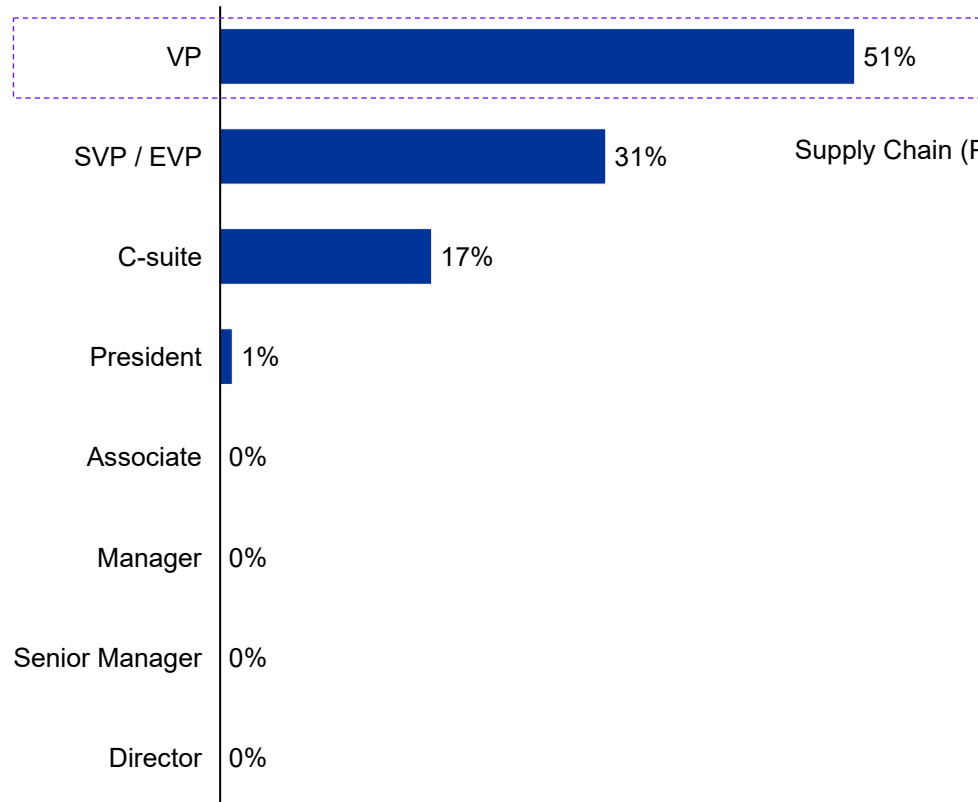


Note(s): (a) Excluded respondents who chose "Others" due to low n-count (n=3)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

~50 percent of survey respondents are VPs; Sales followed by marketing are the top two functional expertise amongst respondents

Respondents' current job level (N = 100)

What is your current job level?^(a)



Respondents' core functional expertise (N = 100)

What is your core functional expertise?^(b)

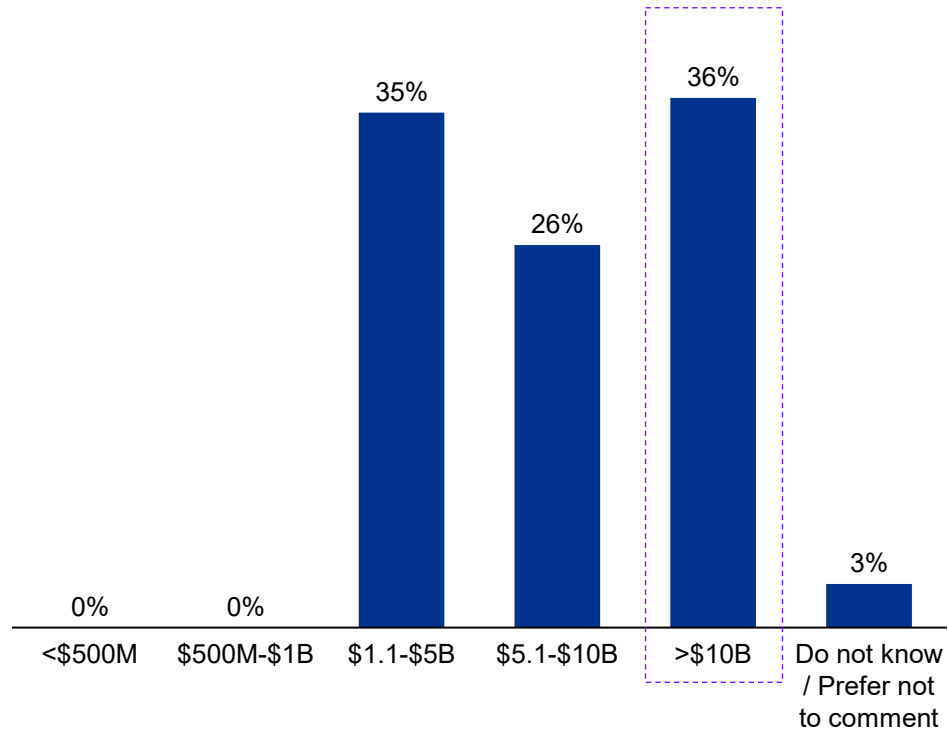


Note(s): (a) Excluded respondents who chose "Others" due to low n-count (n=0); (b) Excluded respondents who chose "Others" due to low n-count (n=1)
 Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024

~36 percent of survey respondents' CPG employers have >\$10B revenue; ~90 percent of the respondents belong to US

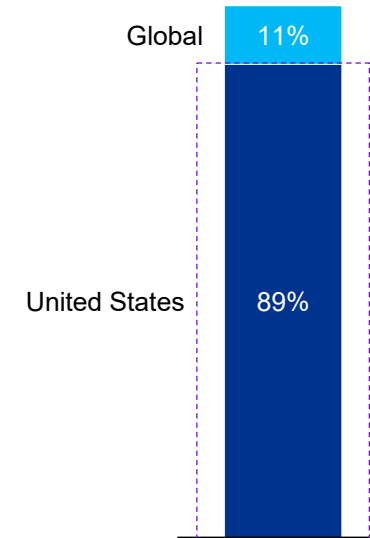
Revenue of current CPG employer (N = 100)

What is/ was the approximate company revenue of your current Consumer Packaged Goods (CPG) employer?^(a)



Respondents' geographic responsibility area (N = 100)

Please select the market(s) which align with your geographic responsibility.



Note(s): (a) Excluded respondents who chose "Do not know/ Prefer not to comment" (n=3)
Source(s): KPMG Consumer Products State of the Industry survey 2024, fielded April 2024
%s have been adjusted to sum to 100%

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