Redesigning the CPG growth engine:

From scale and price to speed, agility, and disciplined growth

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Executive summary

CPG leaders are confronting a structural shift: The operating model that once translated scale and pricing power into steady growth no longer holds. Population growth is stagnating, consumption patterns are changing how you buy, and private label is accelerating. At the same time, demand is more fragmented, less predictable, and shaped earlier in the purchase journey, while pricing is losing its ability to offset execution gaps.

Leading companies are responding by redesigning the growth engine around speed, precision, and disciplined capital deployment. This report outlines four moves required to make that shift.

01 Integrate real-time consumer signals directly into decision making and execution, closing the gap between insight and action.

02 Institutionalize active portfolio ownership, treating brands as tradable assets and adopting a continuous buy build divest model supported by faster innovation.

03 Embed productivity as a permanent funding engine, unlocking capital through simplification, better working capital management, and reduced decision latency.

04 Build a demand-led model that strengthens direct consumer connections while decoupling growth from fixed supply infrastructure through more flexible partner ecosystems.

Together, these moves create a more responsive, capital-efficient system that can capture share, fund reinvestment, and sustain growth in a low-tailwind market.

Introduction

Consumer packaged goods (CPG) companies that still rely on their traditional operating model are struggling to retain their advantage in an evolving market. Scale, efficiency, and pricing power no longer reliably translate to growth or margin expansion.

In this environment, incremental fixes fall short. Leading CPG companies are building new capabilities to sense demand, make decisions, allocate capital, and act with discipline. This report outlines the four strategic moves they are taking.

Why the model is breaking down

The pressures reshaping CPG expose where operating models built for scale and predictability are misaligned with today's environment. The breakdown is most visible across five areas:

01 | Growth now requires capturing share in a stagnant market

The days of easy growth are over, stopped by three major forces: flat populations, new health habits, and rising competition from store brands. First, the US population grew by roughly 18 percent from 2000 to 2020, but growth has slowed, with projections pointing to a five to six percent increase from 2020 to 2030 and only about a three to four percent increase from 2030 to 2035, reflecting a continued deceleration.[1]

Second, the rise of glucagon-like peptide-1 (GLP-1) weight-loss drugs is changing how people eat and drink. For example, recent survey data shows that 55 percent of GLP-1 users report eating smaller portions, directly impacting volume.[2] Finally, private-label brands are putting heavy pressure on brand-name prices and sales volume. In 2023, store brand sales grew at a faster rate than national brands (4.7% vs. 3.4%), signaling a meaningful shift in consumer purchasing.[3]

In this environment, CPG companies can no longer rely on a rising tide to lift their portfolios. They must now manufacture growth by fighting for incremental market share, inventing new consumption occasions, and expanding into untapped channels such as selling premium snacks. This multifront mandate exposes the deep flaws in the traditional CPG operating model, which was built to optimize a steady, predictable playbook, not to execute constant, rapid changes in strategy.

CPG companies can no longer rely on a rising tide to lift their portfolios. They must now manufacture growth.

02 | Demand has become more fleeting, fragmented, and difficult to forecast

Consumers now discover and buy products in fragmented ways, often before traditional retail data captures demand. Three structural shifts are driving this change. First, demand is increasingly shaped upstream by digital discovery, especially social platforms and creator ecosystems, where products can trend and sell out before appearing in syndicated data. Second, channel proliferation has splintered the path to purchase across direct-to-consumer sites, marketplaces, social commerce, and traditional retail, making demand harder to track in a unified system. Third, purchasing behavior has become more episodic, with smaller baskets, faster switching, and weaker brand loyalty, particularly among younger consumers.

As a result, demand is less stable and harder to call. Trends hit fast and fade quickly, and underlying demand moves faster than planning cycles. Forecasts built on past patterns no longer work, leading to consistent over- and underproduction.

Retailer data alone is no longer sufficient. It is inherently lagged and partial, reflecting what sold yesterday rather than what is emerging today. Without direct access to consumer signals, such as search, social engagement, and conversion data, companies are often reacting after demand has already shifted.

[1] U.S. Census Bureau, Historical Population Change Data (1910–2020) and U.S. population projections.
[2] Andrew Lindsay, Duleep Rodrigo, and Marc Plein, "From Cravings to Consciousness: Navigating the 'satiety economy' in the GLP-1 era," KPMG LLP, 2026; Acosta Group Press Release, "Consumers Taking GLP-1s for Weight Loss, Current or Discontinued, Drive Lasting Changes in Retail, Per New Acosta Group Study," April 14, 2025.
[3] Private Label Manufacturers Association (PLMA), "2024 Private Label Yearbook", 2024.

03 | Pricing power no longer compensates for execution shortcomings

Pricing power once masked stagnant demand, but that lever is weakening as price sensitivity rises and private-label competition gains share. Traditional revenue growth management (RGM) capabilities remain important, but they are no longer sufficient on their own to offset slower demand growth, rising fragmentation, and intensifying private-label competition. KPMG LLP analysis of earnings calls confirms that volume is harder to grow and consumer resistance to higher prices is hardening.[4] Furthermore, secondary data shows heavy promotions are eating into actual price gains, severely limiting CPG companies' ability to sustain price-led growth.[5] As this pricing buffer disappears, underlying operational vulnerabilities, such as slow decision cycles and rigid cost structures, are laid bare.

These vulnerabilities coincide with structural cost pressures, most notably from supply chain disruptions driven by trade friction and tariffs. In KPMG's latest tariff survey, 78 percent of organizations reported tariff-related increases in cost of goods sold, and 51 percent reported current gross-margin declines, underscoring that tariffs remain a meaningful headwind.[6]

In response, finance teams have improved cost visibility through more granular SKU-level analysis, but greater transparency does not restore pricing headroom. Price increases remain the default response, and are becoming less effective.

04 | Traditional operating models can't translate signals into execution

Competitive advantage now depends on how quickly a company turns demand signals into decisions and coordinated execution. Yet most CPG operating models are not designed to act on signals in real time.

The challenge is not a lack of signals, but the inability to use them. Whether data arrives late through retailers or directly from owned channels, it is rarely connected to the workflows governing pricing, inventory, and product development. Instead of triggering real-time activities, signals sit in disconnected systems and produce retrospective reports. This insight-to-execution lag leaves significant value on the table.

05 | Legacy models trap the capital needed for reinvestment

With price-led growth off the table, CPGs must generate funding internally. This makes active portfolio management and productivity interdependent levers for unlocking trapped capital. However, legacy operating models were not designed for this continuous reallocation, creating severe internal strain:

Capital trapped in static portfolios: As demand shifts, CPGs need to rapidly divest laggards and acquire or scale winners. But legacy models treat brands as permanent fixtures. This rigidity paralyzes capital reallocation and traps resources in mature, low-growth categories.

Capital trapped in episodic cost-cutting: One-off savings programs are exhausted, yet companies still need massive funding for digital capabilities and innovation. Traditional models lack the machinery to generate the continuous, repeatable productivity required to free up that cash.

Recent KPMG analysis shows management teams are heavily relying on both portfolio and productivity moves to offset cost pressures and fund reinvestment.[7] But without a modernized operating model, extracting that capital at the required speed can be exceptionally difficult.

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[4] KPMG LLP analysis of management commentary from CPG company earnings calls (including Conagra Brands Q4 FY24 and Marico Limited Q4 FY24), highlighting pricing pressures, volume constraints, and increasing consumer price sensitivity.

[5] KPMG LLP analysis of secondary CPG industry research on pricing and promotions, indicating increased promotional intensity is diluting net pricing gains and pressuring margins.

[6] KPMG LLP, "Tariff Survey 3.0," March 2026.

[7] KPMG analysis of management commentary from 21 leading CPG companies at the 2026 CAGNY conference.

Four strategic moves to redesign the growth engine

The pressures outlined above require more than just adjusting individual functions or launching stand-alone initiatives. CPGs need a fundamental reset of their core operating model. This means redesigning how they sense demand, make decisions, allocate resources, and execute with discipline. The four moves below are designed to work together to reshape growth from a collection of activities into a repeatable, cohesive system.

Executing this cohesive system, however, requires a new technological foundation. Artificial intelligence (AI) serves as the connective tissue for this modern model, not as a stand-alone initiative, but as the underlying engine that powers the speed and agility required across all four moves.

01 | Integrate signals, decisions, and execution

Companies that successfully close the insight-to-execution gap embed continuous consumer signals directly into their daily workflows. By building an integrated decision engine, they create a faster, more responsive system where execution actually keeps pace with demand. This requires embedding AI to bypass filtered retailer data, allowing the enterprise to sense demand directly and shift from retrospective reporting to real-time commercial decisions.

AI and the growth engine

AI is the underlying operating system that powers every lever of the modern growth engine:

Portfolio management: De-risks portfolio moves by modeling future scenarios, screening potential merger and acquisition (M&A) targets, and simulating the exact impact of stranded costs.

Innovation: Speeds up the research and development (R&D) pipeline by detecting consumer trends early, running virtual concept tests, and accelerating prototyping.

Productivity and availability: Maximizes inventory and shelf availability through predictive demand forecasting and automated logistics execution.

Marketing and commerce: Generates creative content at scale, measures the real-time return on investment (ROI) of influencer campaigns, and optimizes search on major digital retail platforms.

Tesla: Continuous learning from real-time signals

Tesla continuously captures signals from vehicle telemetry, sensors, and driver inputs[8] and feeds them into centralized AI systems for analysis.[9] These signals are used to train neural networks on large-scale infrastructure, enabling ongoing learning and improved decision-making around driving behavior and system performance.[10] The outputs are embedded directly into execution through software, allowing Tesla to continuously refine vehicle performance and autonomy capabilities. This creates a real-time signal-to-execution loop in which data from vehicles directly shapes product performance, with data-trained autonomy software generating $596 million in revenue in 2024.[11]

[8] Techahead Corp, "Tesla IoT Architecture: How Tesla Uses IoT," June 2026.
[9] Tesla, "Artificial Intelligence,"
[10] Applying AI, "How Tesla's Dojo Supercomputer Is Revolutionizing AI Training for Autonomous Vehicles," June 2025.
[11] Tesla, Inc., "Form 10-K for the Fiscal Year Ended December 31, 2024," February 2025.

02 | Institutionalize active portfolio ownership

As growth slows in mature categories and consumer preferences continue to fragment, portfolio rotation must become a permanent mechanism for value creation. This requires moving away from the traditional CPG mindset of "holding" brands forever and increasingly adopting the model widely used by private equity investors to build, scale, and exit portfolios of assets.

Institutionalizing this active portfolio management requires embedding five core disciplines into the operating model:

Treat brands as dynamic, tradable assets. The foundational shift is to move from infrequent strategic reviews to a model where brands are constantly evaluated against clear performance thresholds, with capital ruthlessly reallocated from underperformers to high-return opportunities. However, executing this shift is notoriously difficult. The threat of stranded costs acts as a severe barrier to these portfolio moves. Divesting a brand often leaves behind underutilized factories, fragmented supply chains, redundant overhead, and significant change management challenges, creating a high-risk financial burden that discourages executives from pulling the trigger on necessary divestitures.

Overcoming this hesitation requires deep operational discipline. Leading CPGs are beginning to demonstrate this resolve. Unilever, for instance, is actively reshaping its portfolio by spinning off its ice cream division,[12] a move completed in December 2025 to sharpen strategic focus and simplify its business, while making targeted acquisitions in premium personal care to align its portfolio with higher-growth categories.[13]

Beyond simple divestiture, institutionalizing this model often requires establishing dedicated platforms for growth segments, separating them from legacy structures to enable faster scaling and more focused execution.

Deploy institutionalized value creation playbooks. To drive returns consistently across a dynamic portfolio, value creation cannot be left to ad-hoc initiatives or the heroics of individual brand managers. Leading private equity (PE) firms excel at institutionalizing value creation by developing and deploying standardized playbooks in the form of repeatable sets of plays designed to accelerate growth or execute turnarounds with speed and precision. These playbooks codify best practices across critical operational levers, from pricing and go-to-market execution to cost optimization and innovation.

The impact of this approach is visible in PE-led turnarounds. When acquiring Hostess Brands, for example, its PE owners applied a clear playbook focused on rationalizing operations and modernizing manufacturing and distribution to restore profitability.[14] This systematic approach, applied with discipline, is what allows PE firms to consistently extract value where traditional owners could not. For CPGs, the goal is to build a similar internal capability: a library of proven, repeatable strategies that can be deployed quickly as assets enter, exit, or are transformed within the portfolio.

Industrialize a test-and-scale innovation engine. Active portfolio ownership means building new brands and products. Launching the 14th flavor of an existing snack brand won't capture meaningful share in a stagnant market. The market demands step-change innovation: creating entirely new categories, commercializing functional ingredients, and deploying breakthrough packaging.

Because traditional R&D takes years, companies can initially partner with food-tech start-ups and agile comanufacturers to outsource early prototyping and get concepts into test markets in weeks.

As these agile capabilities are integrated internally, the product pipeline can be managed with structured efficiency using clear, performance-based milestones. If a pilot product does not meet projected sales velocity within, say, 90 days, resources could be redirected to more promising initiatives. Conversely, meeting performance goals streamlines the pathway to national distribution. Applying this portfolio-management approach to physical goods accelerates time-to-market while maintaining financial discipline.

The market demands step-change innovation: creating entirely new categories, commercializing functional ingredients, and deploying breakthrough packaging.

[12] Unilever PLC, "The Magnum Ice Cream Company demerger," accessed June 10, 2026.
[13] Unilver PLC, "Unilever acquires personal care brand Wild," press release, April 1, 2025.
[14] Hostess Brands, Inc., "Form 10 K for the fiscal year ended December 31, 2016," March 2017.

Build an agile talent model. High-velocity portfolio strategy requires a talent model built for speed and effective change management. The traditional CPG structure is often too siloed for rapid portfolio transformation. Instead, companies must adopt the PE approach: deploying dedicated teams and cross-functional squads to execute transformations at pace.

The most critical starting point is redesigning incentives. The PE playbook tightly aligns compensation with long-term value creation, often linking rewards to EBITDA multiples. This helps ensure execution teams share the same motivations as shareholders. By shifting away from short-term, incremental sales targets, CPGs can remove the friction that currently discourages bold, long-term portfolio moves.

Adopt a creative partnership model. In today's dynamic market, CPGs can no longer rely solely on full, large-scale acquisitions to build or buy growth. A more agile approach to capital deployment is needed. This involves using a flexible toolkit of creative partnerships including minority stakes, staged investments, and joint ventures to access new capabilities, enter emerging categories, and "test and scale" opportunities before committing to full ownership.

L'Oréal has used minority investments to enter adjacent growth areas without committing to full ownership. For example, the company acquired a 10 percent stake in dermatology firm Galderma in late 2024, and closed the deal on a second 10 percent stake in February 2026, strengthening its exposure to the fast-growing aesthetics market while preserving flexibility over long-term ownership.[15]

Kimberly-Clark has taken a different approach, using a joint venture structure to reshape its portfolio. In 2025, the company announced an agreement with Suzano to form a new venture that will include substantially all of the assets of its International Family Care and Professional business. Kimberly-Clark will retain a 49 percent minority stake, while sharpening its focus on higher-growth, higher-margin businesses.[16]

By combining a dynamic buy-build-divest mindset with more flexible capital deployment models, CPGs can stop reacting to market shifts and start building a repeatable engine for portfolio transformation.

03 | Embed productivity as a permanent funding engine

As pricing power tightens and costs remain volatile, productivity can no longer be treated as a periodic, defensive lever to protect margins. It must become a permanent, strategic capability that serves as the primary funding engine for reinvestment in growth. This shift centers on structural levers including simplification, automation, network redesign, organizational delayering, and working capital velocity. The primary barriers are often hiding in plain sight: bloated working capital, high decision latency, excessive SKU complexity, and poor ROI on promotions.

Overcoming these barriers requires structurally rewiring the business. It means using AI to eliminate decision latency, radically simplifying the portfolio to cure SKU bloat, and breaking down the silos between supply chain and trade spending to finally expose the true cost of complexity.

[15] "Galderma Welcomes Increased Equity Investment from L'Oréal," Galderma, December 8, 2025.

[16] Kimberly-Clark Corporation, "Kimberly-Clark Announces Major Step Forward in its Powering Care Transformation," press release, June 5, 2025; Suzano, "Suzano and Kimberly-Clark announce the creation of a global tissue company operating in over 70 countries," press release, June 5, 2025.

While few CPG companies have fully mastered this discipline, leading organizations in other sectors show what it looks like to evolve productivity from a savings program into a core part of the operating model that drives both efficiency and growth.

One example comes from Royal Caribbean, which has used productivity to reshape how it captures value. By investing in private destinations, the company has increased higher-margin onboard spending while reducing reliance on lower-margin port excursions.[17] For CPGs, the parallel is to look beyond cost-reduction programs and use productivity to shift the mix toward more profitable and defensible sources of growth.

This also means simplifying how the organization works including cutting layers to speed up decisions and managing inventory and cash more tightly so more money can be reinvested in growth.

04 | Build a demand-led growth engine model

For decades, scale and owned infrastructure defined CPG advantage. Today, demand volatility exposes the limits of systems built on fixed capacity and long planning cycles. These legacy models are too rigid to adapt, making it difficult to capture new sources of growth.

To regain agility, leading companies are decoupling their growth levers such as brand, consumer relationships, and innovation from their physical assets. This creates a highly responsive, two-part operating model:

Own the consumer connection. This first half of the model focuses on owning the consumer relationship, a connection previously managed by retailers, to capture real-time demand signals. The goal is to transform the business from a slow, forecast-driven "push" system into a fast-response "pull" mechanism.

Today, capturing those signals means building a seamless digital shopping system. The system must connect the entire journey from discovery to checkout, starting with the online creators who shape what consumers buy. That social buzz must then feed directly into a brand's own website while also meeting the strict content and data requirements of major retail platforms. The loop closes by enabling shoppers to instantly buy a product directly from an ad, social post, or live stream with a single click. This digital ecosystem extends into the store as well, connecting online buzz to live promotions on digital shelves and smart carts.

Create a more flexible supply and fulfillment model. The second half of the model involves strategically shifting from owned infrastructure to a flexible ecosystem of external partners, such as comanufacturers, bottlers, and third-party logistics providers. This approach reduces capital intensity, converts fixed costs to variable costs, and allows for faster scaling and adaptation.

The apparel industry provides a clear blueprint. Nike operates a highly flexible manufacturing model, using a network of external partners to scale production up or down as demand shifts.[18] This allows the company to focus on brand, design, and consumer engagement while maintaining the ability to respond quickly to changing market conditions.

Within CPG, similar approaches are taking hold. Companies are increasingly using external partners and comanufacturers to create more flexible supply models that can adjust to demand variability. This is not simply about outsourcing—it is about building a system that can respond faster and more efficiently as demand changes.

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[17] Royal Caribbean Group Press Center, "Royal Caribbean Group Introduces the 'Perfecta' Performance Program," March 4, 2025; Quartz, "How RCL's Digital Booking Strategy Is Reshaping Cruise Economics," May 27, 2026.

[18] NIKE, Inc., "Our Approach to Sourcing," accessed June 25, 2026; NIKE, Inc., "2026 Global Operations Update," April 2026.

Securing enduring market leadership

In a landscape where price and scale offer diminishing returns, the path to sustained value lies in closing the distance between market signals and capital allocation. When direct consumer data, dynamic portfolio decisions, and flexible supply networks operate as a synchronized engine, the entire organization accelerates. This integration eliminates the friction that traditionally stalls execution. By embedding speed and adaptability directly into the core operating model, executives gain the agility to capture volume, protect margins, and secure enduring market leadership.

How KPMG can help

Redesigning the growth engine requires coordinated changes across four areas—how companies sense demand, make decisions, allocate capital, and execute. KPMG works with CPG organizations to translate these priorities into practical operating model changes.

Integrating signals, decisions, and execution.

KPMG helps organizations connect fragmented data sources and embed them directly into decision-making workflows across commercial, supply chain, and finance functions, enabling faster, more coordinated responses to demand shifts.

Embedding productivity as a funding engine.

KPMG helps organizations unlock structural productivity by improving working capital efficiency, simplifying portfolios and SKUs, and strengthening trade spend effectiveness, creating a repeatable source of funding for reinvestment.

Institutionalizing active portfolio ownership.

KPMG supports the transition to dynamic portfolio management by defining performance thresholds, evaluating portfolio options, and addressing execution barriers such as stranded costs, separation complexity, and integration planning.

Building a demand-led growth model.

KPMG supports the shift to more flexible, demand-led operating models by strengthening digital commerce capabilities, redesigning channel strategies, and enabling more agile manufacturing and fulfillment ecosystems using an asset-light approach.

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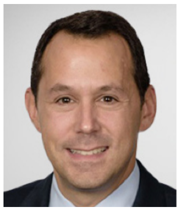

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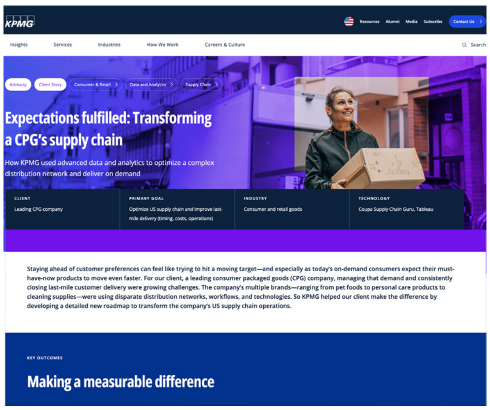

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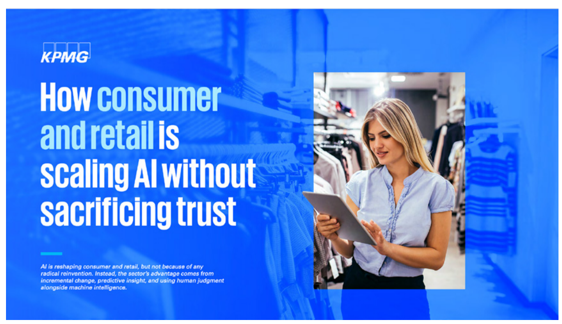

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