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## CPG DOOC INDUSTRY TRENDS 2021



## General Landscape

Competition in the CPG sector has always been intense, but food manufacturers now also face an increasingly fragmented retail market, as well as an evolving set of social trends that have changed the landscape of the industry.

Setting the agenda for CPG foods companies are issues of:

### **HEALTH & WELLNESS**

#### **OMNICHANNEL**

#### **PRICE SENSITIVITY**

#### TRANSPARENCY & SUSTAINABILITY

With enabling technologies like social media, mobile apps, and other digital technologies that pave the path to purchase, CPG foods companies are feeling the glare of the consumer spotlight. The COVID-19 pandemic strained the industry as supply chains struggled and consumers spent more time cooking at home. While 2020 was an unusual year, the market is still expected to grow 5.84% year-over-year to 2025.

#### REVENUE IN THE FOOD & BEVERAGES SEGMENT IS PROJECTED TO REACH \$26,774M in 2021

REVEN<mark>UE IS EXP</mark>ECTED TO SHOW AN ANNUAL GROWTH RATE (CAGR 2021-2025)

of **5.84%**, RESULTING IN A PROJECTED MARKET VOLUME OF \$33,597M BY 2025 ONLINE FOOD AND BEVERAGE SALES, INCLUDING GROCERY AND RESTAURANT ONLINE DELIVERY, JUMPED

**125%** IN 2020 TO \$106B



In 2020, food and beverage became the largest online CPG segment, and represented 44% of sales for the year. While online sales were obviously fueled by the pandemic, other pressures on the industry, such as clean store policies and consumer push for personalized experiences, could sustain online shopping in this category.



In order to help you understand the key drivers of change and keep their engagement with consumers relevant, we've put together this brief guide to CPG food industry trends.



## Health, Wellness, & Immunity

One of the most powerful trends in the U.S. CPG foods industry over the past few years has been an explosion in consumer preferences for products that promote health and wellness-and 2020 ushered in a new consumer focus on the role of nutrition in immunity.

Consumers are continuing to use food to manage their health and are being careful about what they put in their stomachs.

In a study from ADM OutsideVoice, 77% of consumers reported that they want to do more to stay healthy in the future, and immunity boosting foods, like honey, turmeric, and oranges, saw a sales lift in the last year.

74% 6% of consumers find that of Americans reported following a a "No Sugar Added" plant-based diet in the claim is important to them last year 57%

Plant-based food sales have grown 43% over the past two years

of consumers reported being more concerned about their immunity, as a result of COVID-19

of Americans cite digestive health as one of their health goals



of consumers aged 24 and up would like to reduce their sugar intake, which is an 8% increase from 2019

In response to these priorities, American food manufacturers are dramatically altering their strategies to serve consumers who are concerned about boosting their immunity and gut health, plant-based meat alternatives, and fewer sugars and fats in their foods.

In particular, the global plant-based protein market is expected to grow at a rate of 10% year-over-year. In addition to addressing consumers' nutritional goals, plant-based protein is viewed as a more sustainable, eco-friendly option-another trend we'll cover in this ebook.





# Transparency & Sustainability

The consumer demand continues for transparency on how companies perform when it comes to sustainability and corporate social responsibility—a pressure increased by many of the events we experienced in 2020. Food decisions are increasingly being based on where, how, and by whom products are made, grown, and raised.

## **Food Facts**

6 in 10 consumers are interested in learning about where their food comes from

Consumers cited **sustainability** as a top reason for adding **plant-based proteins** to their diet

**9 in 10** consumers see the pandemic as a chance for companies to **"reset"** and start being more environmentally and socially responsible

Consumers are **4 times** more likely to buy from a brand with a strong purpose

**3 in 4** consumers expect companies to make investments in sustainability

Consumer demand for transparency in information and production is driving the evolution of the food industry, requiring brands and manufacturers to rethink more than their marketing strategies. Efforts to implement sustainability and social responsibility need to be authentic and supported by every aspect of a business and its supply chain.

Authentic changes made by brands to support sustainable causes and reduce their impact on the environment build trust and loyalty with consumers. Consumers are 6 times more likely to protect and 4.5 times more likely to champion and recommend a company they believe is authentic in driving change.



## Online & Omnichannel



Every sector saw a jump in online sales during 2020. However, prior to the pandemic, industries like grocery were behind in e-commerce adoption. Even though services like Shipt and Instacart, as well as curbside pickup from major retailers like Target and Walmart, have been around for some time, regular use by a majority of consumers was still low.

At the height of the pandemic, grocery stores reported 20-30% of their business shifted online. But by the end of 2020, online shopping for groceries had dropped down to between 9% and 12%. However, grocery ecommerce in the U.S. is expected to grow to between 14% to 18% market saturation in the next three to five years. A McKinsey study recently found that 28% of consumers surveyed shop online for groceries once a week, and 21% do so more than once a week. 43% of consumers said they would continue to do at least some of their grocery shopping online post-pandemic. With more consumers leaning on grocery pickup or delivery services, brands have few opportunities to reach them with marketing in stores.

No matter where consumers buy their groceries, they expect a seamless experience across platforms. An omnichannel approach is necessary in today's market to compete. Availability and experience with your brand across online and brick-andmortar stores is a requirement to connect and maintain relationships with consumers.

Additionally, physical store space for marketing has gone down, as many retailers maintain their clean store policies and allot extra space for social distancing. With a more competitive space in-store for displays and signage, channels like social media and other digital marketing are important to capturing consumers' attention.





TREND

Brands are spending more. Raw materials, packaging materials, transportation and logistics, and consumer pressure to lessen their environmental impact are affecting the bottom line of companies big and small-leading to price increases. Major brands like Coca-Cola, Unilever, Nestlé, Mondelez **International, and General** Mills have all raised prices or announced that price increases are coming.

Raising prices, especially as consumers become more price-sensitive, is not ideal. However, McKinsey found that, since the onset of the pandemic, CPG companies have taken on increases of up to 50% in certain cost categories.





## Best Practices for the CPG Food Industry

In a rapidly evolving environment, CPG brands today need to push the envelope in their quest to engender loyalty from their increasingly diverse customers. The brands that succeed will find ways to engage their audience with their brand stories and purpose via digital technology.

#### **PROMOTE TRANSPARENCY**

Effectively market to the keen, information-hungry consumer in an immersive and engaging way. Innovations like Augmented Technology can be used to convey Nutritional information, ingredients, customized recipes, and behind-the-scenes of production, creating an immediate connection with the consumer - on demand, and potentially for keeps.



#### MAKE ENGAGEMENT INSIGHTFUL

CPG brands are using digitally-derived consumer insights to support their marketing campaigns. Access all forms of data including consumer locations, online and offline behavior across channels collected from social listening and digital promotions to create a 360 degree view of a customer and enable further engagement and personalisation.



#### **MAKE ENGAGEMENT SIMPLE**

The easier your promotions are to engage with, the more likely your consumers will participate. Taking your promotions digital and leveraging technology is a great way to ensure this. For example, leverage receipt processing to enable ease of entry / participation while collecting a wealth of consumer data.

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Our modular CUSTOMER ACQUISITION RETENTION & ENGAGEMENT platform enables implementation of data rich omnichannel, device agnostic programs from one-off promotions to evergreen loyalty programs. We capture unique zero party data in real time and build a single unified customer view, driving personalization and brand loyalty.

For over a decade, we have worked with the world's leading organizations in both B2C and B2B spaces, across industry verticals including consumer packaged goods, retail, pharma, utility, home and outdoor, alcohol, tobacco, lifestyle and more.

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