

Growing Your CPG Business

How to Navigate Retailer Consolidation -
Act Now to Gain an Advantage

October 2023



KEY TAKEAWAYS

Compared to other advanced economies, the U.S. grocery retailer landscape is less concentrated. However, recent retailer M&A is the most active in decades and requires CPG manufacturers to act now to grow.

The M&A acceleration is creating exciting opportunities with retailer data, new retail media investment, and supply chain optimization. Capitalizing on these changes requires planning and dedicated initiatives.

Implementing 3 key strategies will create an advantage for CPG manufacturers during retailer consolidation:

1

Create value with new Data and develop joint category growth plans

2

Optimize Investment, specifically with retail media networks, in the new landscape

3

Identify and execute Supply Chain efficiency opportunities

INTRODUCTION

There are many big names in the news – Kroger, Albertsons, Aldi, Southeastern Grocers, and C&S. The new landscape will materially impact how CPG manufacturers work with their retail partners. We believe that manufacturers must begin planning for this shift now to gain a competitive advantage.

For the 1st installment of the Growing Your CPG Business series, Cadent Consulting Group will address How to Navigate Retailer Consolidation.

This overview provides:

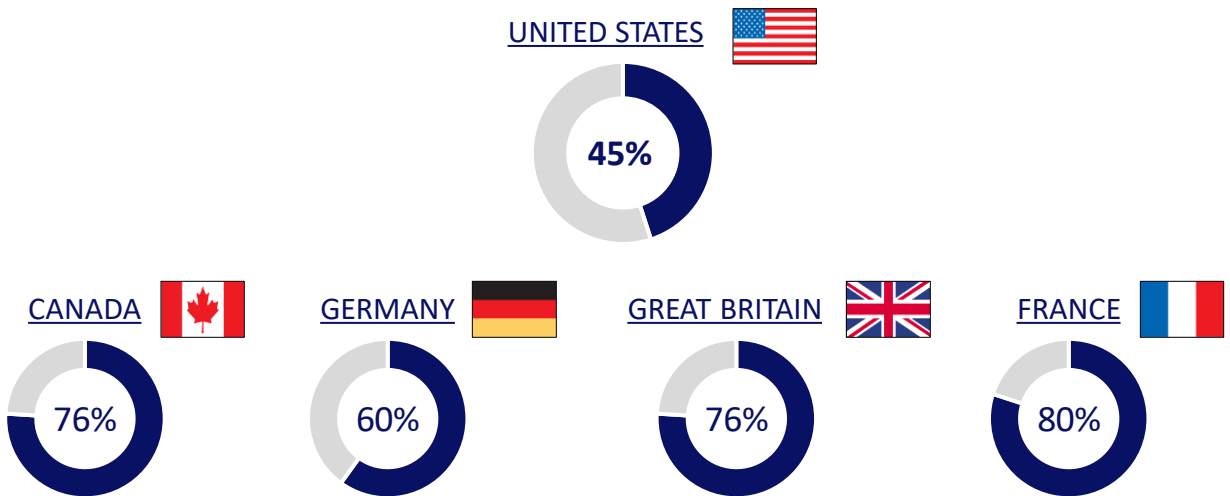
- Global Context of Retailer Consolidation & Concentration
- Strategies to Grow in an Era of Retailer Consolidation



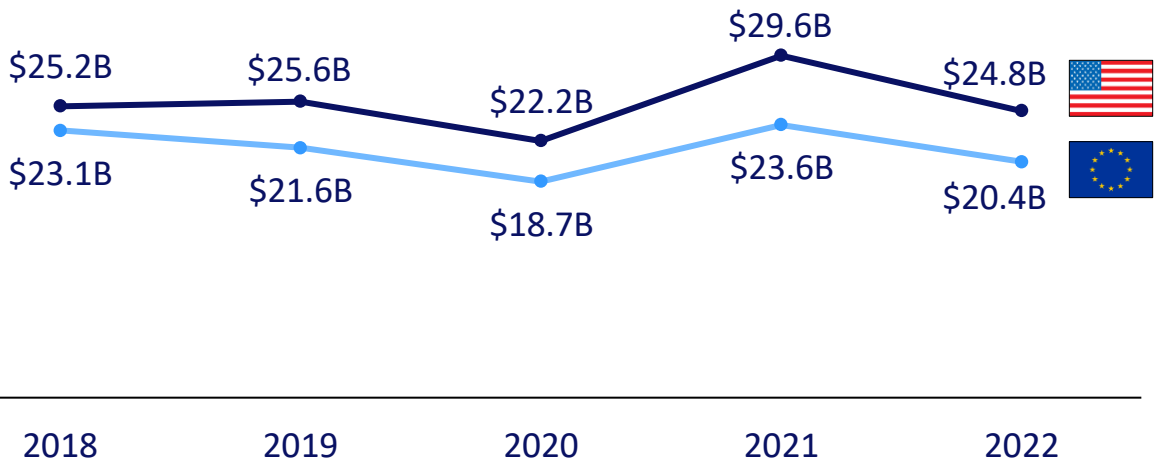
GLOBAL CONTEXT

The U.S. grocery retailer landscape is less concentrated than other advanced economies. However, U.S. M&A activity is outpacing others, indicating this is an opportunity CPG manufacturers must address in the foreseeable future.

% of Grocery Retail Market Controlled by Top 5 Retailers (CY 2022)



Total Retailer M&A Activity (\$ Billions)



STRATEGY 1: CREATE VALUE WITH NEW DATA AND CATEGORY GROWTH PLANS



In the past, CPG manufacturers working on a category growth plan could leverage a data service that covered a broad group of retailers. There was an efficiency to creating a national growth story that could be customized to select retailers with minimal effort.

With retailer consolidation, leading CPG manufacturers will use new data sources to combine with a single retailer's data to provide maximum value.

Combining new data with a retailer's data requires a new path, one that Cadent is already taking with its clients.

CADENT CASE STUDY

In a recent engagement, a CPG manufacturer needed to craft a custom growth story for a key retailer with a unique data set. To supplement the data analysis, Cadent also conducted primary research of that retailer's shopper segments. As a result of the highly customized effort, the story resonated with the retailer, providing the manufacturer with incremental assortment and promotion opportunities.

KEY TAKEAWAY

Increased retailer consolidation will result in more customized growth plans. CPG manufacturers must consider the joint growth opportunity when weighing whether to purchase a retailer's data. If purchased and incremental resources are devoted, manufacturers can gain even richer insight into the retailer's shopper and its private label brand performance, enabling the provision of stronger growth stories.

STRATEGY 2: OPTIMIZE INVESTMENT AND LEVERAGE RETAIL MEDIA



Retailer consolidation provides scale to retail media networks. Not only do shopper universes get bigger after consolidation, but a single retailer's media network also grows.

Cadent can help to optimize manufacturer investment and measurement in this new, larger scale, retail media world.

CADENT CASE STUDY

Cadent worked with a client to create performance reports identifying the volume and shopper impact of the investment. The performance reports provide new clarity, beyond ROAS on what drives the business.

Additionally, Cadent regularly surveys CPG manufacturers and shoppers to analyze the state of Marketing Spend. [Click here for our 2022 Marketing Spend Survey](#) and dive deeper into shopper behavior and the rise of retail media.

KEY TAKEAWAY

Optimizing investment in a new footprint is key to continuing to drive growth for CPG manufacturers. Analyzing and harnessing the power of a retailer's media network can help you reach your consumers at the right time with the right message.

STRATEGY 3: IDENTIFY AND EXECUTE SUPPLY CHAIN OPPORTUNITIES



CPG manufacturers have to manage different retailer footprints with different warehouses with different order frequencies with different order quantities.

In a consolidated footprint, there is potential for more efficiencies and more savings.

Cadent has led its clients to discover better ways to identify, quantify, and execute these new supply chain opportunities.

CADENT CASE STUDY

Cadent partnered with a CPG manufacturer to design a supply chain program that was customizable to a retailer's purchasing dynamics. For example, the program had to be flexible to address out-of-stocks, late arrivals, or partial pallets. Built with shipment and order analyses, the end program included incentives that were customized. With one retail partner, both the manufacturer and the retailer were able to realize cost efficiencies by decreasing quarterly orders by 20%.

KEY TAKEAWAY

Retailer consolidation will lead to more opportunities for supply chain efficiencies. Creating joint programs that enable and optimize savings for the manufacturer and the retailer are essential in the new, consolidated world.

HOW CADENT CAN HELP

Cadent partners with CPG manufacturers to follow a 3-step process to quickly customize efforts with retailers.

1. Prioritize retailers and initiatives
2. Dedicate a focused team for targeted research and analysis
3. Develop a custom sell story for the retailer

Our practice is built around developing practical plans and selling those plans to retailers, frequently in 6-to-8-week timeframes. Reach out to Cadent at info@cadentcg.com to learn more.

Cadent is a team of practical strategists with deep roots in the consumer goods industry who bring an actionable, solution-oriented approach to consulting.

At Cadent, we exist at the intersection of shoppers, retailers, and manufacturers. We discover actionable insights across these 3 constituents through customized initiatives for our clients to deliver best in class strategy that helps accelerate profitable growth.

Our core practice areas are category leadership, investment optimization, path to purchase research, and supply chain execution.



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