

Growing Your CPG Business

The Evolving Shopper -
Act Now with Proven Growth Strategies

January 2024



KEY TAKEAWAYS

Shoppers enter 2024 with persistent elevated retail prices. This is a major driver of volume decline for CPG manufacturers. Due to inflation, shoppers are changing behavior in multiple ways such as buying in bulk, switching channels, and trading down to Private Label.

CPG manufacturers must adapt quickly to reverse sustained negative volume trends by addressing the evolving shopper. Levers, including category growth programs, trade funding, and assortment prioritization by channel require immediate attention.

Taking these three actions will create advantages for CPG manufacturers to grow volume:



1

Partner with retailers for customized category strategies that address the needs of shopper segments

2

Revisit trade plans to focus on the most effective promotions to boost volume

3

Identify the right assortment by retailer to take advantage of shopper shifts

INTRODUCTION

In the 1st installment of Growing Your CPG Business, Cadent provided strategies for managing Retailer Consolidation. Click [Here](#) to access the report.

In this 2nd installment, we focus on how to grow volume with the evolving shopper. Volume growth will be paramount in 2024 as investors are pressing CPG manufacturers to reverse volume declines and resume growth.

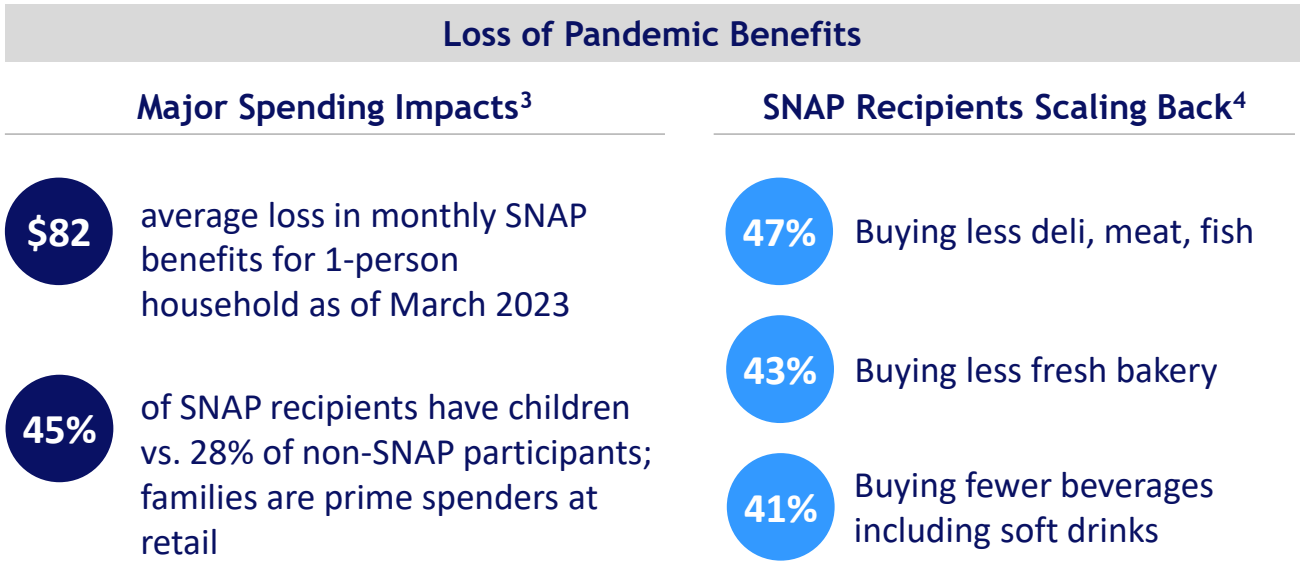
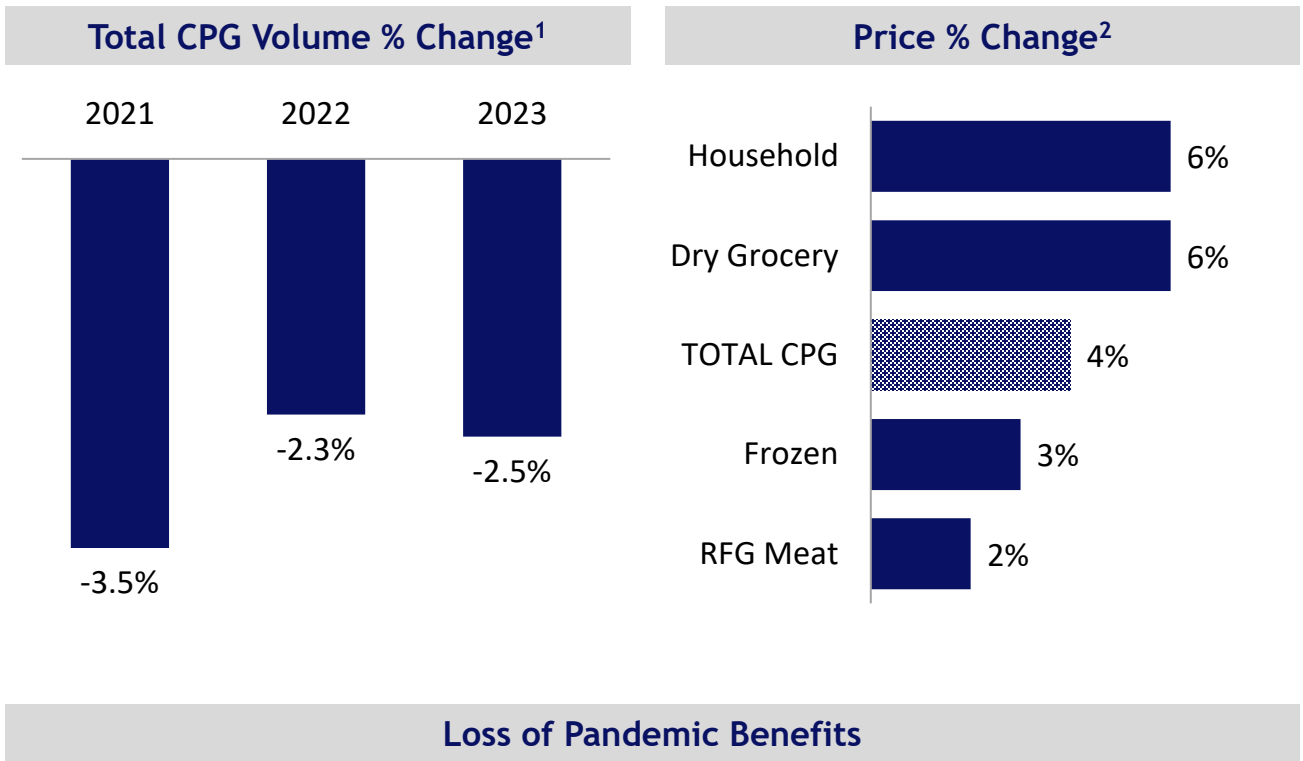
This overview provides:

- Industry context with volume declines and shopper dynamics
- Strategies to grow volume with retailer partners



INDUSTRY CONTEXT

CPG manufacturers continue to report volume declines to investors. Key factors include continued elevated prices at retail and an end to pandemic related benefits.

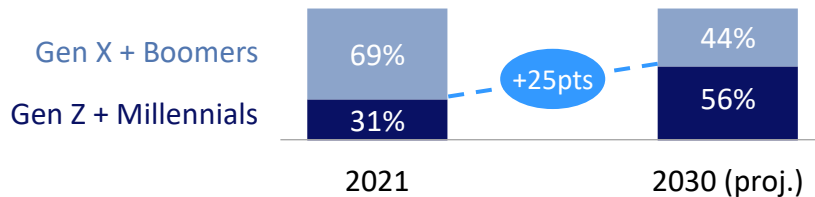


¹Nielsen IQ, Unit Volume Total US xAOC, YTD 39 weeks ending September 30, 2023; ²Nielsen IQ, Unit Price Change Total US xAOC, YTD 5 weeks ending September 30, 2023; ³Numerator, Helping SNAP Consumers During Economic Headwinds, February, 2023, ⁴\$4.51, June, 2023

INDUSTRY CONTEXT (CONT'D)

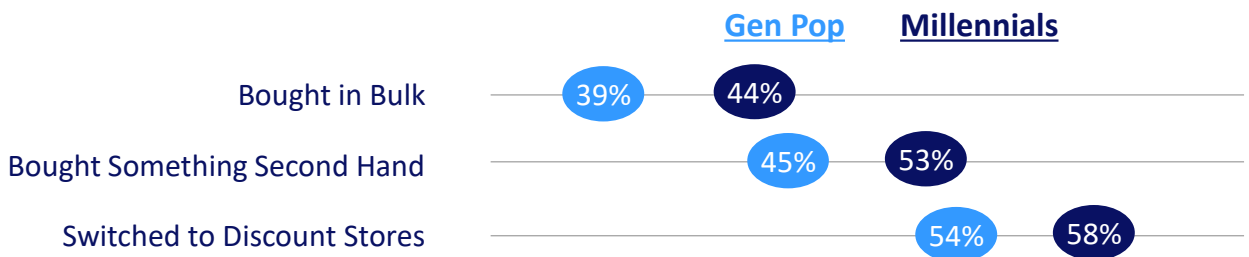
Reversing volume declines requires addressing shifts in shopper buying power and shopper behavior. Gen Z and Millennials were 31% of U.S. Buying Power in 2021 but are projected to be 56% of U.S. buying power by 2030.

Share of Total U.S. Buying Power¹



Millennials are most likely to buy in bulk, buy something second hand, and shift to discount stores due to economic pressures.

% Who Did the Following in the Last 12 Months²

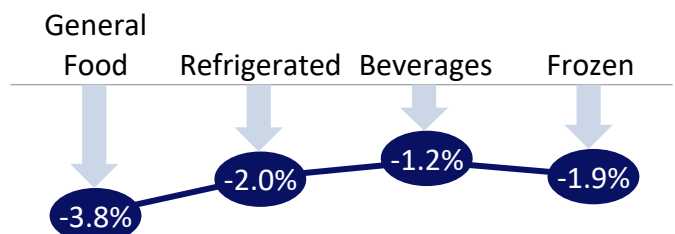


With grocery prices up +30% since 2019, promotions have overall become less effective, and shoppers are purchasing fewer units per trip. As manufacturers invest to increase volumes, it is critical to understand which promotions are driving the best shopper response.

Promo Volume Lift³



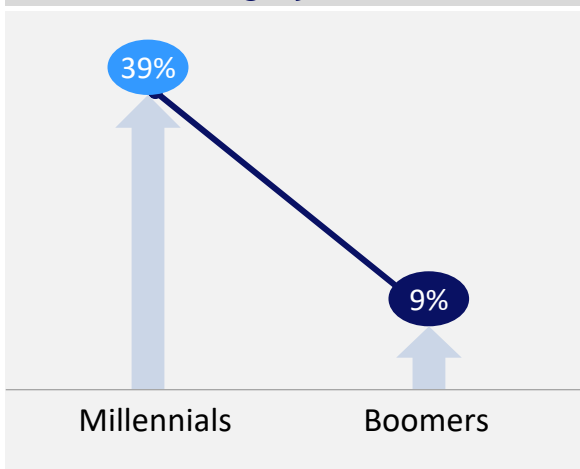
Units/Trip Change vs. YAG³



¹Bureau of Labor Statistics; Cadent Consulting Group Analysis, 2023; Boomers includes Silent Generation; ²GfK Consumer Life Global 2023; ³Circana, Total Store Display Trends, December, 2023

STRATEGY 1: PARTNER WITH RETAILERS FOR CUSTOMIZED CATEGORY STRATEGIES THAT ADDRESS THE NEEDS OF SHOPPER SEGMENTS

% Shoppers Who Paired Key Food
with Category at Retailer¹



Retailers are increasingly seeking category growth plans for manufacturers following the stabilization of supply. These plans must:

1. **Be customized** to the retailer, using the retailer's data where possible.
2. **Address multiple shopper cohorts** who have different buying habits and product preferences.
3. **Provide tactical guidance** for how retailer can win in the marketplace.

CADENT CASE STUDY

Cadent partnered with a leading CPG manufacturer to execute a category growth plan exclusively designed for a major retailer. The work plan included a focused shopper study and sales analysis using the retailer's data and recommendations based on the retailer's unique dynamics. The output provided clear guidance for how the manufacturer could help the retailer reverse category volume declines with a tactical plan to address the distinct needs of both younger shoppers and older cohorts.

KEY TAKEAWAY

Category growth strategies must be specifically tailored to a retailer's needs and leverage their data where possible. Manufacturers should determine which retailers are most critical to their growth and move at a fast pace to develop category growth plans.

STRATEGY 2: REVISIT TRADE PLANS TO FOCUS ON THE MOST EFFECTIVE PROMOTIONS

2023 Food + Beverage Promotion Levels¹

+8%

Increase in
frequency

+6%

Increase in depth
of discount

As promotions are overall less effective and shoppers are making 5% fewer trips to the grocery channel each week,² revisiting trade plans is increasingly important to increase volume. Effective trade plans must:

1. **Maximize quality promotion** (feature and display) at the right retailers
2. Meet the **timing and duration needs** to drive lift during key drive periods
3. **Tailor the product mix by retailer** based on shopper needs (e.g. more bulk items at a specific retailer)

CADENT CASE STUDY

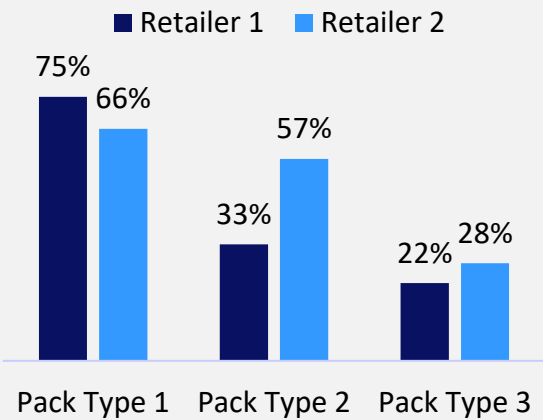
Cadent worked with a leading CPG manufacturer to maximize volume lift during the key summer holidays. The work plan included determining the right products, discounts, and duration by major retailer. The output provided clear direction, by retailer, on how to promote bulk packs with the traditionally promoted core size, guidance on timing, and the right discounts based on unique private label dynamics.

KEY TAKEAWAY

Trade is back to the forefront of go-to-market plans after declines due to supply challenges. More is required than simply dusting off prior year or pre-COVID plans. Trade plans must be revisited and customized by retailer.

STRATEGY 3: IDENTIFY THE RIGHT ASSORTMENT BY RETAILER TO TAKE ADVANTAGE OF SHOPPER SHIFTS

Shopper Pack Type Preference by Grocery Retailer



With Millennials’ share of buying power increasing and with different shopping habits than older cohorts, it is important for manufacturers to capitalize on unique shopper preferences for joint growth with retailers. Effective plans must:

- 1. Identify SKUs** that are most likely to resonate with a particular retailer’s shoppers.
- 2. Prioritize distribution** focus and go-to-market strategies.
- 3. Support assortment selection** with investments in trade and retail media.

CADENT CASE STUDY

On a retailer-specific growth platform in which Cadent partnered with a leading CPG manufacturer, research determined that a valuable shopper segment preferred a unique packaging format, and the shopper segment was purchasing the format at higher levels in particular retailers. The work plan identified the items valuable to the shopper and demonstrated to the retailer that focusing investment on these uniquely preferred items would lead to category growth. The output provided a focused assortment plan and set the stage for tailored investment support.

KEY TAKEAWAY

The evolving shopper dynamic provides opportunities to target specific shoppers, by retailer, based on item preference. Retailer growth plans supported by customized investment opportunities based on shopper insights are necessary to reverse volume declines. Focused and efficient shopper research can identify these items to lead plan development.

HOW CADENT CAN HELP

Cadent partners with CPG manufacturers and uses a 3-step process to quickly customize efforts to jointly grow volume with retailers.

1. Determine retailers and initiatives to prioritize and dedicate a focused team
2. Conduct efficient and targeted research and analysis
3. Develop a custom sell story for the retailer, utilizing the retailer's data

Our practice is built around developing practical plans and selling those plans to retailers. 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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