



Consumer products – State of the industry

Survey findings summary

May 2023

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01

Key themes and executive summary

Themes

1

Growing confidence in favorable performance expectations, however, inflation and potential recession are still very much “front of mind”

2

Organic growth has regained priority with increased focus on leveraging the power of the portfolio to increase volume through existing and new distribution points and channel

3

As capital is more expensive, M&A is on simmer and CPGs are selectively leveraging M&A to enter high growth pockets of demand as extensions of current positioning

4

Revenue Growth Management is a top capability building priority to accelerate top line with data and analytics as the amplifier of profitable growth

5

Supply chains are stabilizing but resetting cost bases remain challenging with many CPGs doubling down on digital investments to increase competitiveness

6

CPGs are accelerating Data & Analytics capabilities and proving themselves as tech companies but most struggle with data quality slowing progress – and seeing greater value from more advanced analytics like AI/ML

02

Performance and market outlook

Section observations

Growing confidence in performance

Performance over the last 12 months exceeded expectations at many CPG companies, and they anticipate a solid year ahead.

Continued concerns about inflationary pressures and a potential recession remain top of mind and will likely influence growth bets.

Whilst there is greater focus on top line growth, keeping a close pulse of margin and cost containment still shape transformation efforts.

Pricing rounds reaching an elasticity ceiling

Many CPGs over-indexed on leveraging pricing as a main driver of top line growth. With strapped consumer wallets and hunt for value, additional pricing rounds are no longer feasible.

Leading CPGs are leveraging the power of their portfolio with targeted calibration efforts, embedded advanced analytics and augmenting their revenue growth management (RGM) capabilities to look at price in conjunction with promotions and assortment/mix.

Investment priorities directly tied to top consumer trends

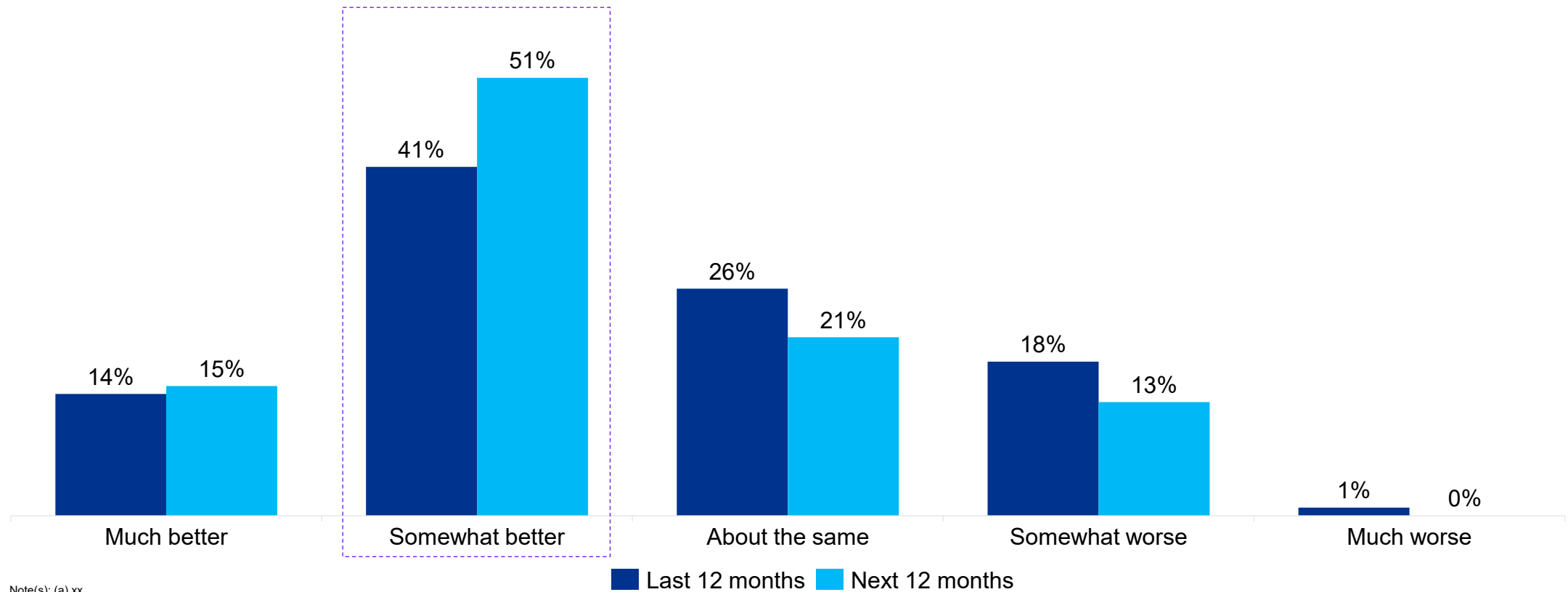
Meeting consumer where they shop, whether online or in store, is an important lens. Half of CPG continue strategic investments in online channels as a direct response to progressively growing consumer trend.

Keeping track of consumer demand for sustainable products also drives strategic priorities.

Many CPGs experienced better than expected performance and express confidence in continued favorable performance

Company's performance for last and next 12 months (N = 106)

How has your company performed over the past 12 months and how do you expect your company to perform over the next 12 months?

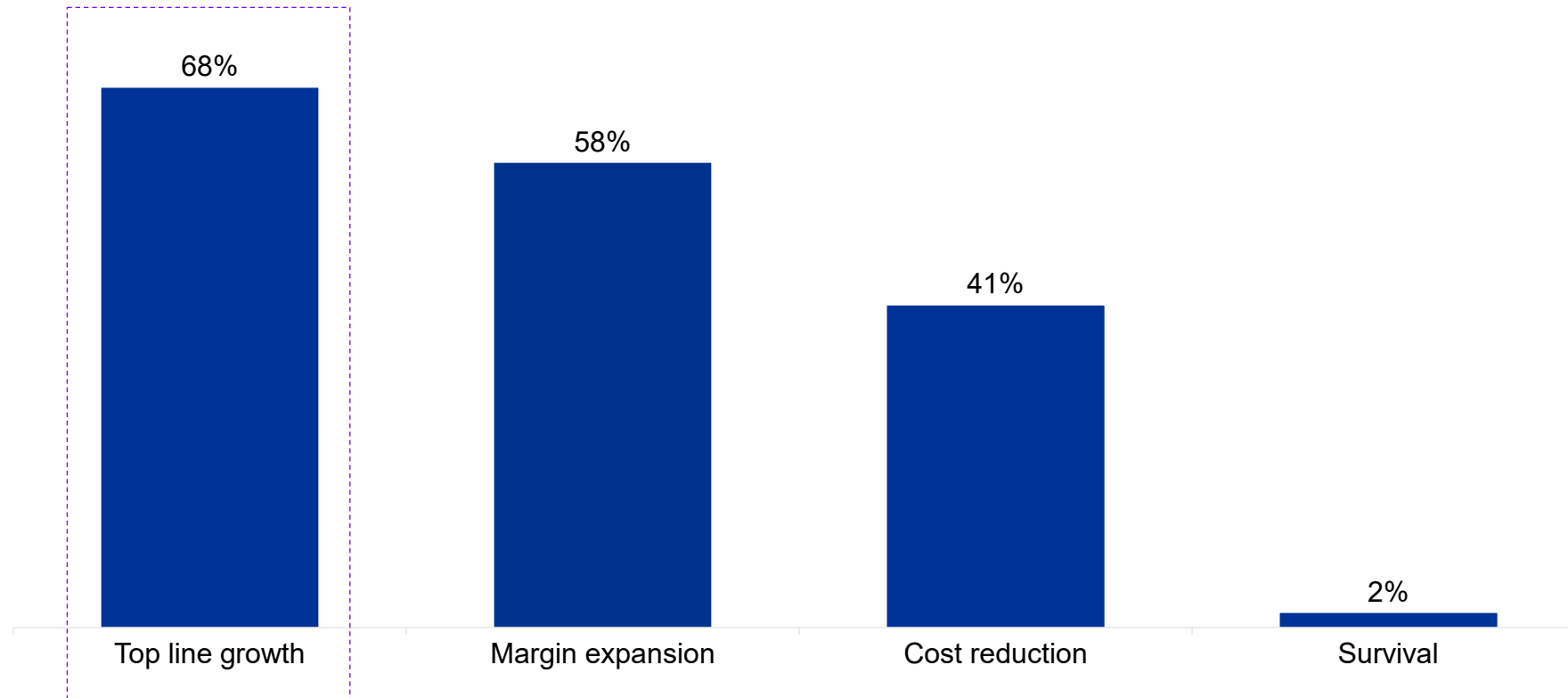


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Ultra focused on top line growth, simultaneous efforts are steered towards expanding margins and managing cost

Company's focus areas for next 12 months (N = 106)

What is your company's focus area(s) for next 12 months?

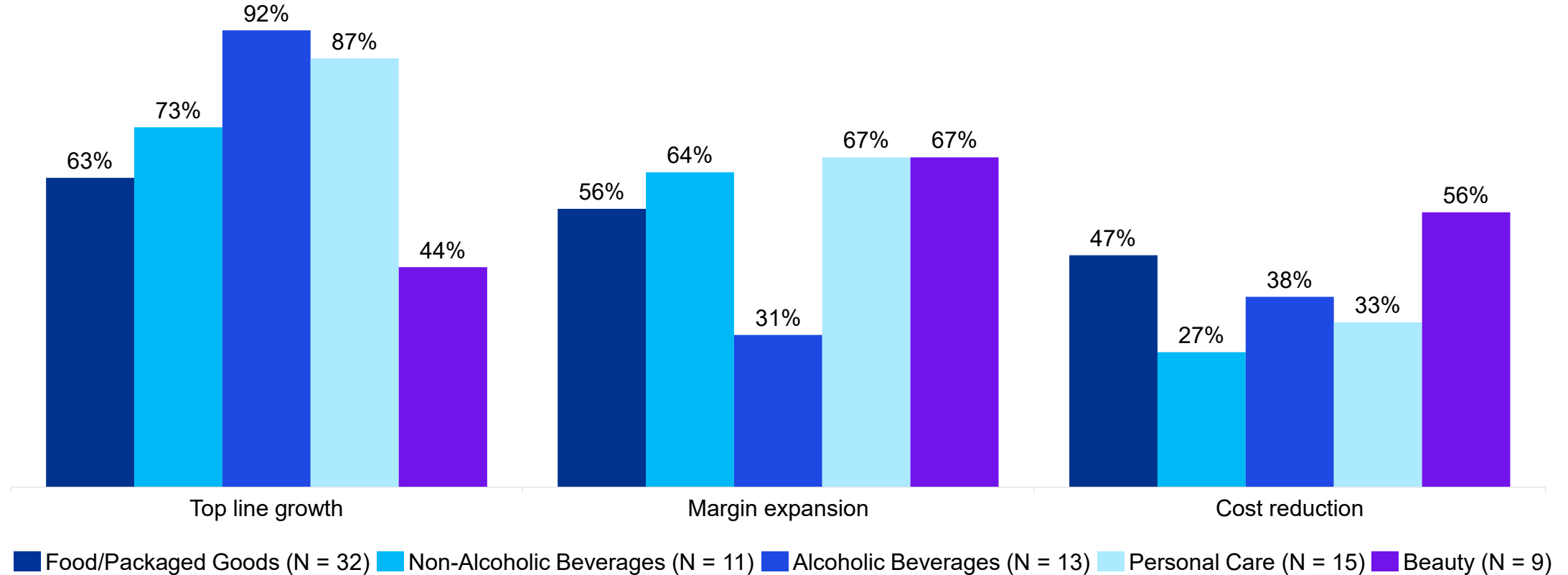


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Top line growth was a unanimous focus across all sub-sectors; Beauty companies stand out with driving a more balanced P&L management approach

Company's focus areas for next 12 months

What is your company's focus area(s) for next 12 months?

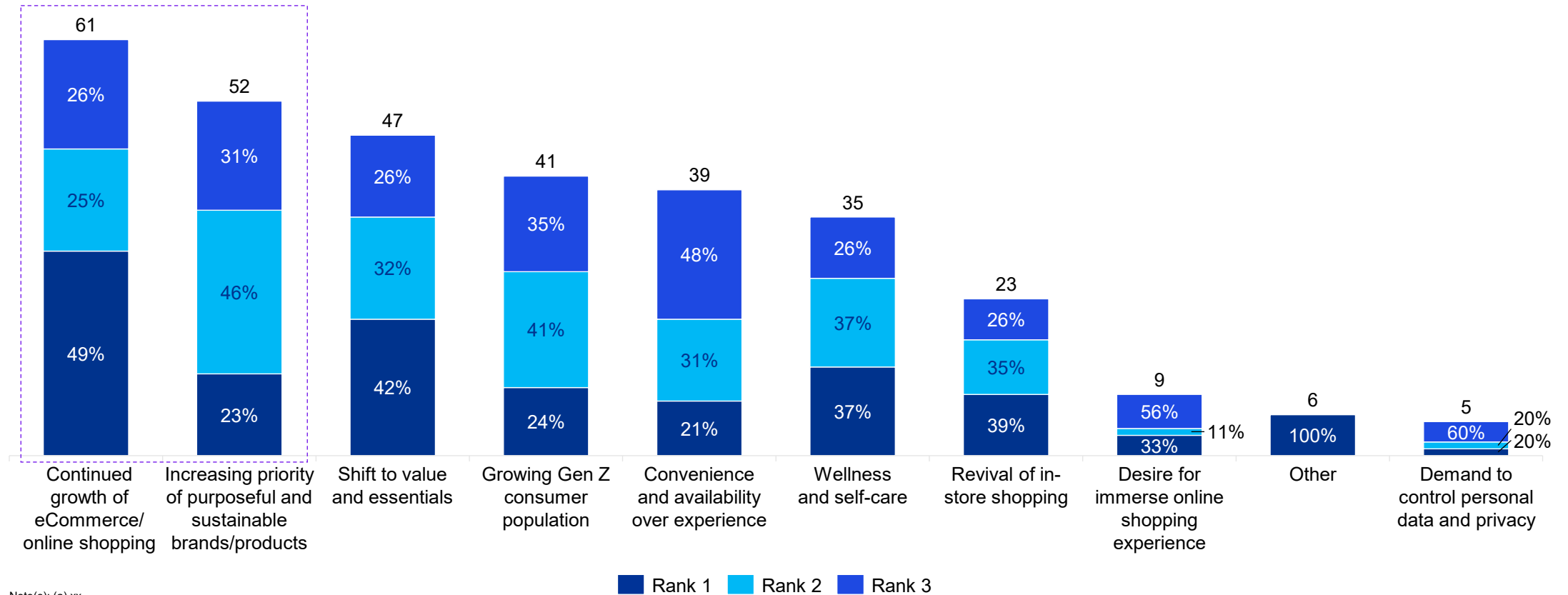


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

The continued progressive shift to online shopping and valuing purposeful brands, remains a prominent influence for investments

Consumer trends influencing priorities and investments (N = 106)

Please rank the top 3 consumer trends which influence your priorities and investments

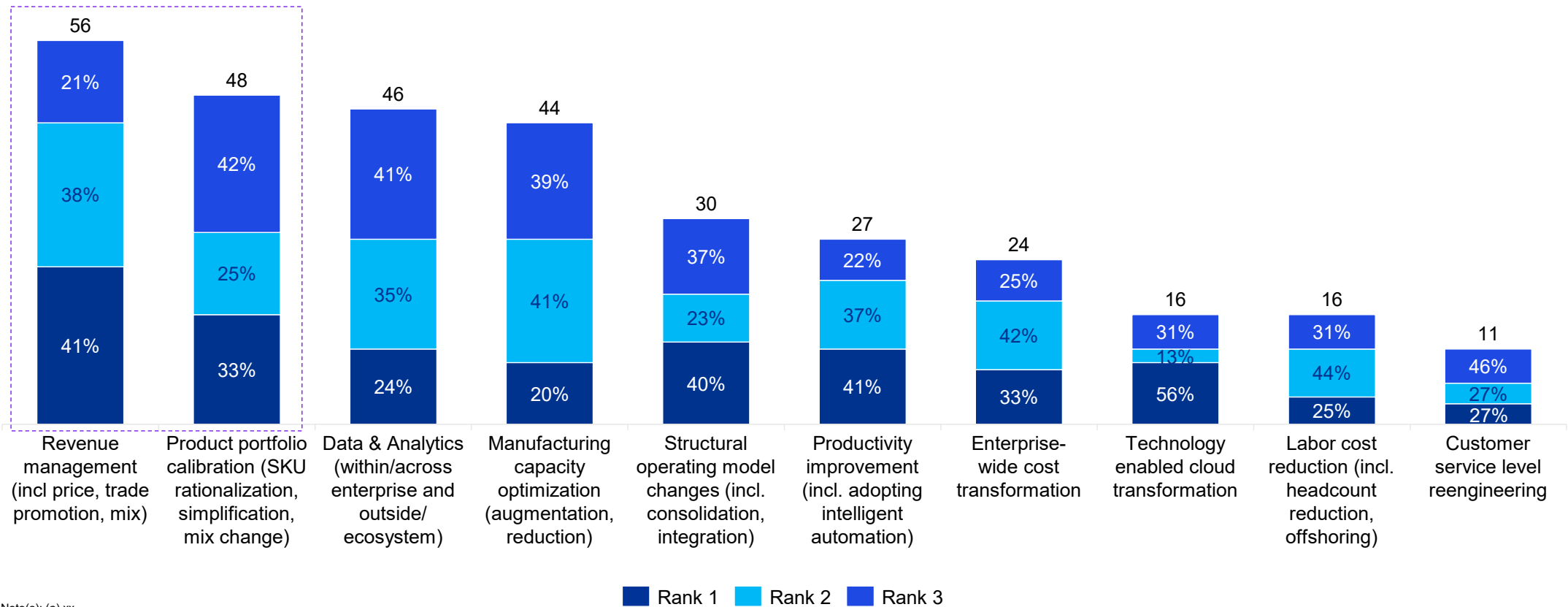


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Building analytics-enabled revenue growth management has become a prevalent priority to support top line acceleration...

Transformation focus/priority topic areas over next 12 months (N = 106)

Please rank the top 3 topic areas in terms of transformation focus/priority over next 12 months?

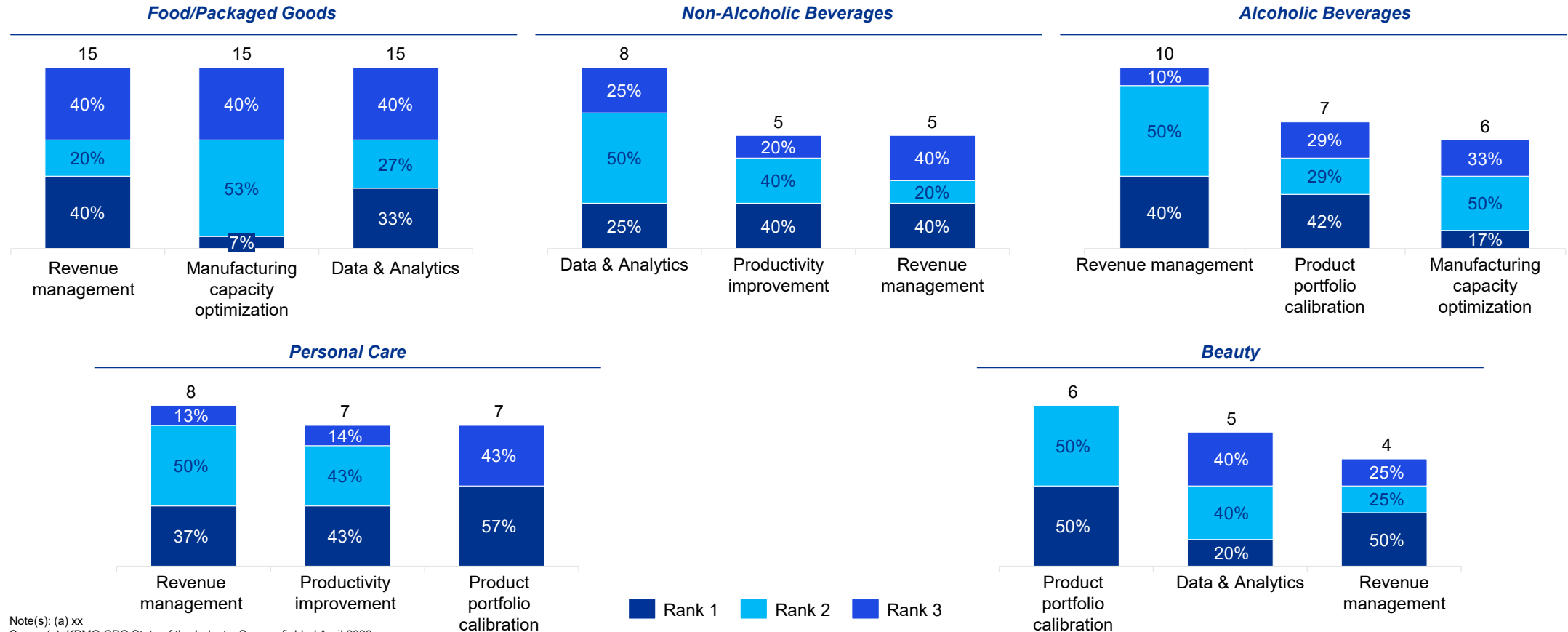


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

...which is visible across sub-sectors who recognize the ability to amplify and accelerate revenue

Transformation focus/priority topic areas over next 12 months

Please rank the top 3 topic areas in terms of transformation focus/priority over next 12 months?

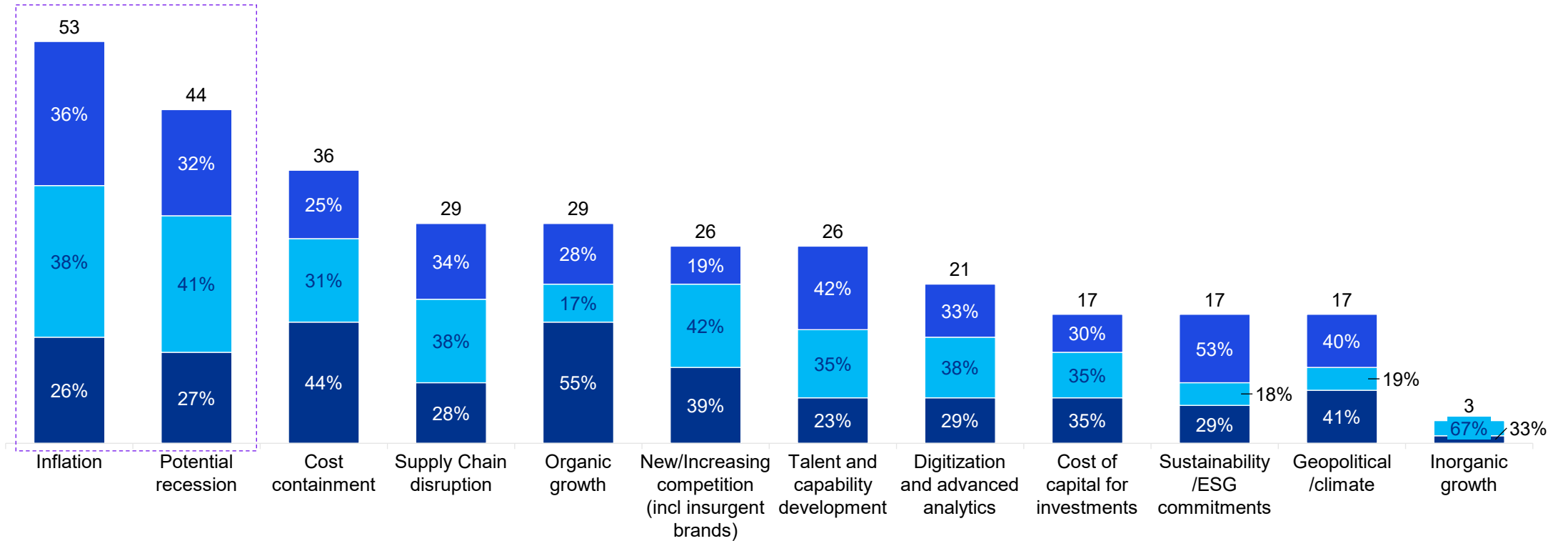


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Albeit better than expected performance, inflation and a potential recession are major concerns

Major concerns for business for the next 12 months (N = 106)

Please rank the top 3 topic areas in terms major concerns for your business for the next 12 months



Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Rank 1 Rank 2 Rank 3

03

Growth and revenue drivers

Section observations

Extending and upgrading revenue growth management (RGM) to drive top line

With price increases reaching an elasticity ceiling, CPGs are pivoting to and driving top line growth through volume via a combination of new/existing distribution channels and product mix.

RGM is experiencing an upgrade with many CPGs realizing the power of looking at price, promotion and mix in conjunction to amplify top line growth and avoid margin leakage.

Embedding data and analytics is table stakes to make confident RGM interventions.

Revival of the core and placing bets for net new products

With capital being expensive to drive growth through M&A, core products have seen a revival. Many have invested disproportionately in their iconic brands to revive consumer engagement and nostalgia to some extent.

As a second undercurrent, over half of CPG executives expect growth from net new products to be more prominent than last year which also drives innovation and channel investments.

Selective M&A to access profitable consumer segments

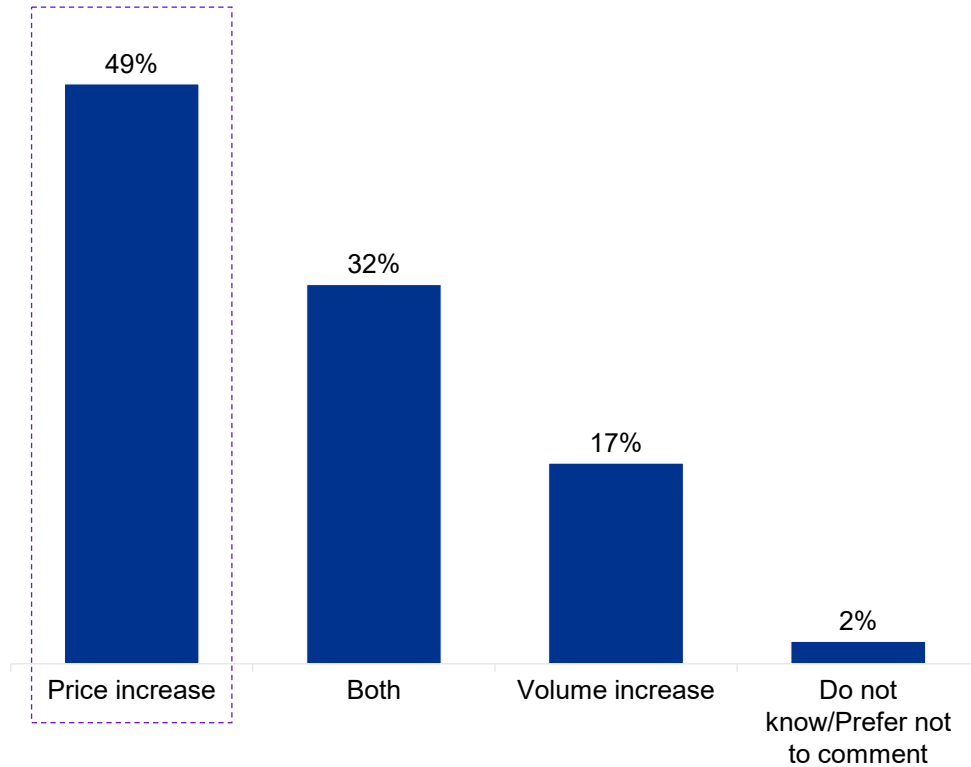
Less than 1/10th of CPG executives expect to still grow through inorganic pathways.

Those CPGs apply a very careful lens on potential targets and focus on high growth categories and insurgent brands that allow them to extend their current positions and access more profitable growth pockets.

As inflation led price increases materially contributed to top line growth, CPGs have now shifted to enhancing their product mix and increasing distribution points

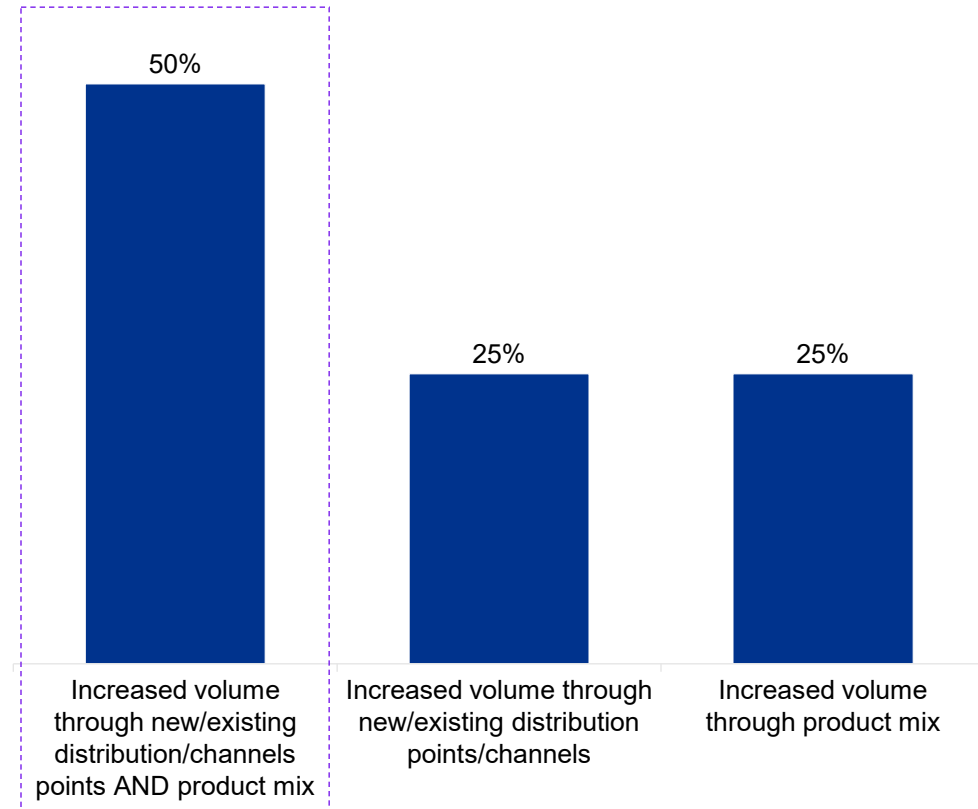
Revenue Growth source (N = 106)

Has your growth been driven primarily by price or volume over the past 12 months?



Volume Growth lever (N = 52)

What has primarily driven your volume growth in the past 12 months?

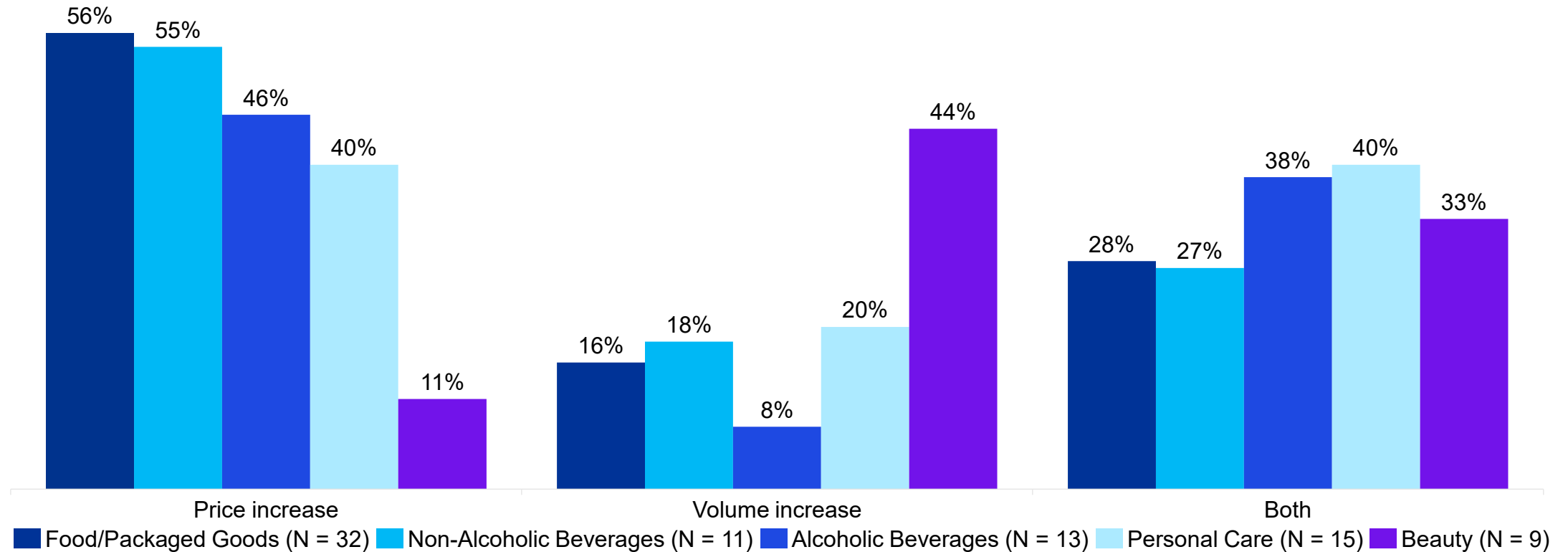


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Most sub-sectors implemented several rounds of price increases and are now running against elasticity challenges; Beauty companies noticeably focused on increasing volume through more distribution points and mix

Revenue growth source

Has your growth been driven primarily by price or volume over the past 12 months?

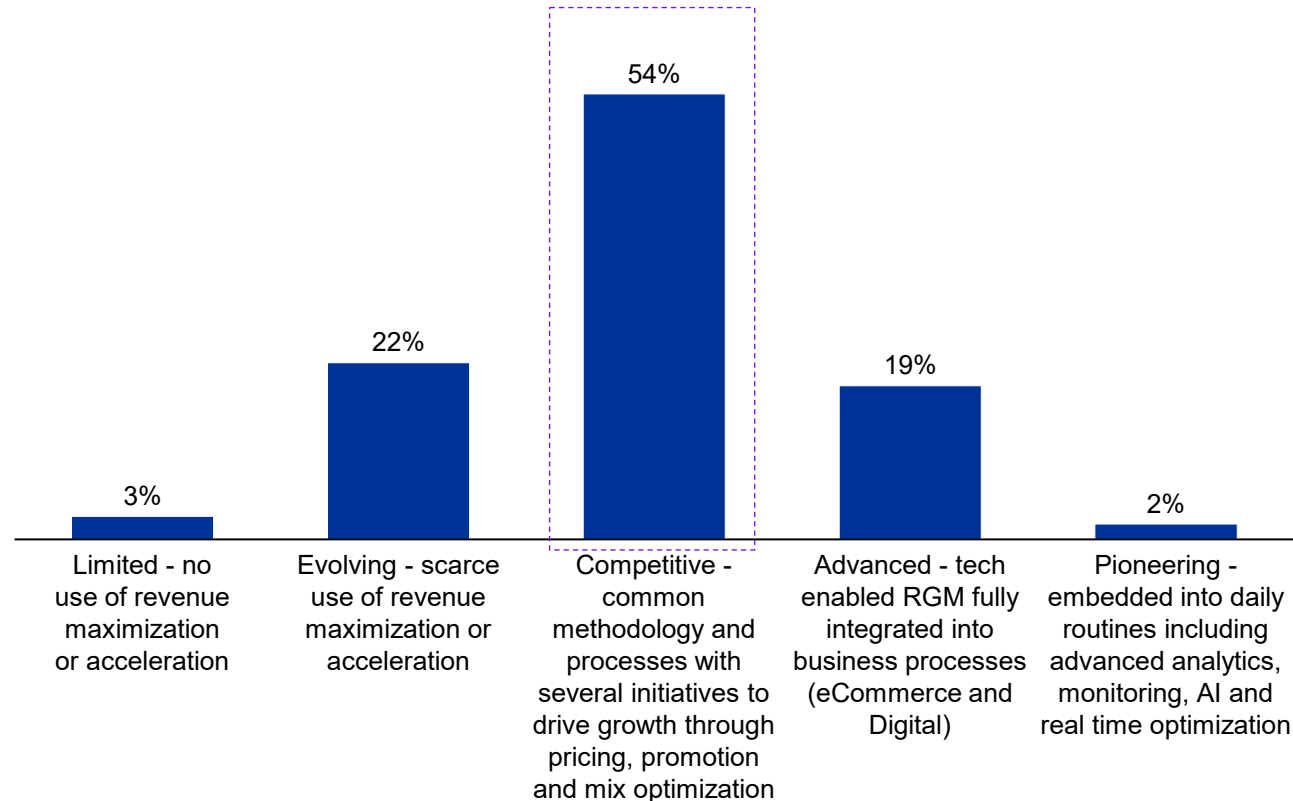


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

RGM capabilities are progressing rapidly, and many CPGs have started to apply interventions across price, promotion, and mix in conjunction

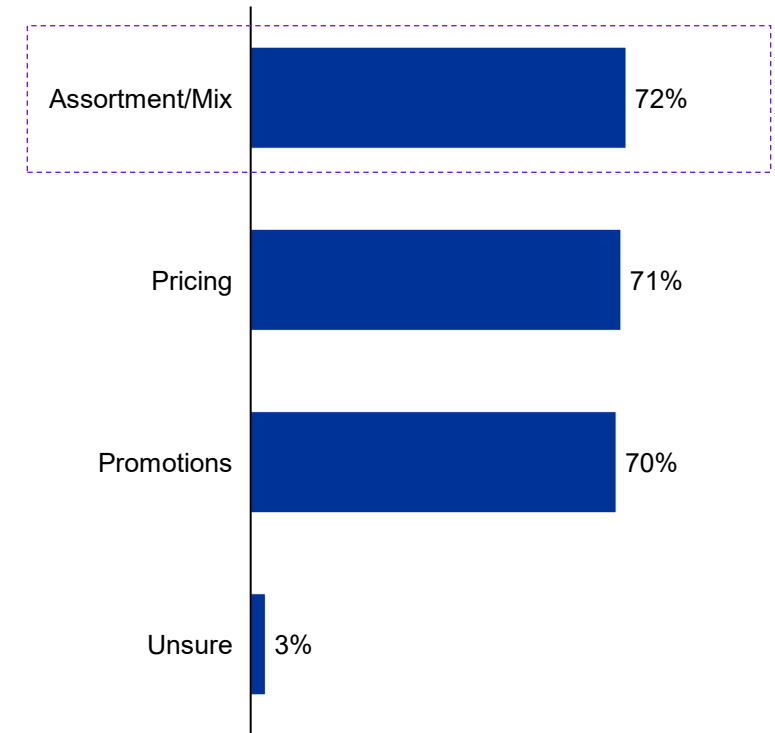
Revenue growth management^(a) capability maturity (N = 106)

How would you rate your Revenue Growth Management (RGM) capabilities?



RGM lever propensity (N = 106)

Which of the following Revenue Growth Management levers do you expect to leverage over next 12 months?

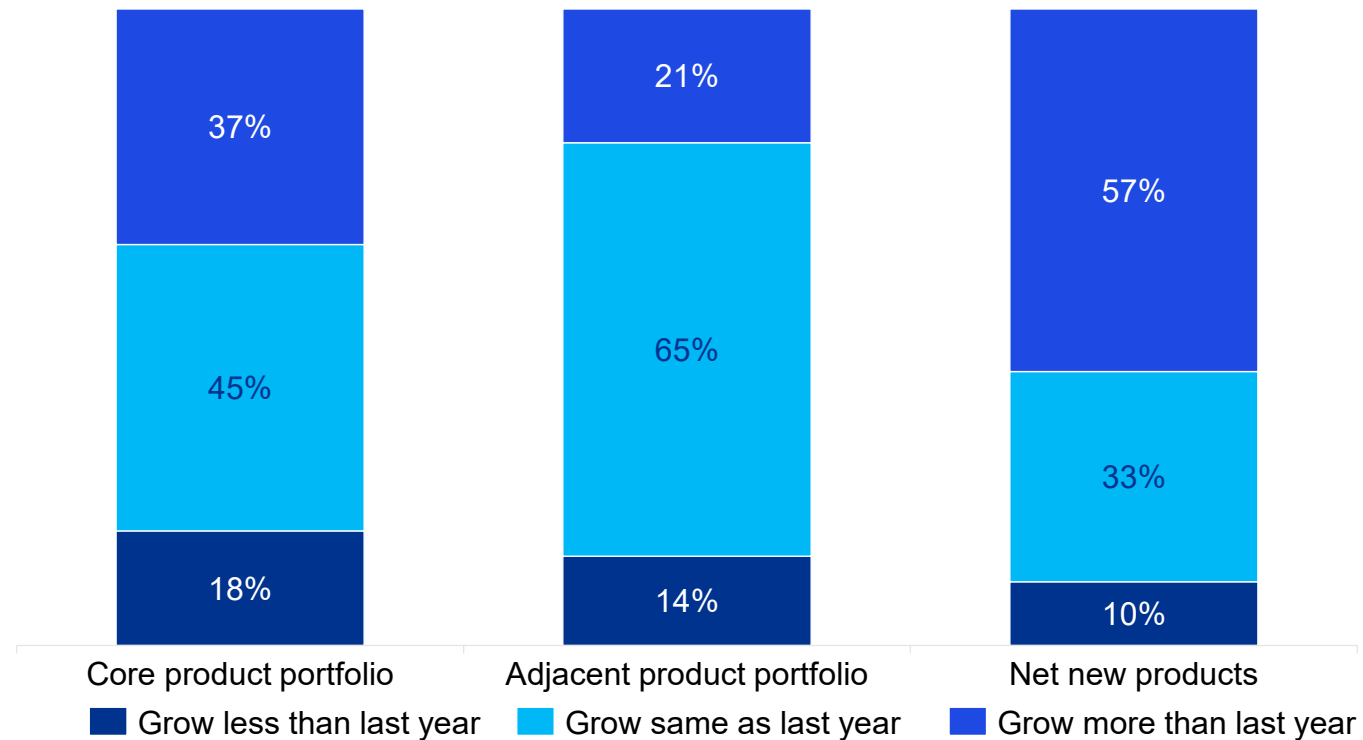


Note(s): (a) Revenue Growth Management: efforts to drive sustainable, profitable growth from your consumer base through a combination of price, promotions, trade management and assortment strategies
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

After a revival of the core portfolio during inflationary times, more growth is expected to come from net new products

Portfolio growth sources for next 12 months (N = 100)

Where do you expect growth to originate as it relates to your product portfolio over the next 12 months?

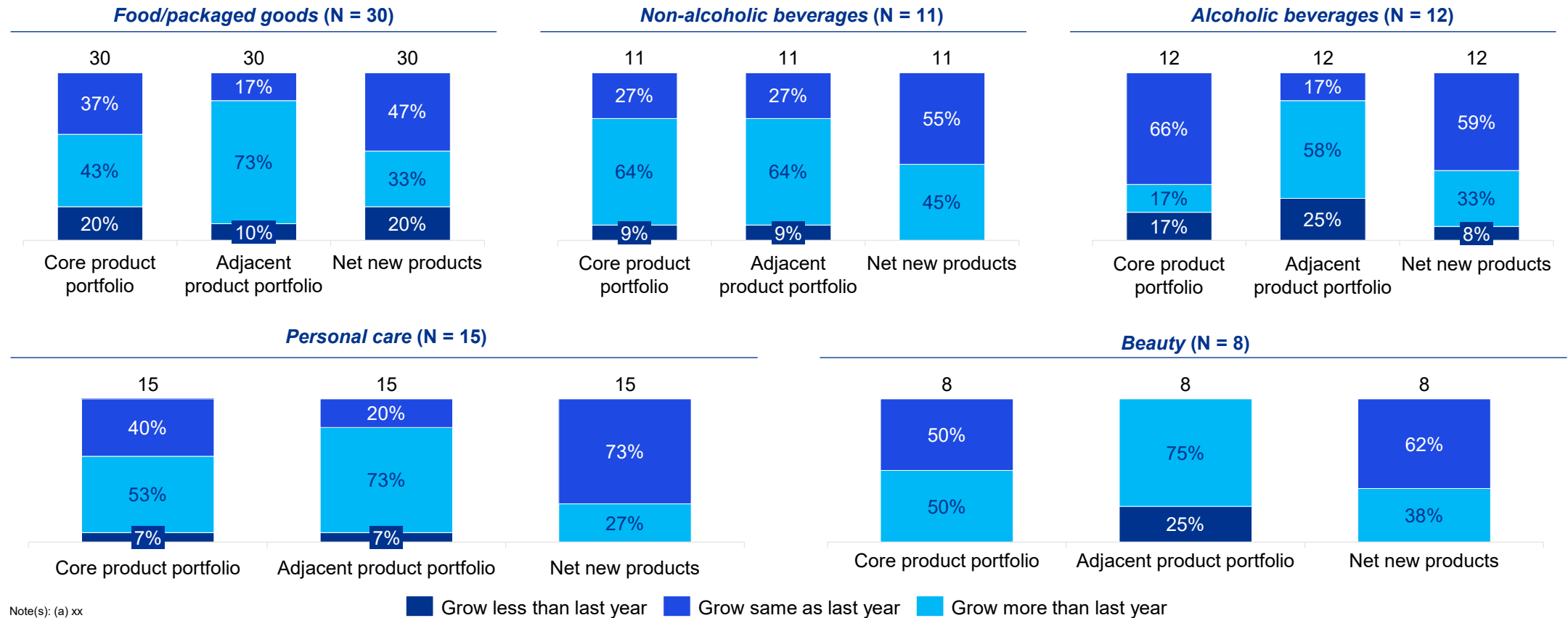


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
%s have been adjusted to sum to 100%

Beauty and personal care companies, in particular, expect more growth in new products, whereas food companies see more opportunity in adjacent products

Portfolio growth sources for next 12 months

Where do you expect growth to originate as it relates to your product portfolio over the next 12 months?

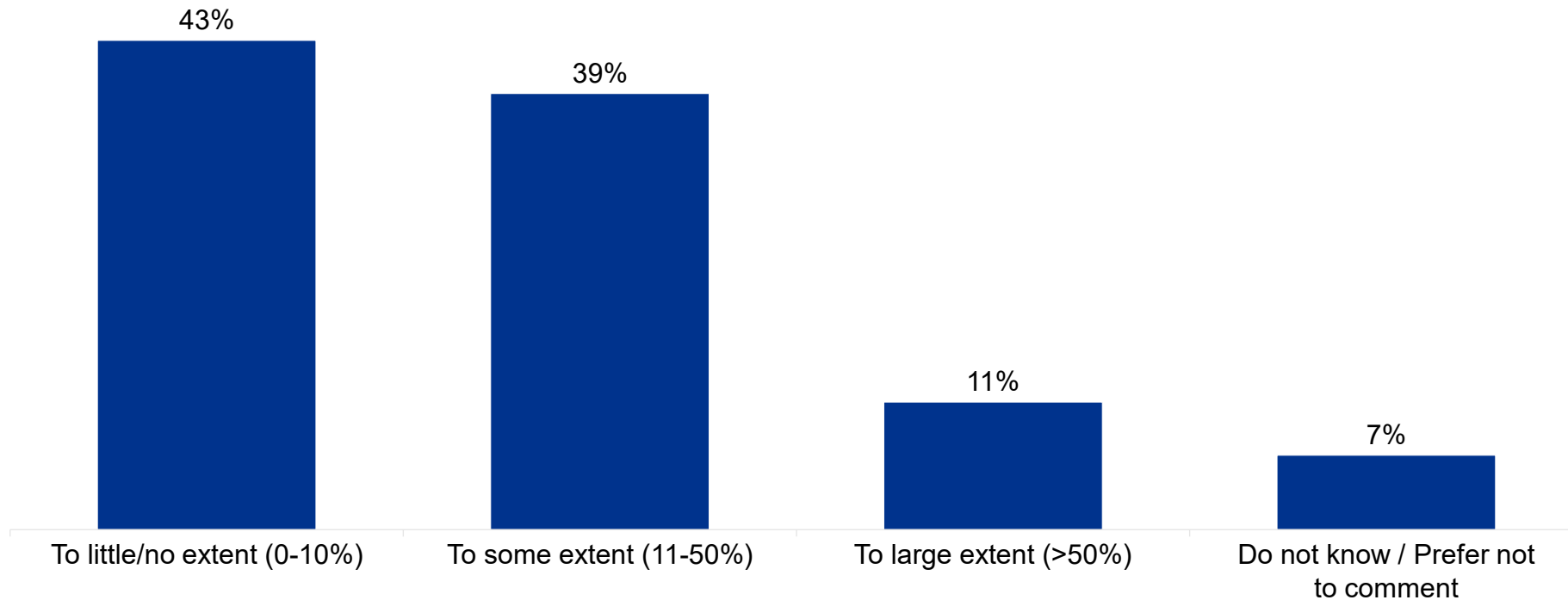


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Competition from private label is putting some pressure on CPGs where product portfolios at varying price points becomes more important to compete with the power of the brand

Private label surge impact on portfolio (N = 106)

To what extent has your portfolio been impacted by Private Label surge over the last 12 months?

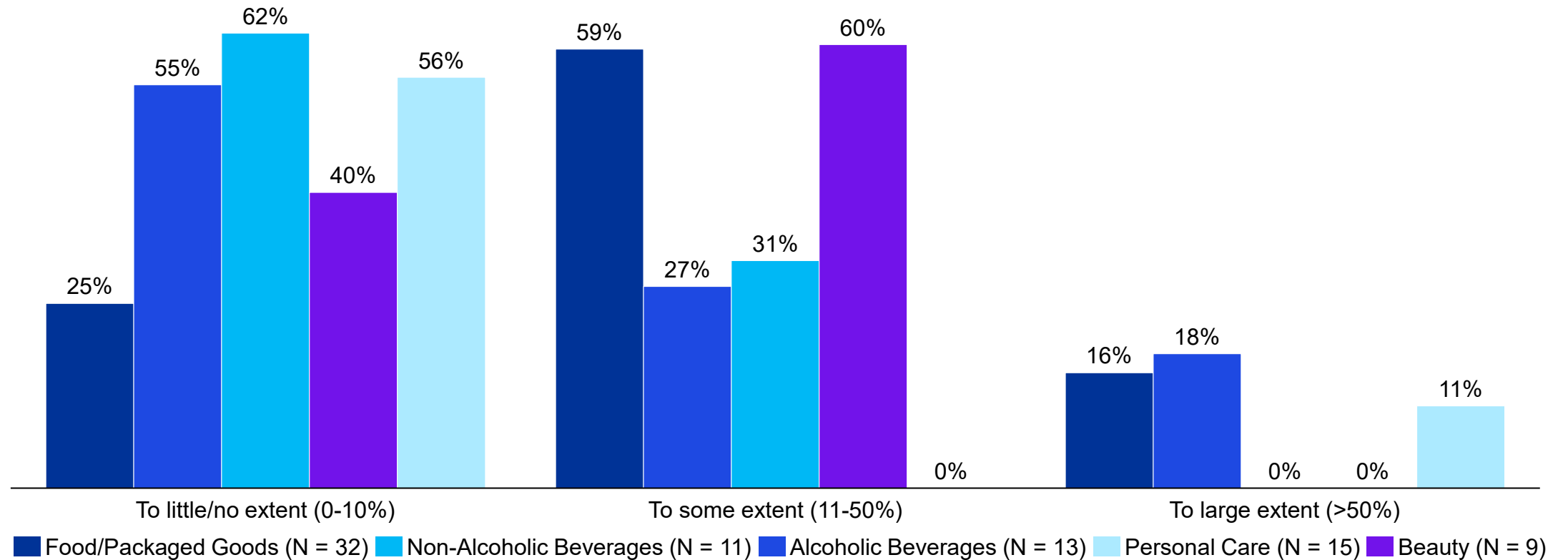


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Food and personal care companies feel the private label impact on categories which bear utility vs. experience where consumers are less brand driven which further warrants a review of portfolio price points and promotions

Private label surge impact on portfolio

To what extent has your portfolio been impacted by Private Label surge over the last 12 months?

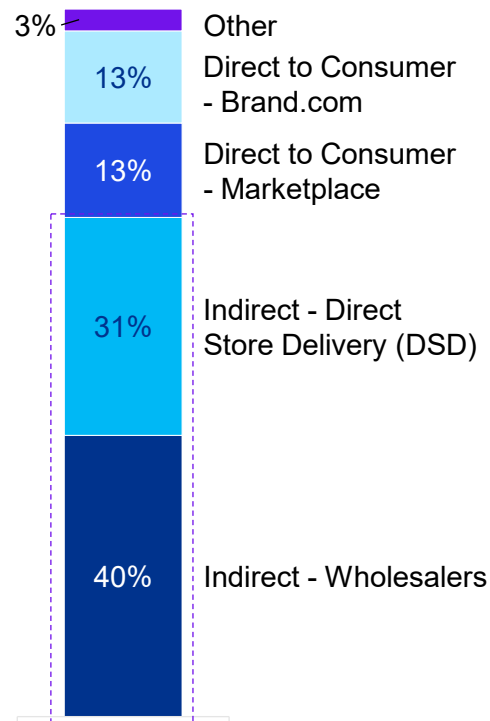


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Big box retailers are seen as most attractive source of growth given their wide reach with online platforms, while discount stores gain importance for cash strapped consumer

Route to Market composition (N = 94)

Approximately, what % of your revenue comes from each of these routes to market?



Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
%s have been adjusted to sum to 100%

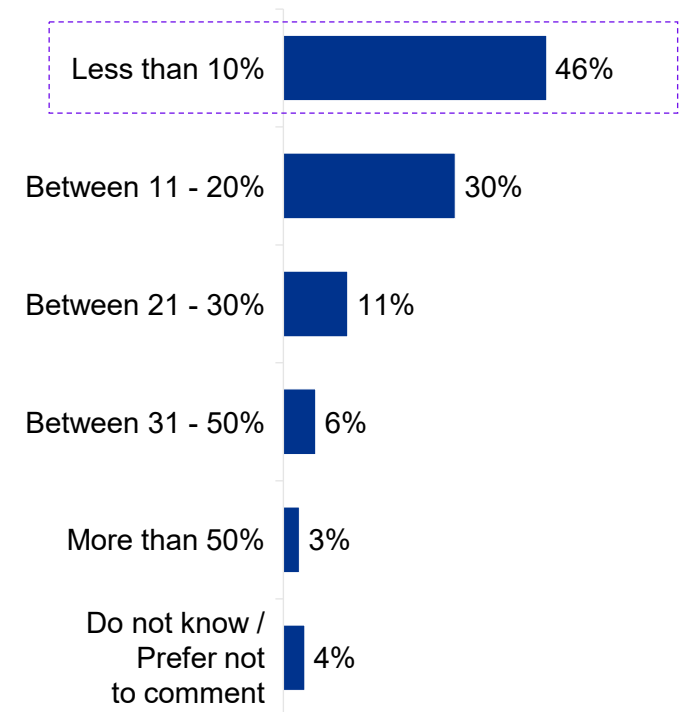
Retailer Format growth (N = 106)

Which indirect retailer channel(s) do you expect to grow over the next 12 months?



Online Channel prevalence (N = 106)

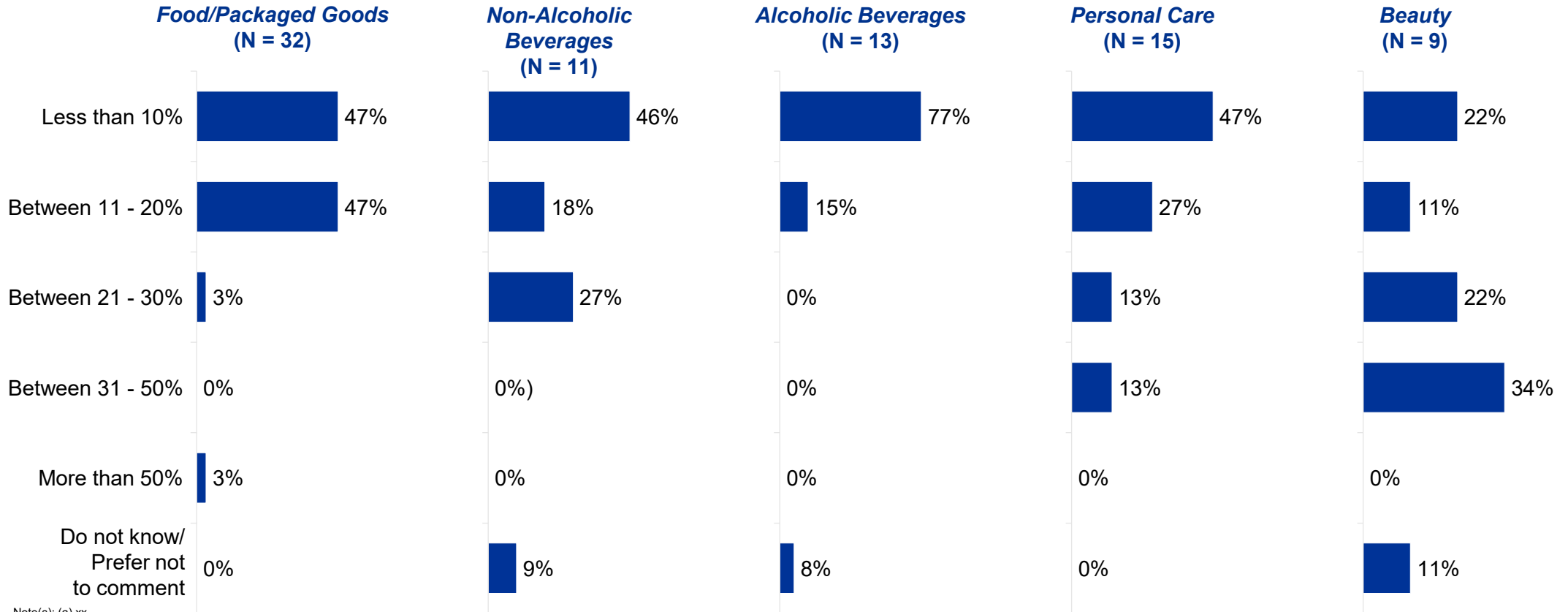
Approximately, what portion of your revenue is coming from online sales channel(s)?



Beauty and personal care companies are doubling down on digital commerce; food companies are extending their online capabilities for select categories (e.g., confectionary and sweet backed goods)

Online channel prevalence

Approximately, what portion of your revenue is coming from online sales channel(s)?

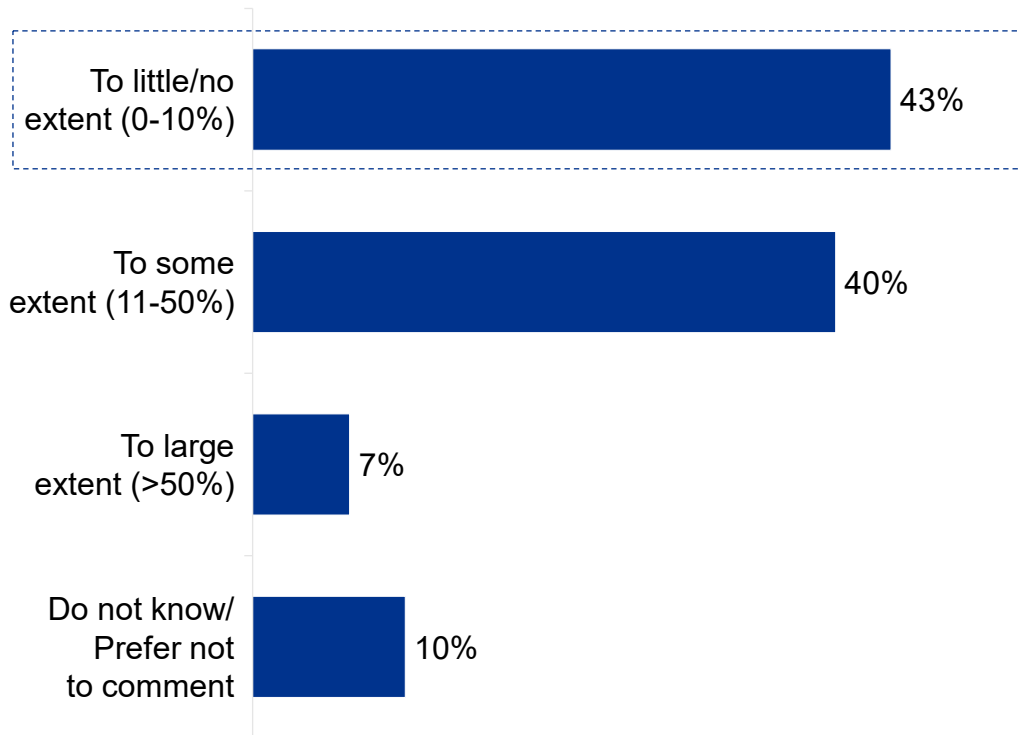


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

With capital access remaining expensive, M&A is on pause as a pathway for the growth agenda

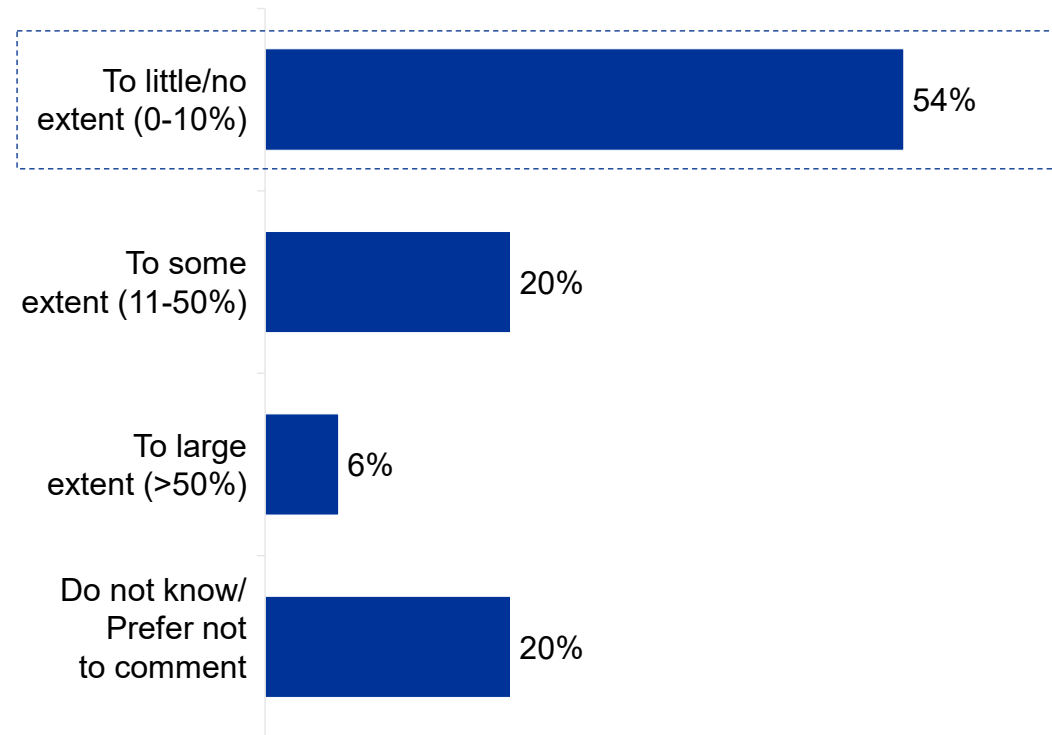
Expected growth from M&A (N = 106)

To what extent do you expect your portfolio to grow from acquisitions/M&A?



Portfolio adjustment (N = 49)

Are you planning to adjust your portfolio through divestitures over the next 12 months?



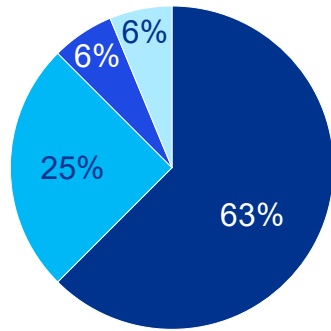
Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

All sectors slowed M&A activity; Beverage companies show an exception and focused acquisition on premium brands, RTD beverages and adopting variations of D2C models

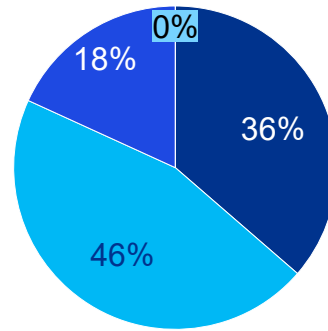
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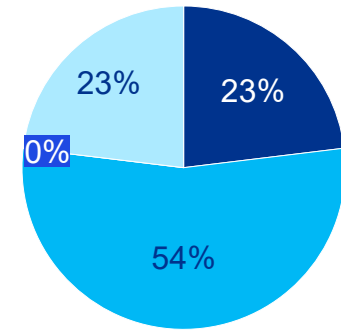
Food/Packaged goods (N = 32)



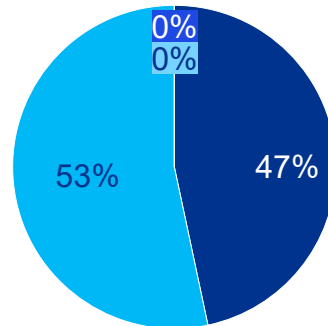
Non-alcoholic beverages (N = 11)



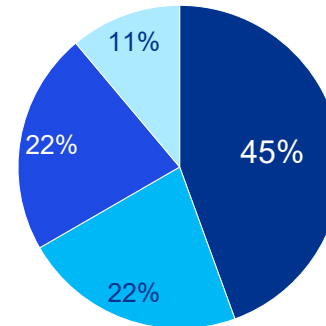
Alcoholic beverages (N = 13)



Personal care (N = 15)



Beauty (N = 9)



To little/no extent (0-10%)
 To some extent (11-50%)
 To large extent (>50%)
 Do not know / Prefer not to comment

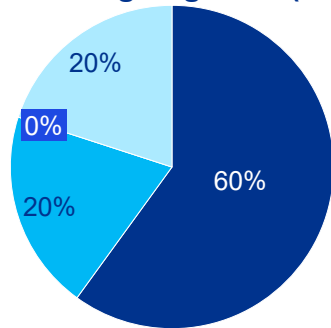
Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Analogously, divestitures occur as very selective interventions for beverage and personal care companies to calibrate portfolios

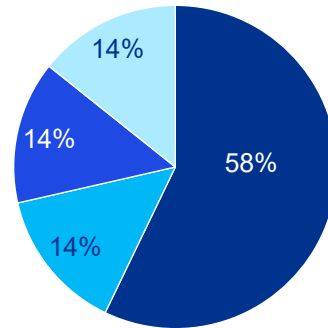
Portfolio adjustment

Are you planning to adjust your portfolio through divestitures over the next 12 months?

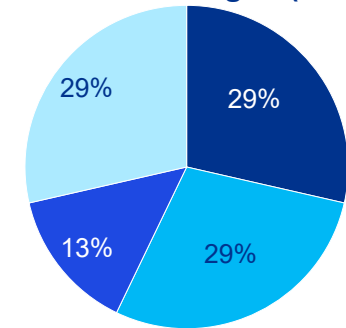
Food/Packaged goods (N = 32)



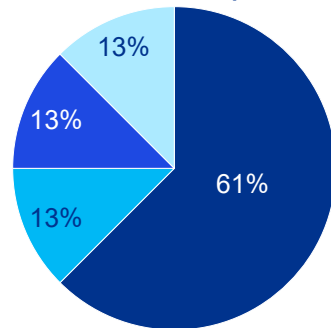
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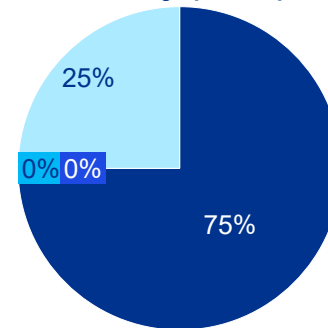
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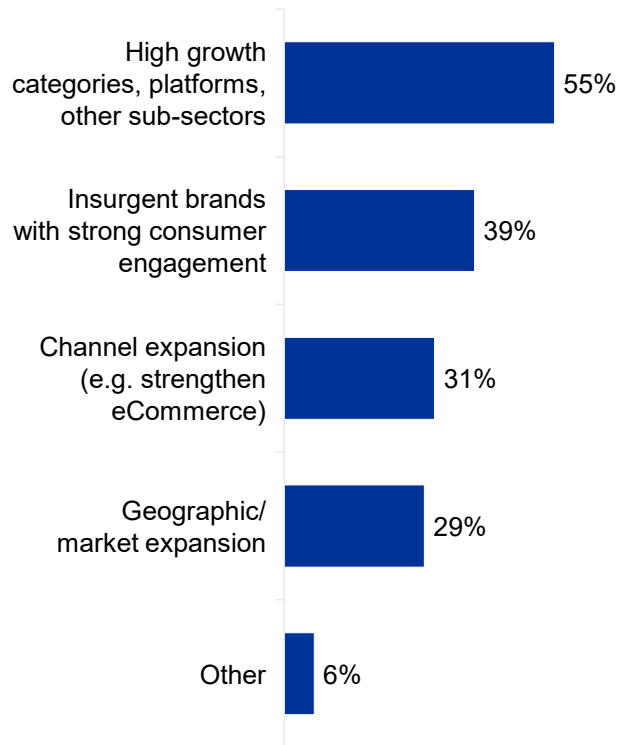
■ To little/no extent (0-10%) ■ To some extent (11-50%) ■ To large extent (>50%) ■ Do not know / Prefer not to comment

Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

CPGs that continue to pursue M&A, carefully seek targets that help them extend their channel presence and move into high growth pockets of demand

Focus target types for M&A (N = 49)

For your acquisition/M&A plans, what type of targets will be the core focus?



Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

High growth categories/sub-sectors

What are some of the high growth categories or high growth sub-sectors you are targeting?



Sub-sectors placed bets into a combination of adjacent and net new product categories mostly targeting premium/luxury segments and channel expansion to augment reach to better meet consumers where they shop

04

**Capabilities and
priorities | Demand
model**

Section observations

Return on digital marketing investments are throttled

Most CPGs only see an average return on their digital marketing investments due, in part, to their inability to sense and respond to demand signals.

Market leaders are doubling down and steering digital marketing investments to create greater intimacy with omnichannel consumers and influence at the point of purchase.

Some brands have invested in and created a data driven culture that uses advanced analytics. This competitive advantage leads to consistent portfolio alignment, growth, and unlocking profitable demand.

Organizational siloes get in the way of sales and marketing

With fragmented ownership between Marketing and Sales over pricing, promotions, and retailer interactions, organizational structures often hinder collaboration to delight consumers.

While there is formal cadence or forums to exchange ideas, a true customer and consumer centric approach to organizing capabilities, solving pain points and calibrating go to market approaches are suboptimal.

With exponentially growing data sets, the disconnect further distances brands from customers, drives a wedge of friction between employees, and threatens the ability to compete.

Unleashing digital talent is complex

Next generation workers are inseparable from digital. Rapidly evolving digital and coding curriculum in education fuels digital talent that is flooding entry level roles.

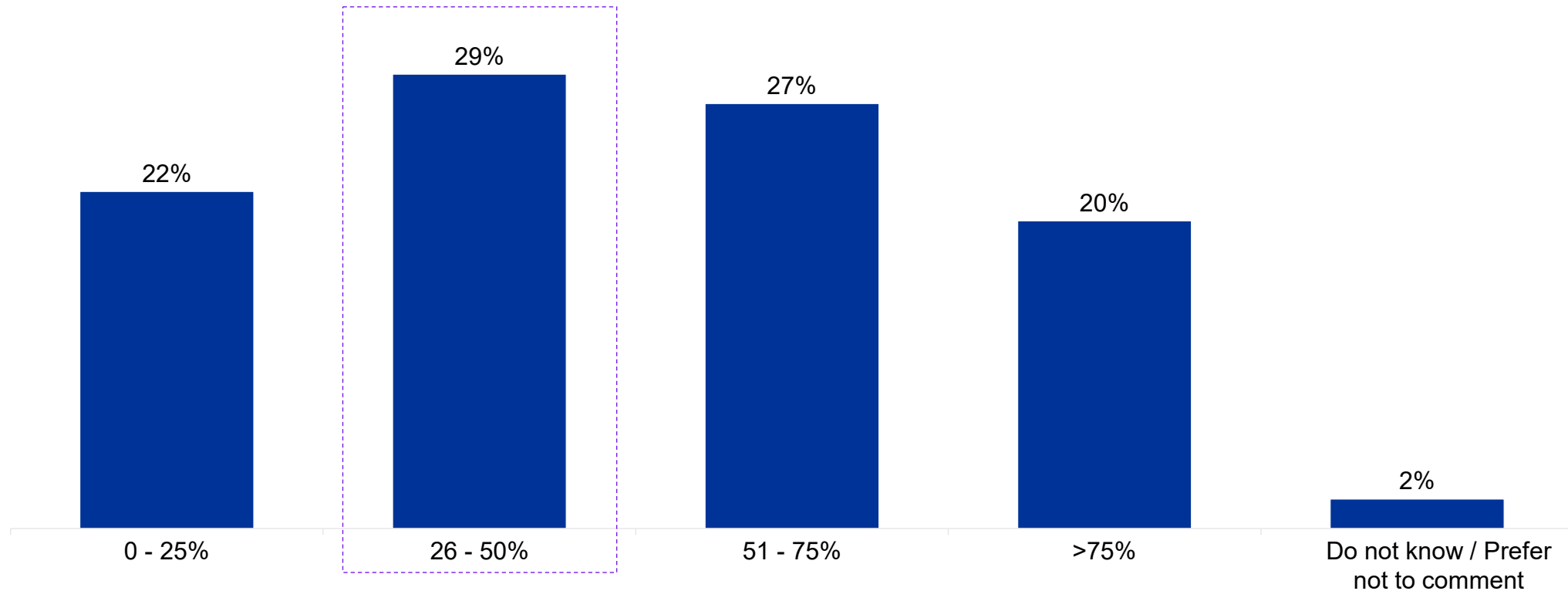
This incoming talent rarely has decision making roles nor the authority to drive key customer impacting decisions. Simultaneously, digital and creative senior leadership talent is often void and the gap is painful.

This divide can come across as brands appearing irrelevant, out of touch, or even tone deaf.

Half of CPGs have more than 50% of their portfolio in market leading positions, which guides their efforts around product portfolio calibration and demand generating investments

Portfolio portion in market leading position (N = 106)

What portion of your brand portfolio is in market leading positions (i.e., #1 or #2) in its category?

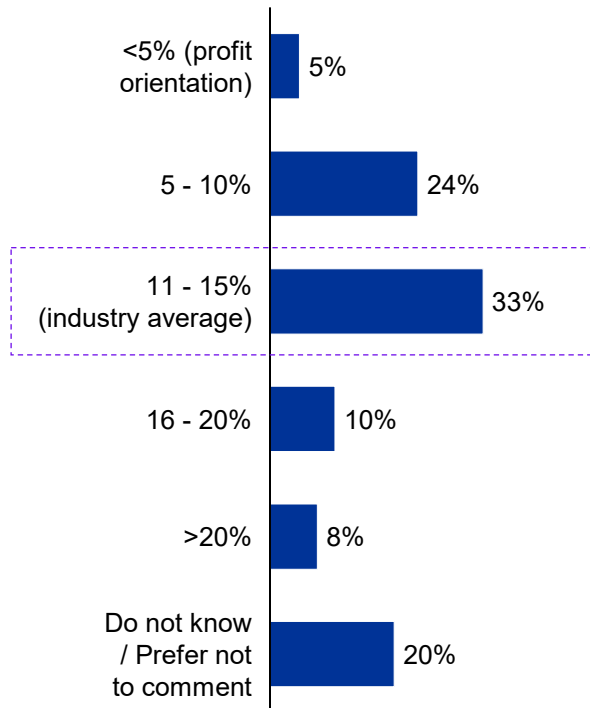


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Demand generating investments are mostly on par across peers with average returns across brands leaving much more room for closer consumer engagement with products based on social media audits and online reviews

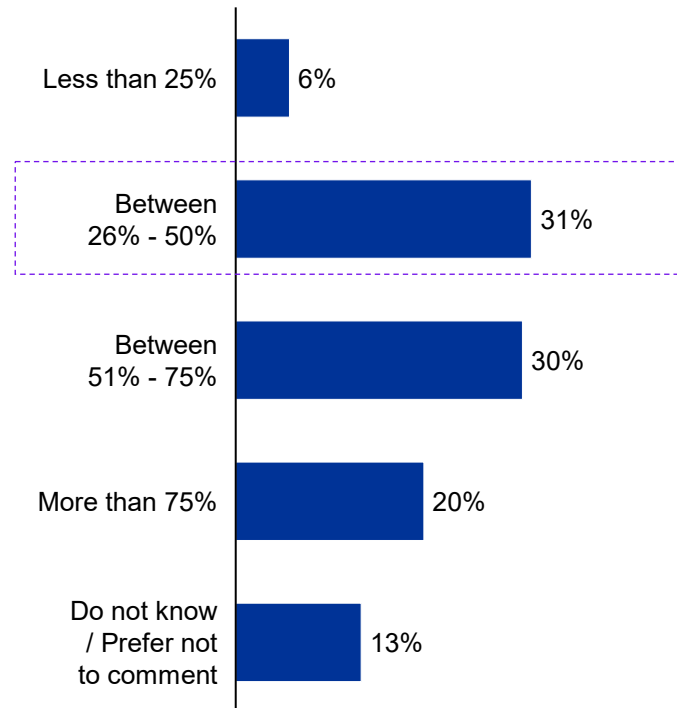
Sales and marketing spend (N = 106)

What is your company's approximate total sales and marketing spend as % of sales?



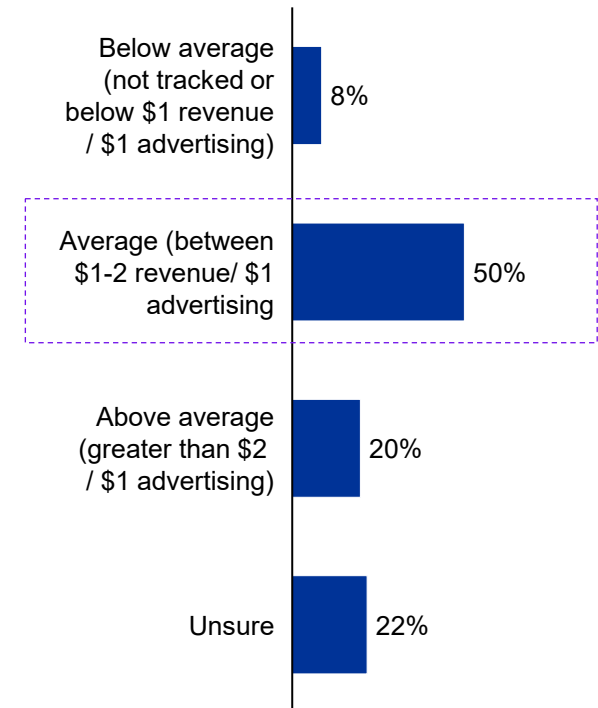
Investment allocation to leading brands (N = 106)

What portion of your demand generating investments are allocated to leading brands relative to other brands in portfolio?



Marketing ROI performance (N = 106)

What is the average marketing ROI across your brands?

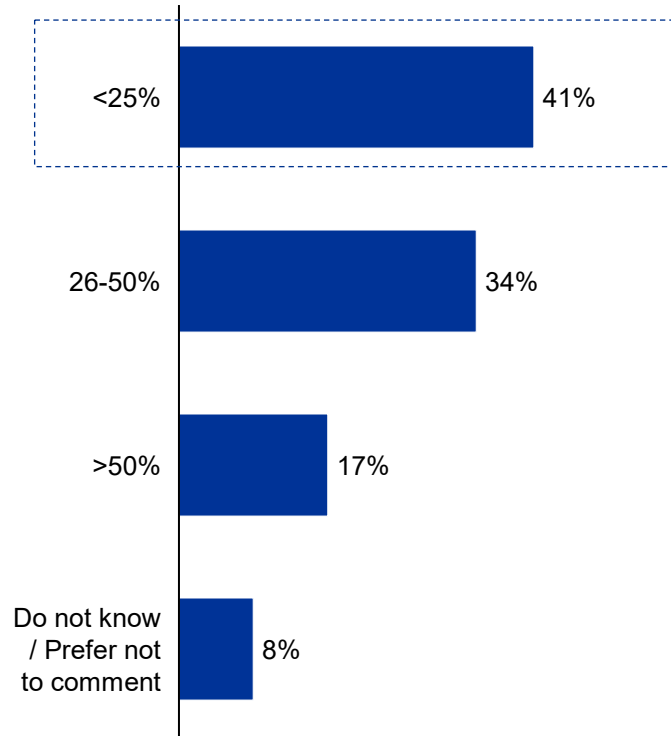


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Few CPGs invest disproportionately in digital marketing capabilities; through the rise of retail media, brands are able to impact consumer behavior directly at the point of purchase – as they can in physical stores and thereby shorten the path to purchase

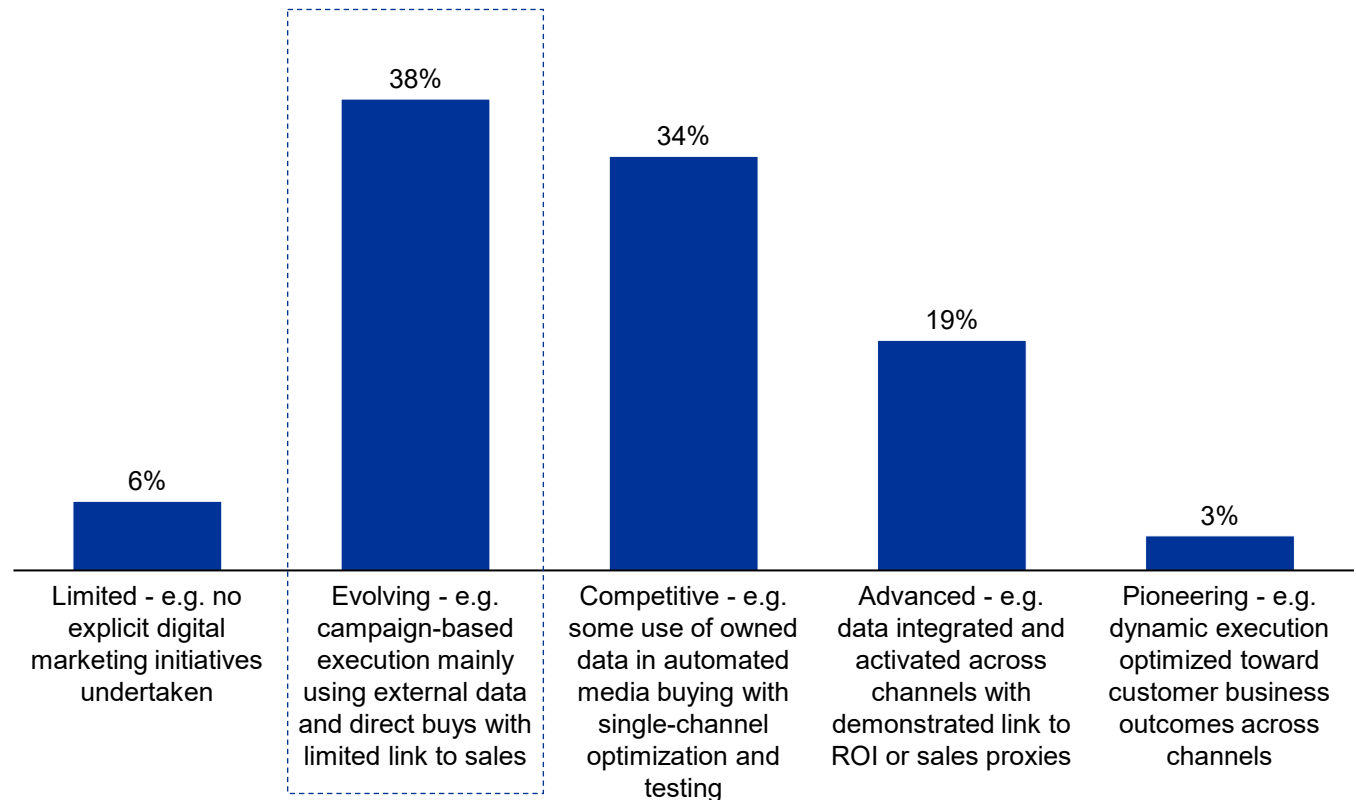
Digital marketing investment allocation (N = 106)

What portion of marketing investments is allocated to digital marketing?



Digital marketing capability maturity (N = 106)

How would you rate your digital marketing capabilities?

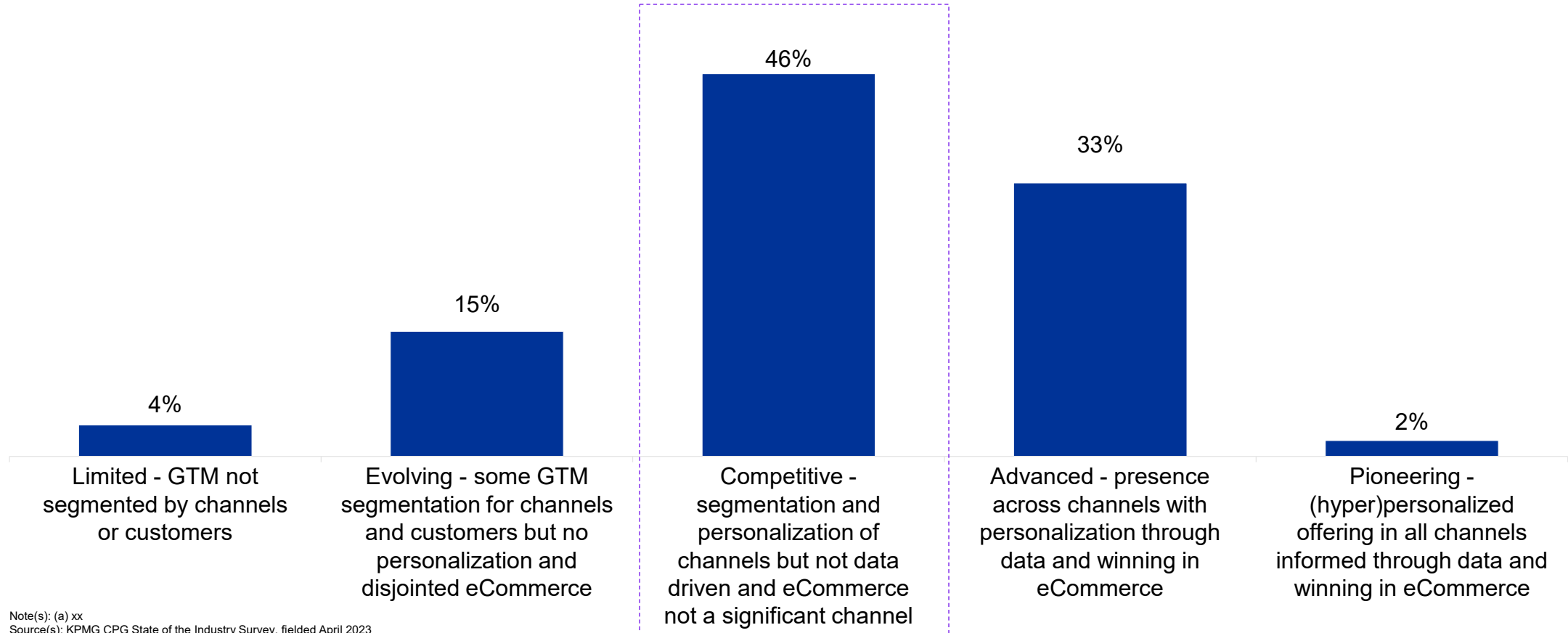


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Channel segmentation and personalization have become table stakes while many still struggle with data-driven insights to better compete across channels

Go to market capability maturity (N = 106)

How would you assess your Go-To-Market (GTM) and Sales capabilities?



Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

04

**Capabilities and
priorities | Network
resilience**

Section observations

Stabilizing supply chain

Beginning to rebound from supply chain challenges caused by COVID-19 shutdowns, most CPGs have experienced an improvement in supply chain stability over the last year.

Many of the largest CPGs were already investing in digital supply chain transformation prior to COVID-19 and doubled down on these investments in 2021 and 2022, reaping rewards in early 2023.

Despite progress, the challenge to preserve retailer service levels in the current environment continues to test all aspects of the supply chain. Many CPGs are maintaining more inventory to provide high service levels at all costs, but this creates trade-offs from inefficient inventory management to higher manufacturing and logistics costs.

Continued investment in digital supply chain

CPGs who continue to struggle with supply chain consider accuracy of demand forecasting and high manufacturing costs as their top challenges.

To continue progressing on their digital supply chain journey, three out of four CPGs have digital supply chain transformation initiatives planned for the next year, primarily focused on improving agility, inventory management, and reducing operational costs.

While Generative AI is on the radar for many CPG executives, it has yet to be implemented as a supply chain solution given the value case for near-term ROI is not yet demonstrated.

Upskilling digital talent

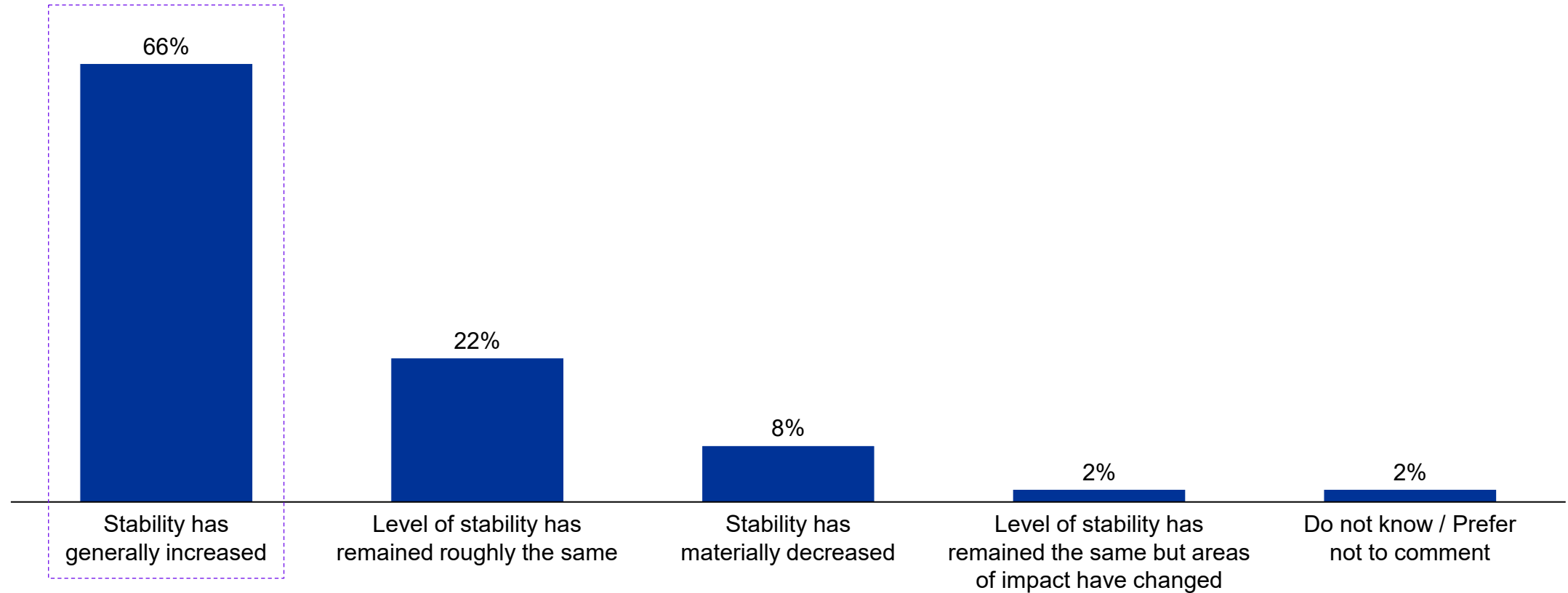
Investment in supply chain technology and solutions is necessary but not sufficient. In order to take advantage of digital investments, organizations must also invest in the right talent. CPG executives consider upskilling digital talent and adopting new ways of working two of the greatest barriers to successful supply chain digitization.

Like leaders in other functional areas (e.g., D&A), many supply chain leaders want to upskill their digital talent but lack the knowledge or comfort level themselves to accurately assess capabilities or instill a digital culture. There's a steep learning curve that typically requires outside experience to address.

Almost one year after the pandemic, supply chain stability has increased for most or is no longer causing material disruption

Supply chain performance (N = 106)

To what extent has overall supply chain performance stabilized relative to last year?

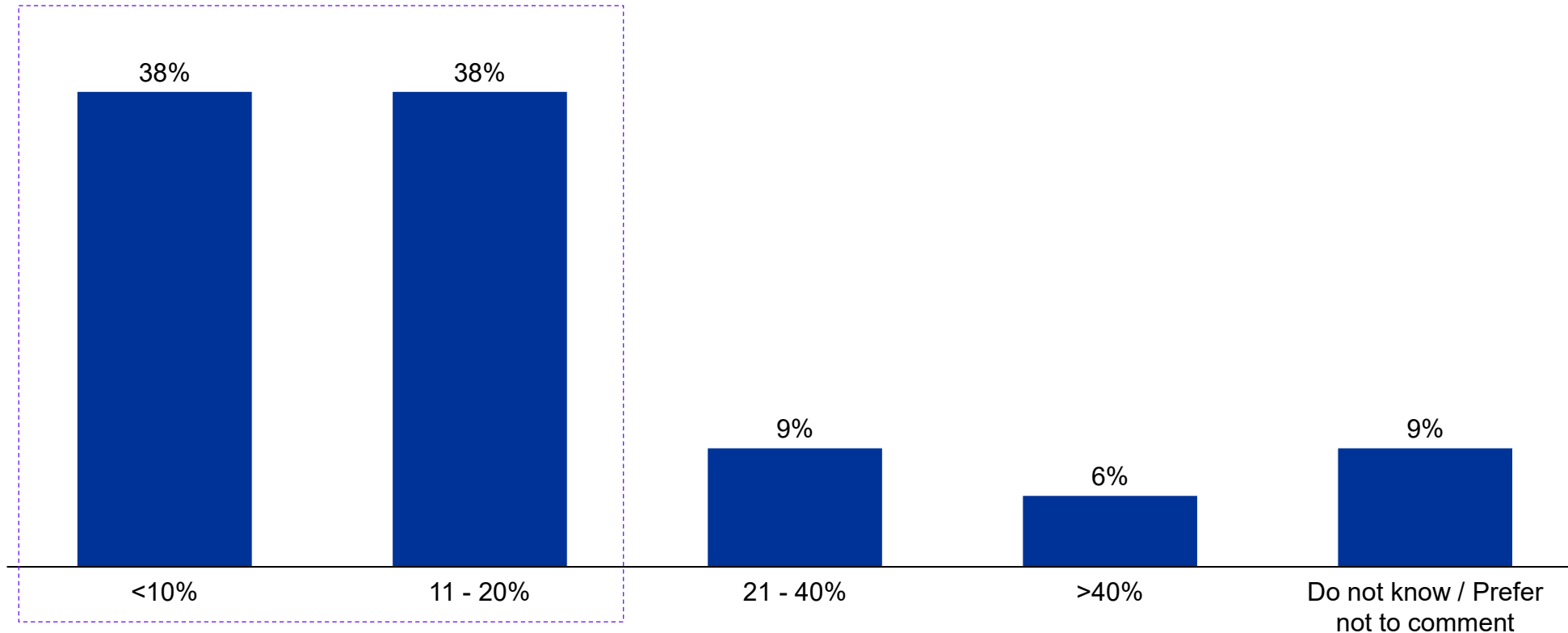


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Many CPGs have calibrated their product portfolios to better prioritize supply chain capacity and preserve service levels with retailers

Portfolio rationalization (N = 106)

To what extent have you rationalized your product portfolio over the past year?

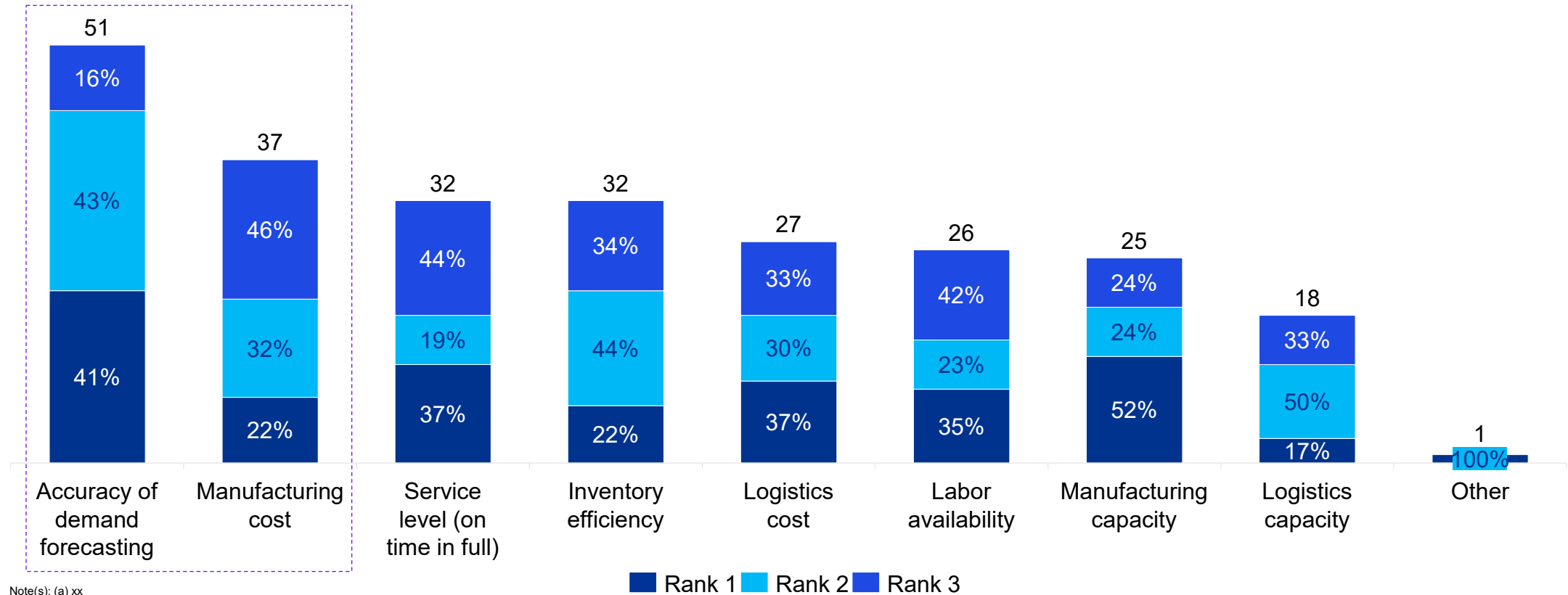


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Being able to accurately forecast demand and preserve retailer service levels is a major challenge which leads many to redefine manufacturing cost levels

Supply chain challenges (N = 106)

Please rank your top 3 supply chain challenges

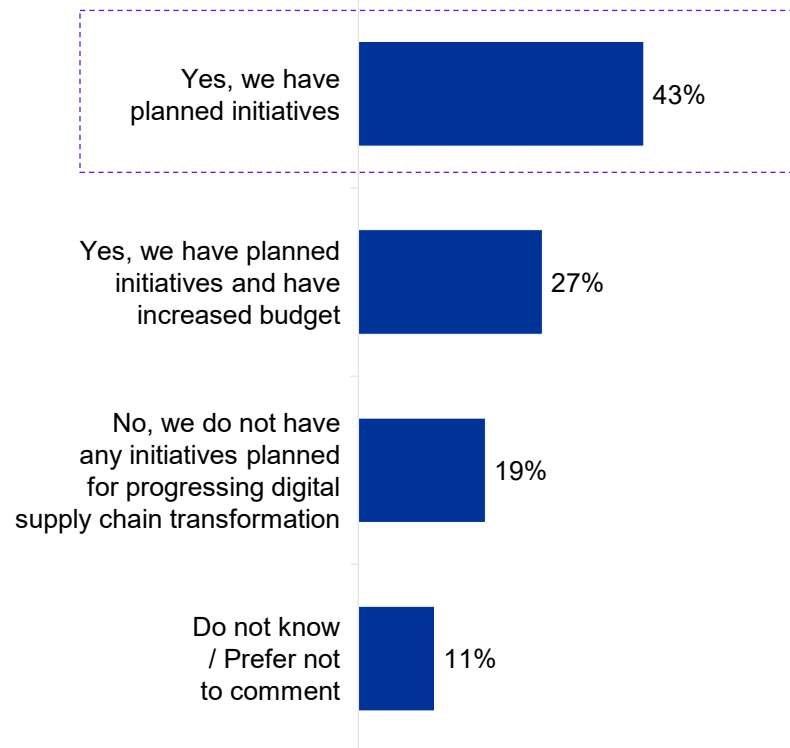


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Digital supply chain investments are steered towards improved agility and optimizing inventory with expectations of a lower cost base

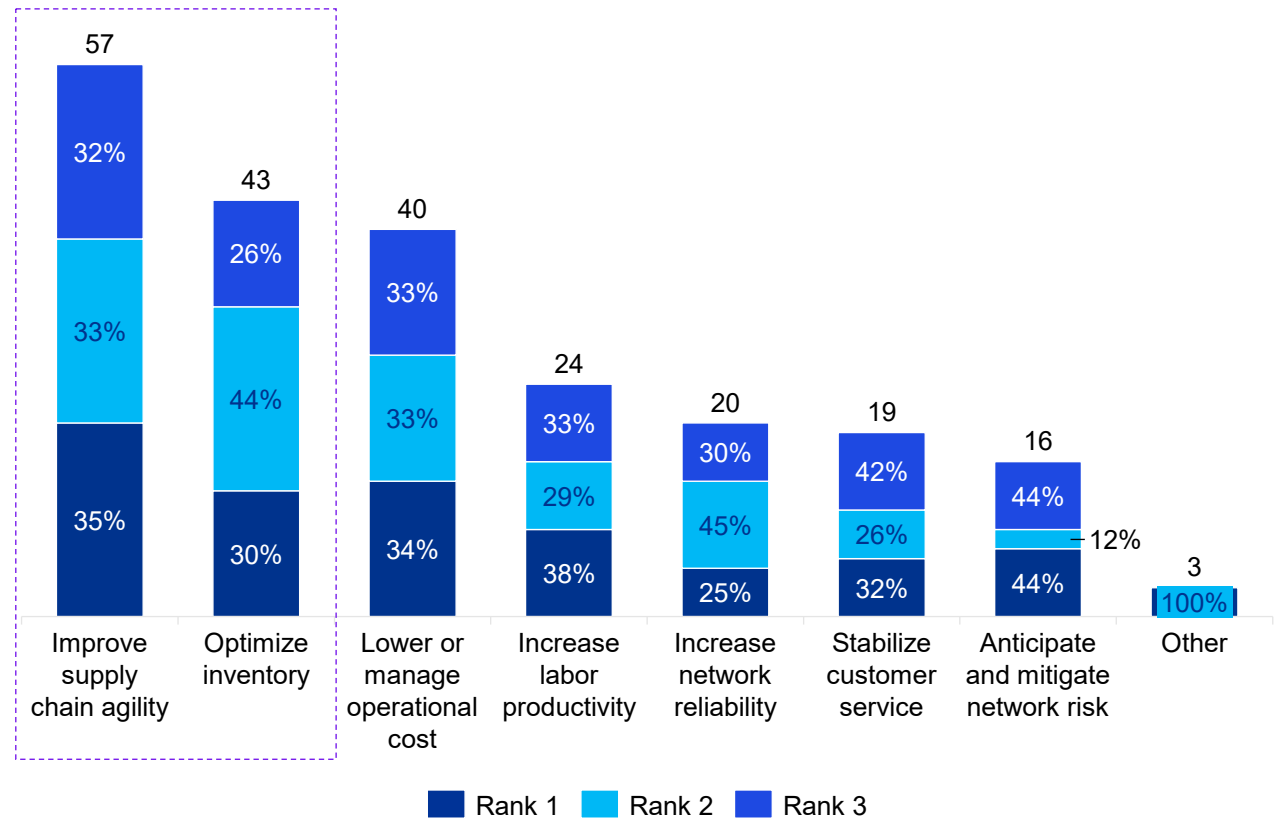
Digital supply chain transformation (N = 106)

Do you have plans to progress digital supply chain transformation over the next 12 months?



Digital SC investment priorities (N = 74)

Please rank the top 3 objectives for your digital supply chain investments

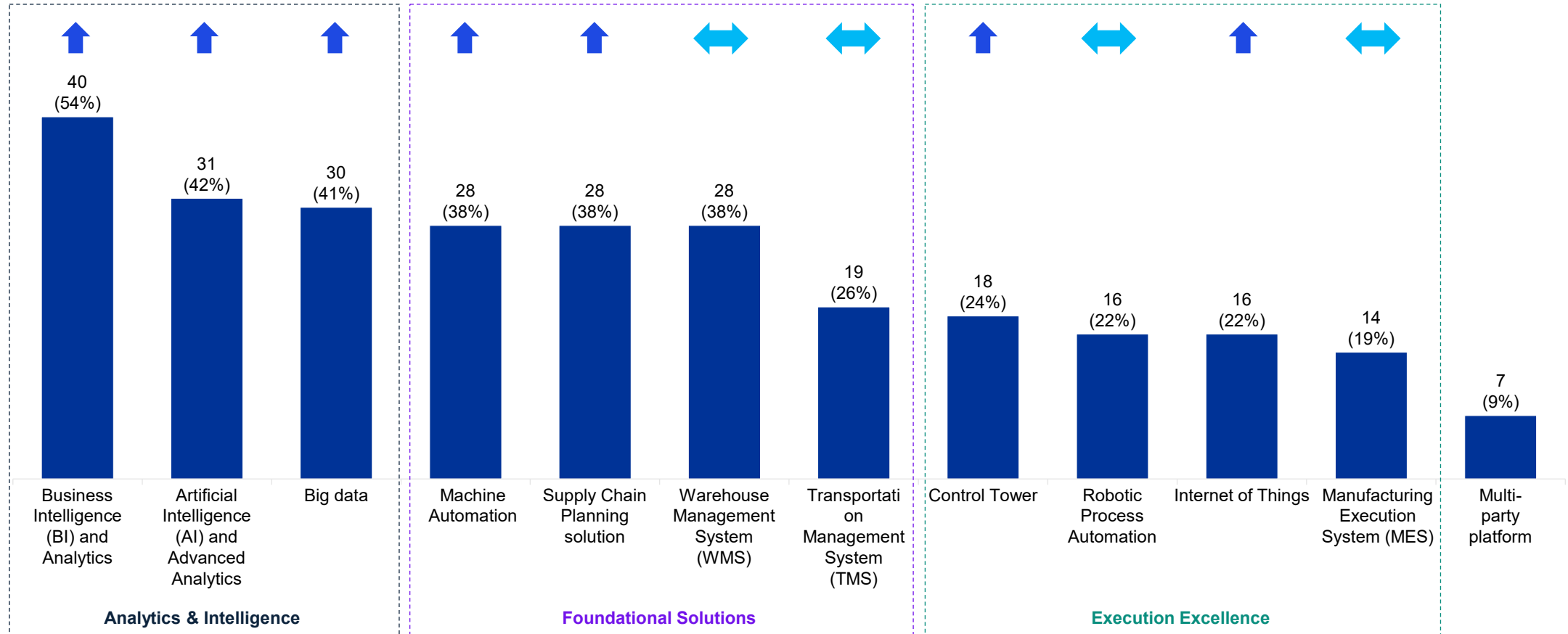


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Analytics (BI, AI, Big Data) are most important technology investments to help solve for accurate and timely insight

Supply chain technology investment (N = 74)^(a)

Which supply chain technology investments are you planning to implement, upgrade, and/or extend?

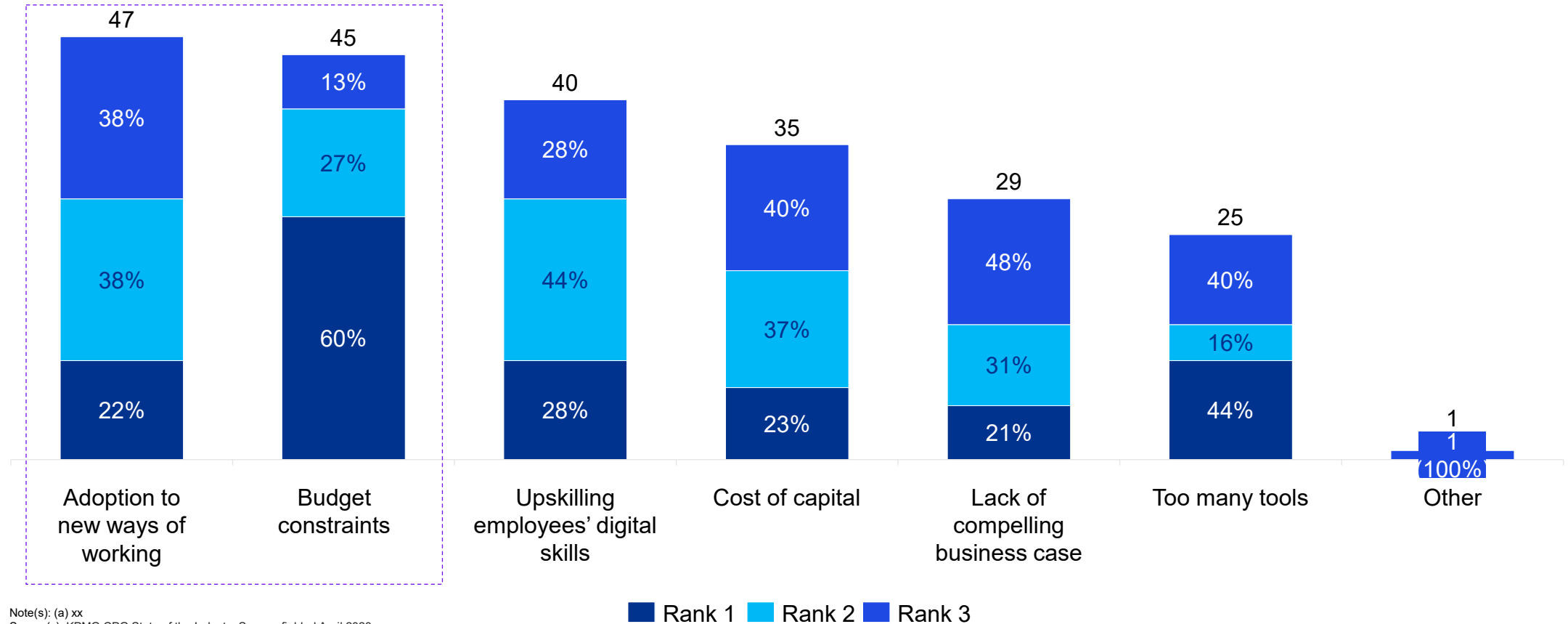


Note(s): (a) Arrows indicate the anticipated change in investment level and are based upon responses received for the question, "From the technologies you are planning on integrating, please indicate the anticipated change in investment level." Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Adopting new ways of working in conjunction with sufficiently upskilling people are the biggest barriers to progress the digitization journey

Barriers to progress digitization (N = 74)

What are the top three reasons holding you back from progressing your supply chain (digitization) ambition?



Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

04

**Capabilities and
priorities | Data
and analytics**

Section observations

Ample data, limited insights

As Big Data burst on to the scene over the last decade, CPGs have invested heavily in D&A and have amassed stockpiles of data. Where many have come up short is in converting this data into insights and relevant business application.

While most CPGs find that they have access to ample data, they continue to struggle with data governance and lack trust in their data's quality, validity, and veracity. Additionally, many do not have the right D&A talent to leverage data effectively and extract meaningful insights.

More targeted D&A investments

In order to better convert their pools of data into meaningful insights and drive business performance, CPGs are beginning to make more targeted D&A investments.

CPG leaders are establishing dedicated D&A teams and investing in the right talent to help ensure their data assets are leveraged effectively across the organization. Additionally, they are investing in data governance to address quality issues and in cloud-based products/applications to establish a single source of truth and ensure universal data awareness and access.

Consistency in D&A focus areas

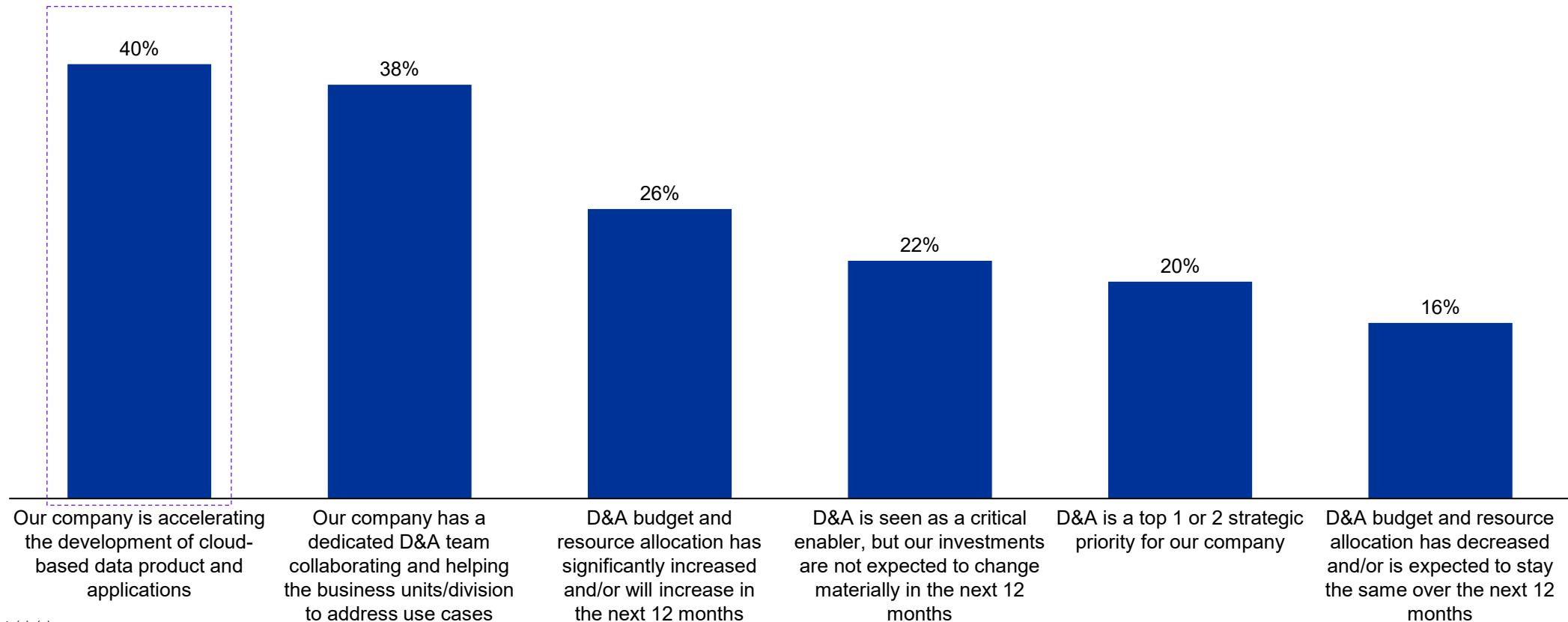
As D&A investment areas and execution approaches continue to evolve, the use cases are remaining relatively unchanged versus recent years.

D&A applications are most prevalent in demand sensing and forecasting to better predict consumer patterns. Looking out to the next year, the focus areas are expected to remain similar.

Most CPGs are accelerating their D&A capability building efforts; investments are increasingly steered towards creating a digital core and AI, with the intent to better predict and create real time insights into consumer needs and patterns

D&A Application (N = 106)

Please select what statements are applicable to your company?



Note(s): (a) xx

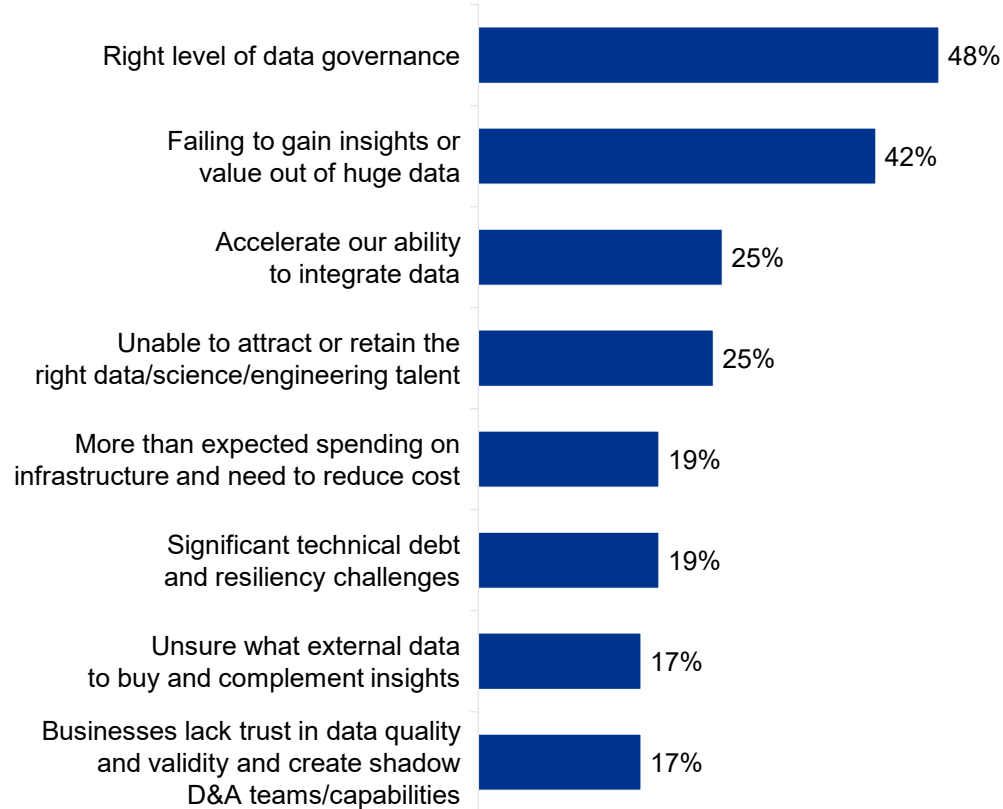
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023



The challenge with D&A is not a lack of data, rather too much data without appropriate governance which hinders extracting meaningful insights

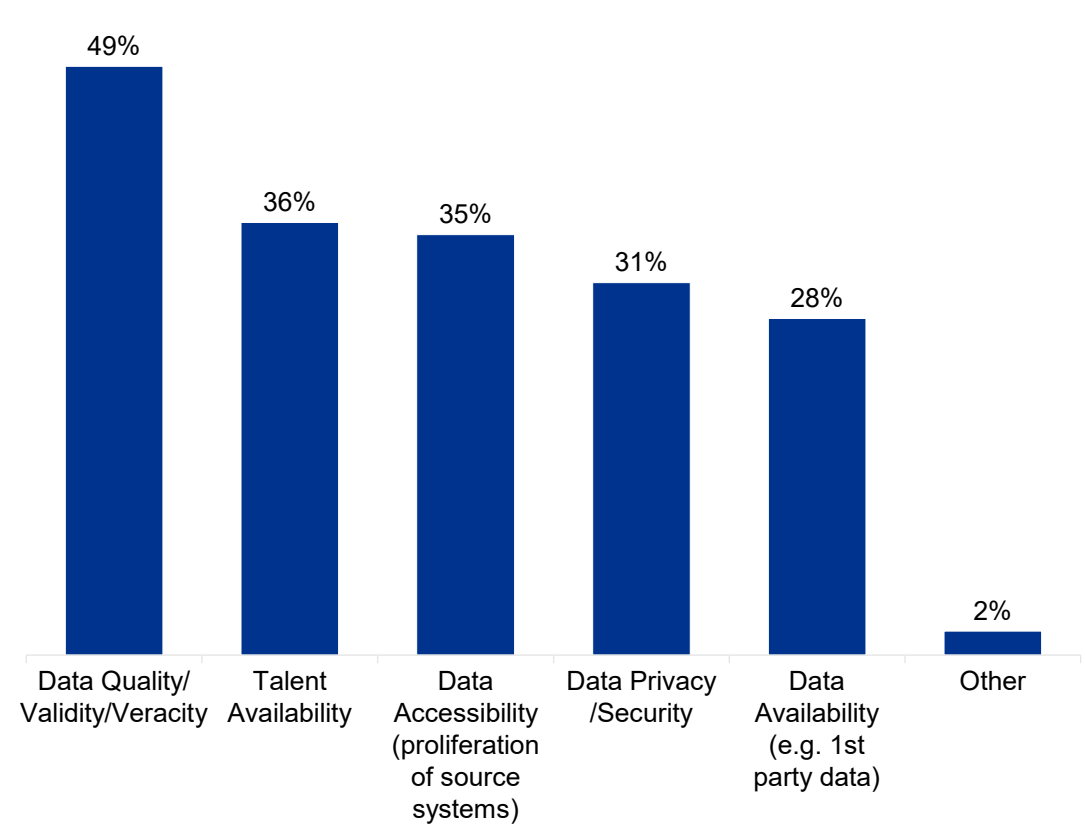
D&A capability challenges (N = 106)

What are your Data & Analytics capability challenges?



D&A risk area (N = 100)

What do you consider the biggest risks for your Data & Analytics capability?

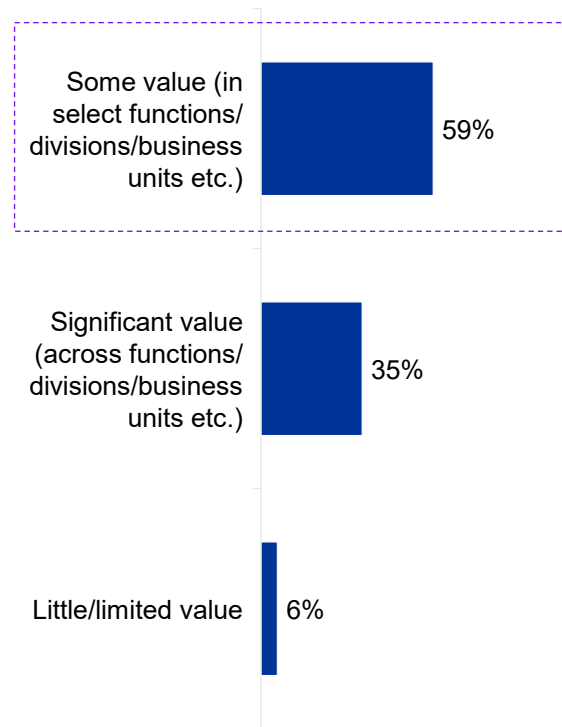


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Demand sensing and demand forecasting are most prevalent D&A application areas which help create closer consumer connections; extracting more value from D&A is still curbed as flaws in data quality and veracity do not allow for valid and accurate predictions

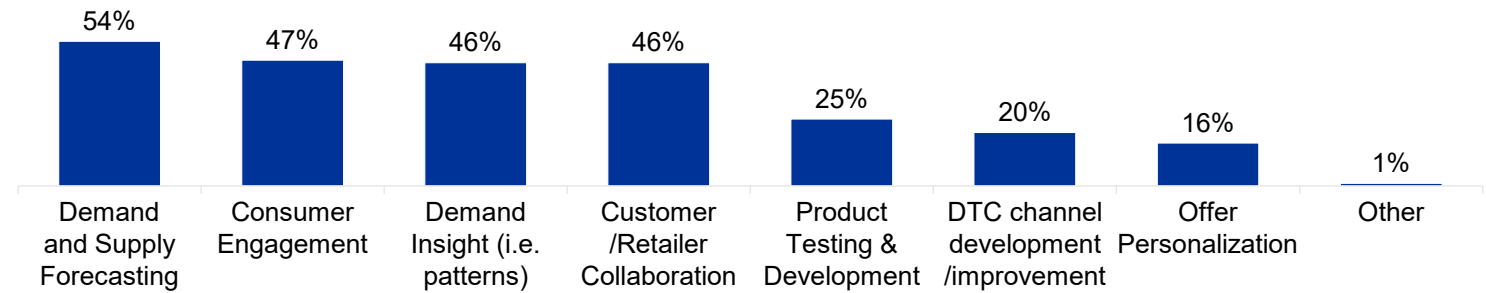
D&A value sentiment (N = 106)

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



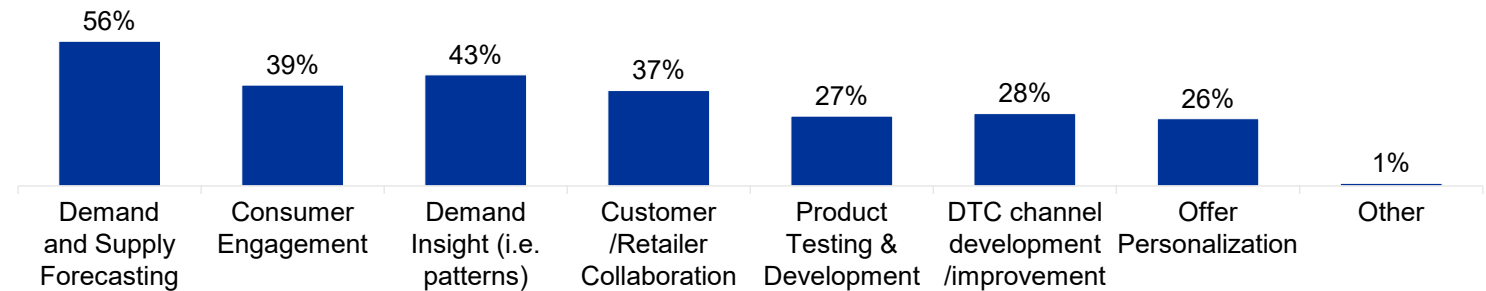
D&A applications ranking today (N = 100)

Considering today please select 3 areas where Data & Analytics is creating value for your team



D&A applications ranking tomorrow (N = 100)

Considering the next 12 months, please select 3 areas where Data & Analytics is creating value for your team



Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

05

**Disruptive
technologies | AI
and Generative AI**

Section observations

Evolving application of existing AI technology

Most CPGs have been using AI for years; however, the breadth and depth of their utilization is continuing to evolve. About 40% of CPG leaders are applying AI in their business with focus in the last year on consumer trend identification and pricing and promotion optimization.

Consistent with their D&A priorities and investments, most CPGs plan to increase AI focus on demand forecasting, customer segmentation and product mix optimization over the coming year.

Familiarity and adoption of Generative AI

As it is for most industries, Generative AI is a hot topic of interest for CPG leaders. Four out of five executives expect it will be important for their businesses going forward. However, only a few early adopters have begun to seriously plan for, much less apply, Generative AI to their businesses.

The technology is still very new; Generative AI providers and available products are in their infancy and evolving quickly. AI practitioners expect significant progress in the next 6-12 months and estimate it will take at least that long for most companies to adopt even the most basic of Generative AI use cases.

Leveraging Generative AI for more complex challenges

While Generative AI adoption is early and application is limited, its potential is significant and viable across business functions. Examples of potential use cases include...

Marketing: Write copy including images and video; sales support chatbots; SEO optimization

Operations: Identify production errors/defects; streamline customer service, manual tasks and research; build/improve customer support bots

IT/Engineering: Generate test cases and test automation; auto-generate or auto-complete data tables

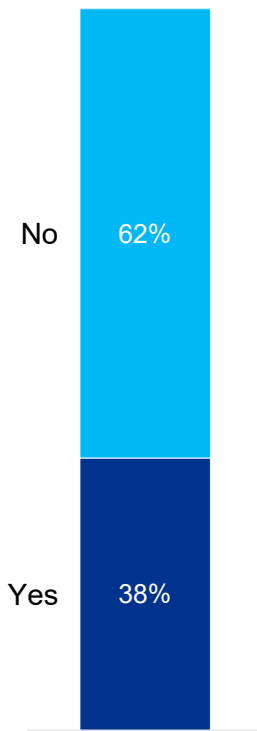
Risk and Legal: Draft/review legal documents; legal to non-legal translation; synthesize/summarize large legal documents

Finance: Data entry; fraud detection

CPGs have started applying AI to solve their business issues with most focusing on consumer trend identification and price and promotion optimization

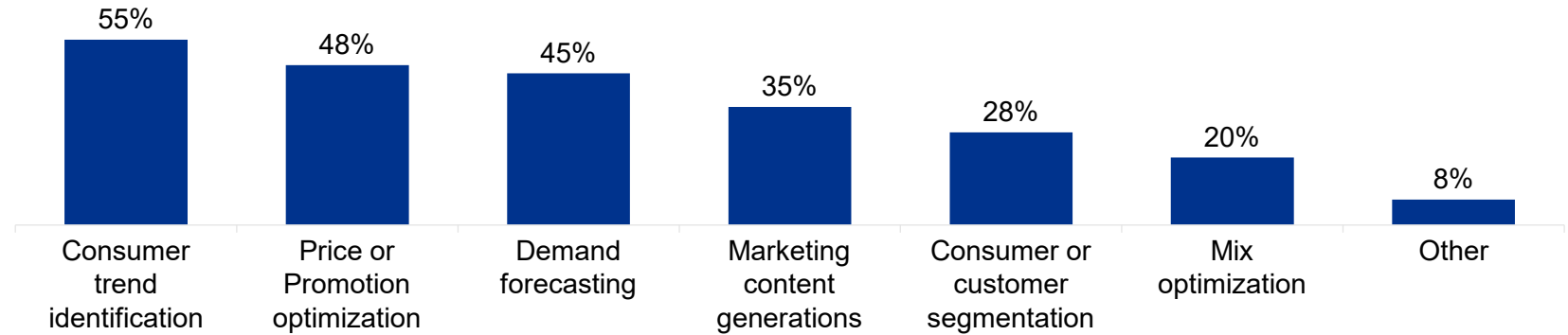
AI application (N = 106)

Are you currently applying AI in your business?



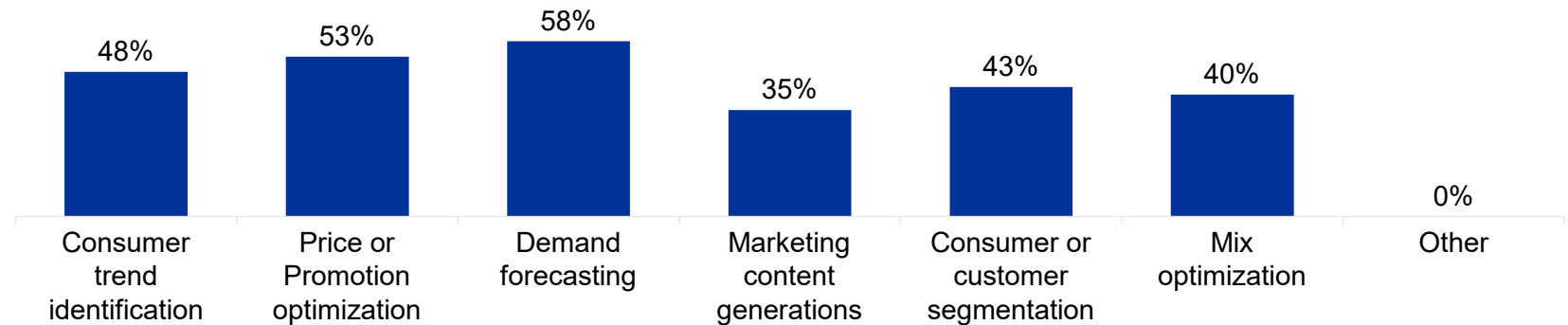
AI application areas (N = 40)

Within what business/domain areas are you **currently** applying AI?



AI application areas (N = 40)

Where do you plan to invest more **over next 12 months**

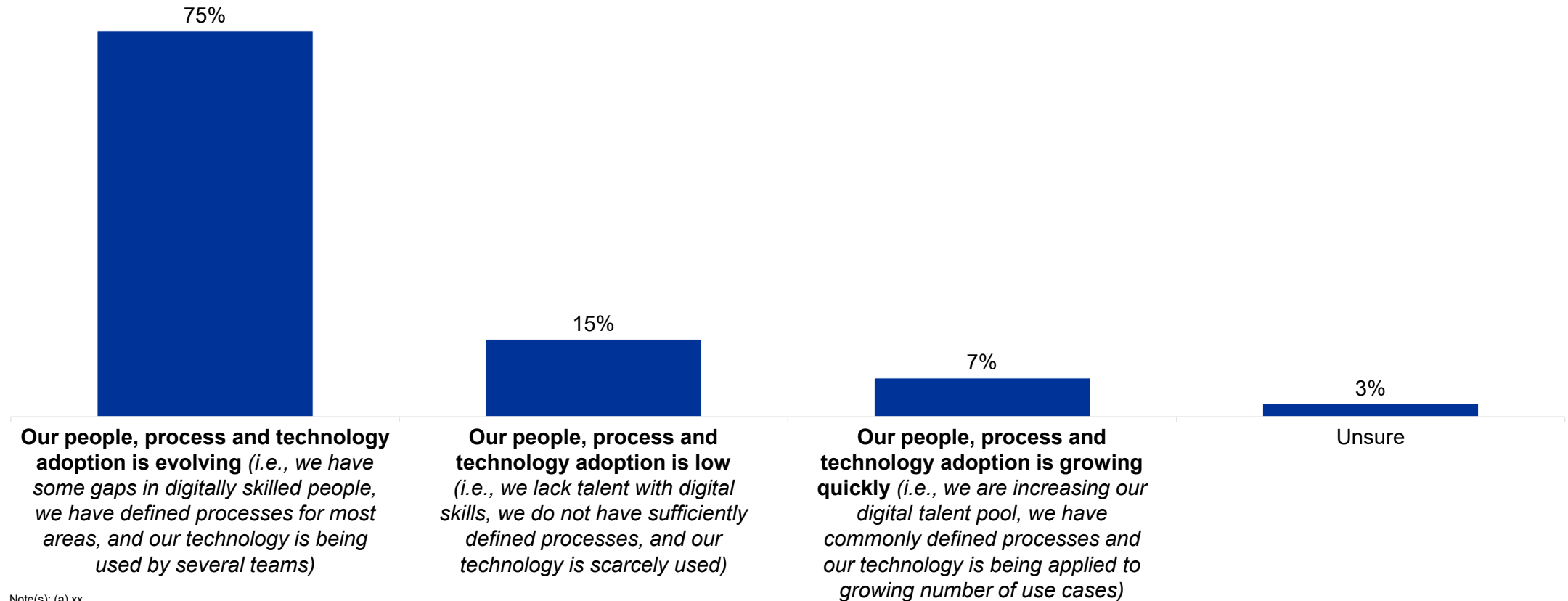


Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Most CPGs recognize more transformation is required across people, process and technology to extract the full value potential from AI

AI maturity for people/process/tech (N = 40)

How would you gauge adoption of AI in your organization as it relates to people skills, technology capabilities and supporting processes?

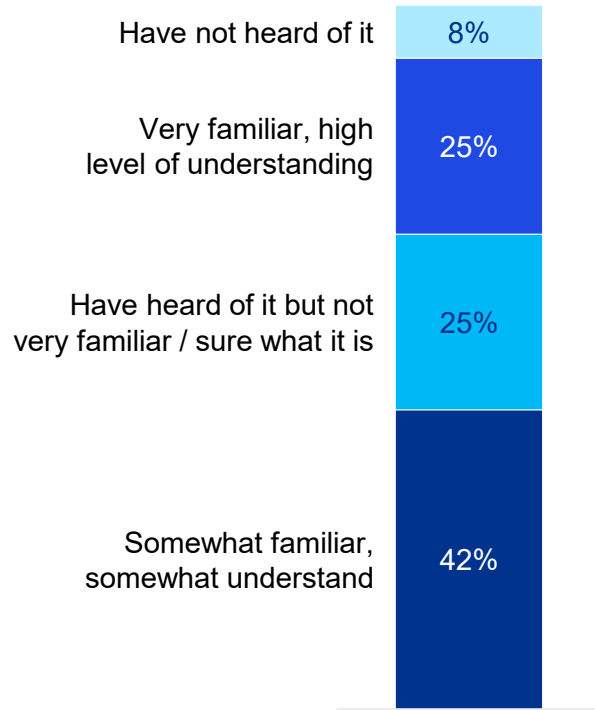


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

With the explosive spread of Generative AI, CPGs have started experimenting and exploring use case applications

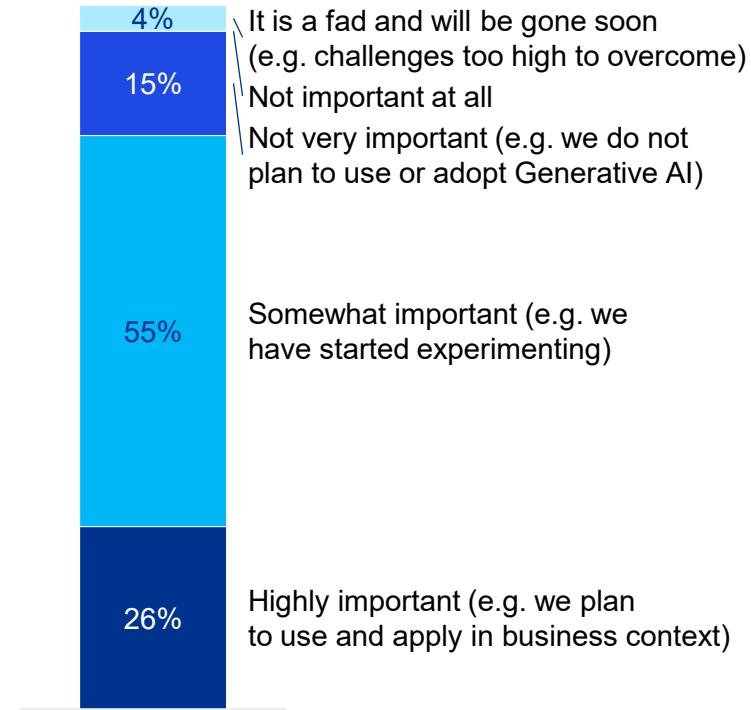
Generative AI familiarity (N = 40)

Are you familiar with Generative AI?



Generative AI importance (N = 27)

How important do you think Generative AI will be for your company over the next 12 months?

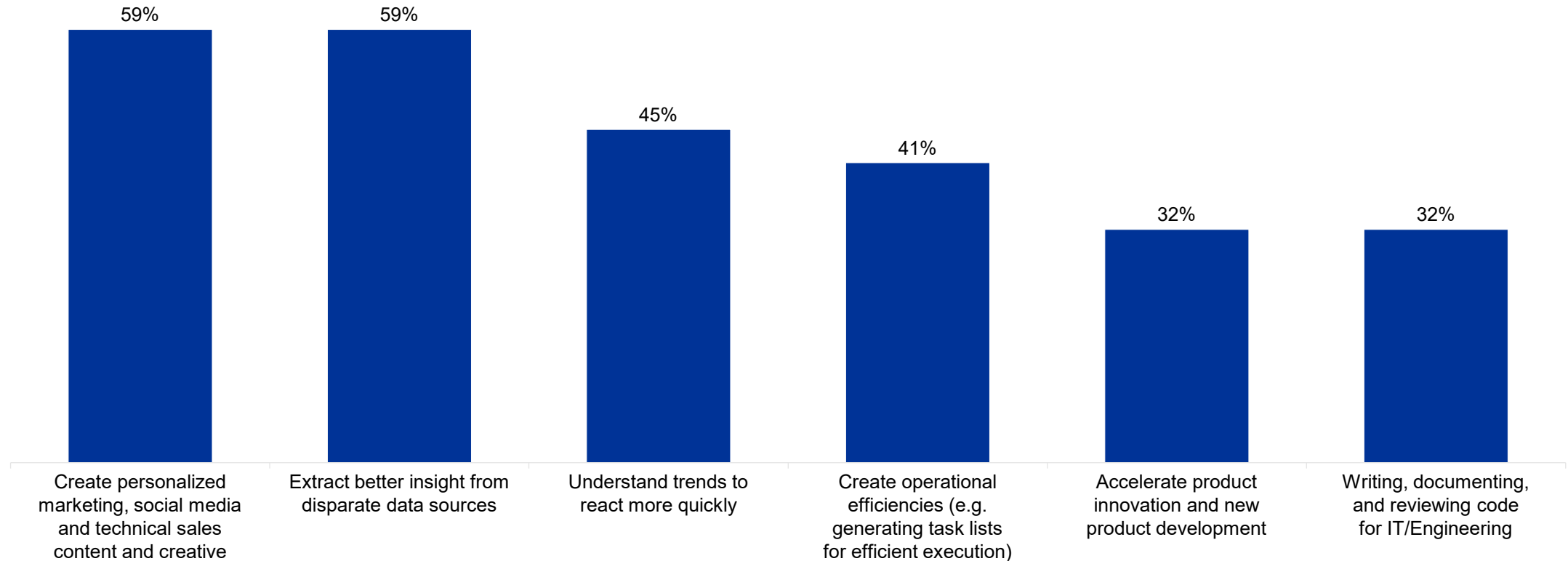


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
%s have been adjusted to sum to 100%

The most prominent Generative AI applications are seen to amplify personalization of marketing efforts and extracting better insight from disparate sources

Generative AI application (N = 22)

How does your company plan/anticipate leveraging Generative AI capabilities?



Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

06

**Business
model evolution**

Section observations

Transforming through digital channels

eCommerce and DTC evolution is again top of mind for CPGs looking to transform their business models.

Direct engagement through own branded websites

CPGs look to launch and further develop own branded websites to fulfill their business model transformation visions, engage directly with customers and grow brand affinity

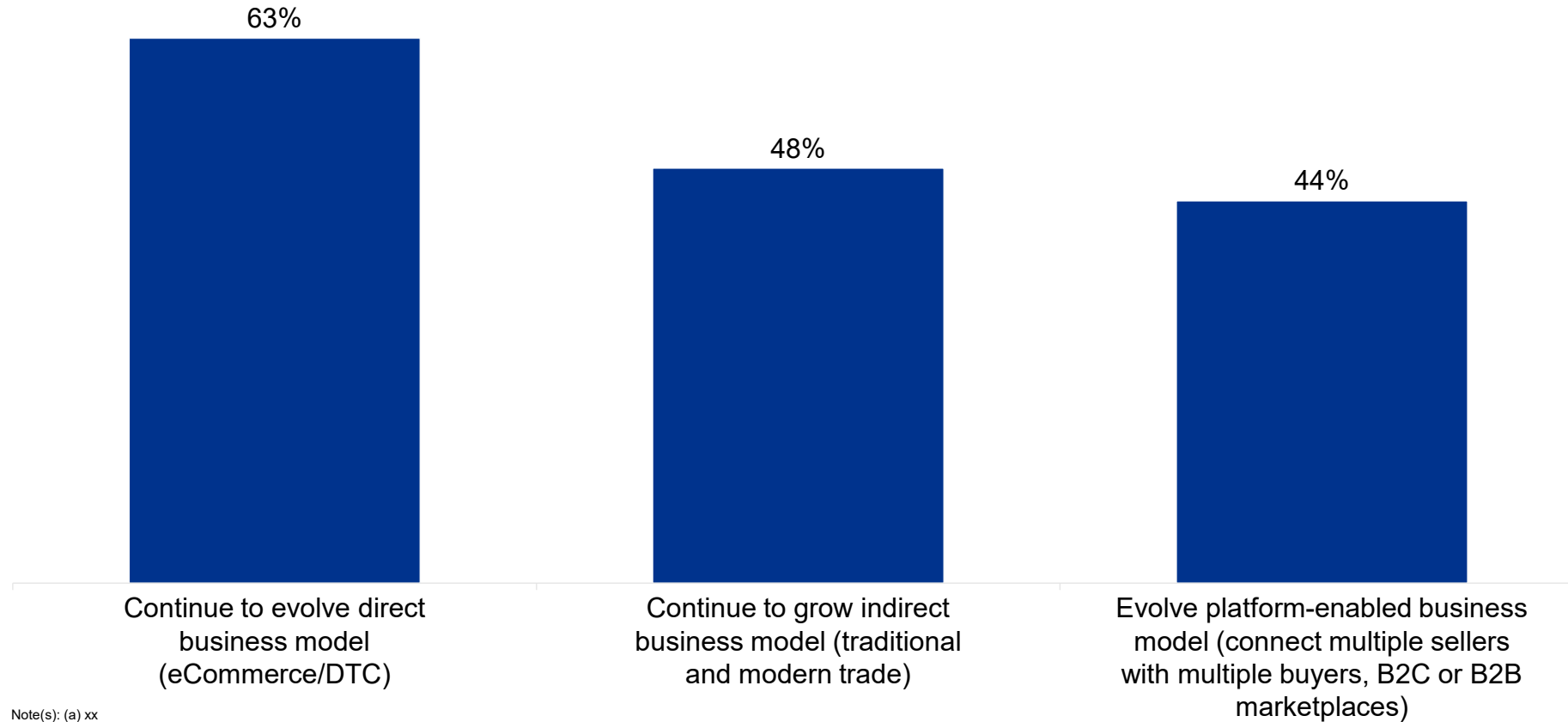
Limited participation in broader ecosystems

More than half of CPGs continue to focus on select partnerships and alliances rather than actively participating in a broader ecosystem. However, about one in three do occasionally collaborate with peer brands.

Evolving direct business models through eCommerce and DTC to directly connect with consumers and create greater intimacy is top of mind

Business model evolution (N = 106)

How do you expect your business model to evolve?

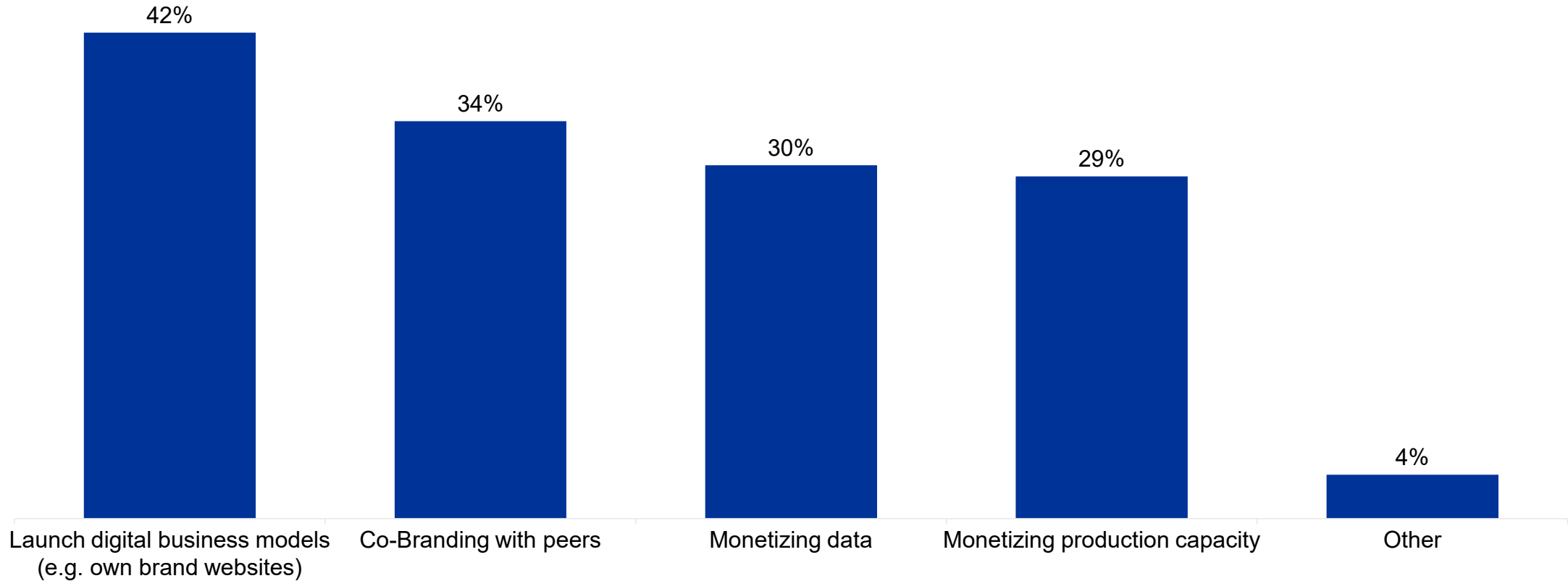


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Own branded websites have proven successful to grow brand affinity – With brand collaborations growing in interest

Types of business model interventions (N = 106)

What business model interventions are you considering for the **current or next year**?

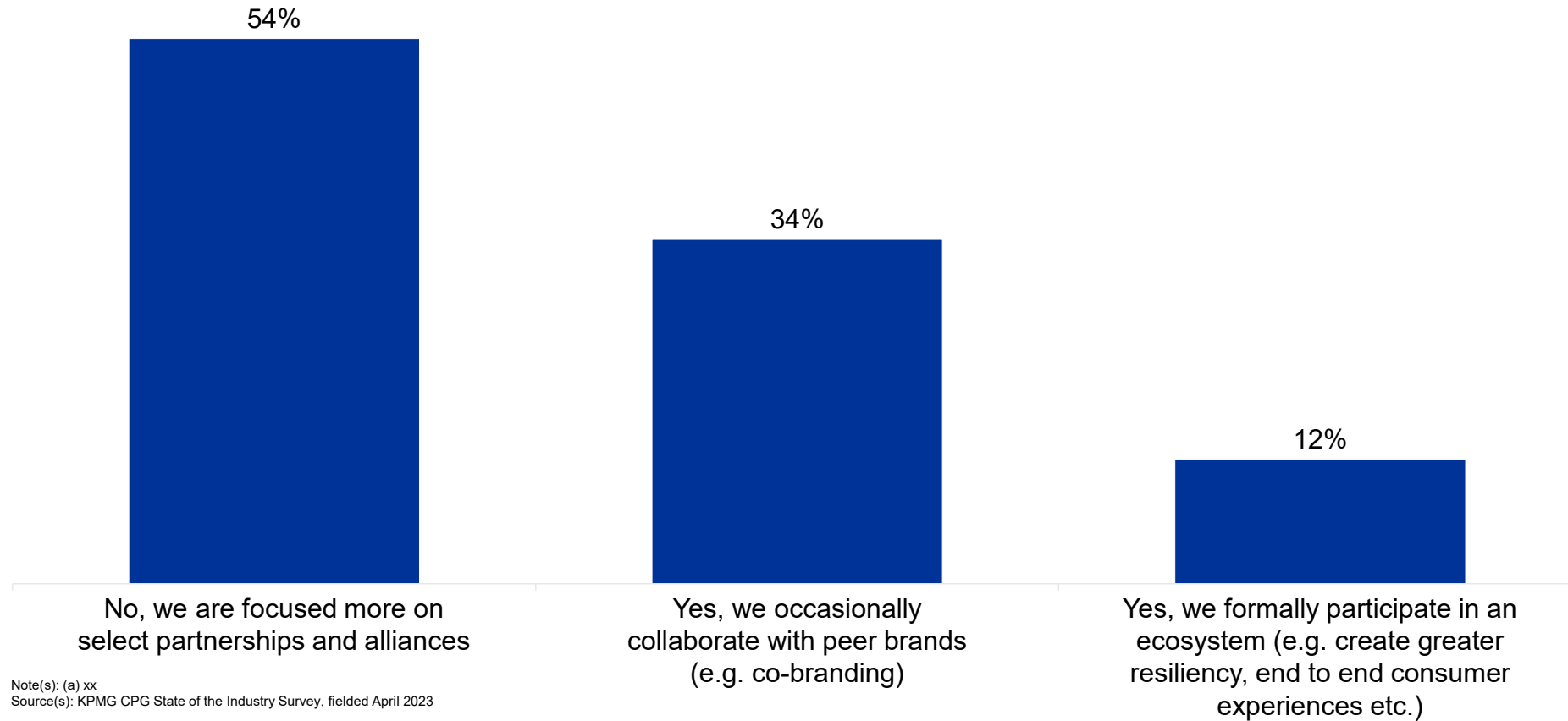


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Few CPGs are planning to expand their role in the ecosystem, but the ones confined to alliances today are likely to see benefits of a broader role soon

Likelihood of ecosystem participation (N = 106)

Do you participate or plan to participate in a broader ecosystem in the next 12 months?



Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

07

Purpose-led brand (ESG)

Section observations

Confluence of factors contributing for growing importance of ESG

While several reasons contribute to gaining importance of ESG efforts, company reputation management is seen with higher importance driven by risk considerations.

Analogously, growing importance of regulatory pressures are related to better managing risk and its potential downsides.

Consumer expectations are watched carefully to continue to drive value with a sustainable product portfolio.

Deliberate focus on individual ESG initiatives

CPGs place importance across all ESG disciplines with disproportionate shareholder activism on environmental initiatives where the impact is directly related to climate events in recent years.

Companies' explicit efforts and resulting ESG 'scores' are particularly important for younger generations during the recruiting process.

Applying an 'accordion' approach to ESG investments

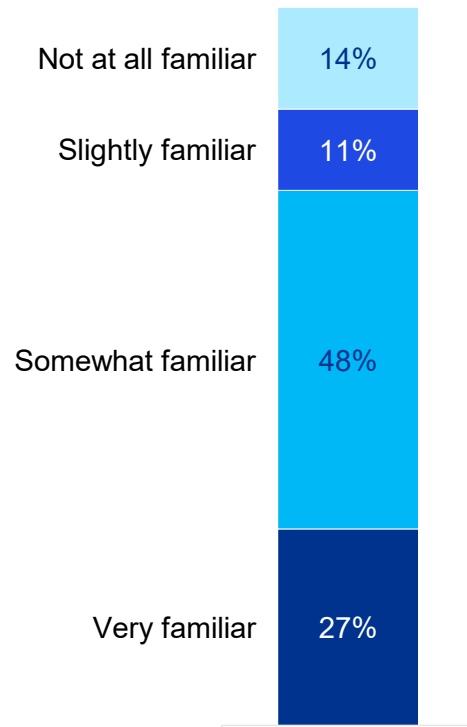
Progressing the ESG agenda and impact is important for employees, consumers and customers (retailers). CPGs who apply an 'accordion' approach to their respective ESG investments, i.e., invest when they can and pull back when needed, fair well in meeting collective expectations.

Developing an understanding of sustainable product incrementality and willingness to pay of various consumer segments, is important to make decisions that do not encroach on profitability.

Awareness and familiarity with companies' ESG initiatives has become common; Environmentally focused initiatives are increasing importance

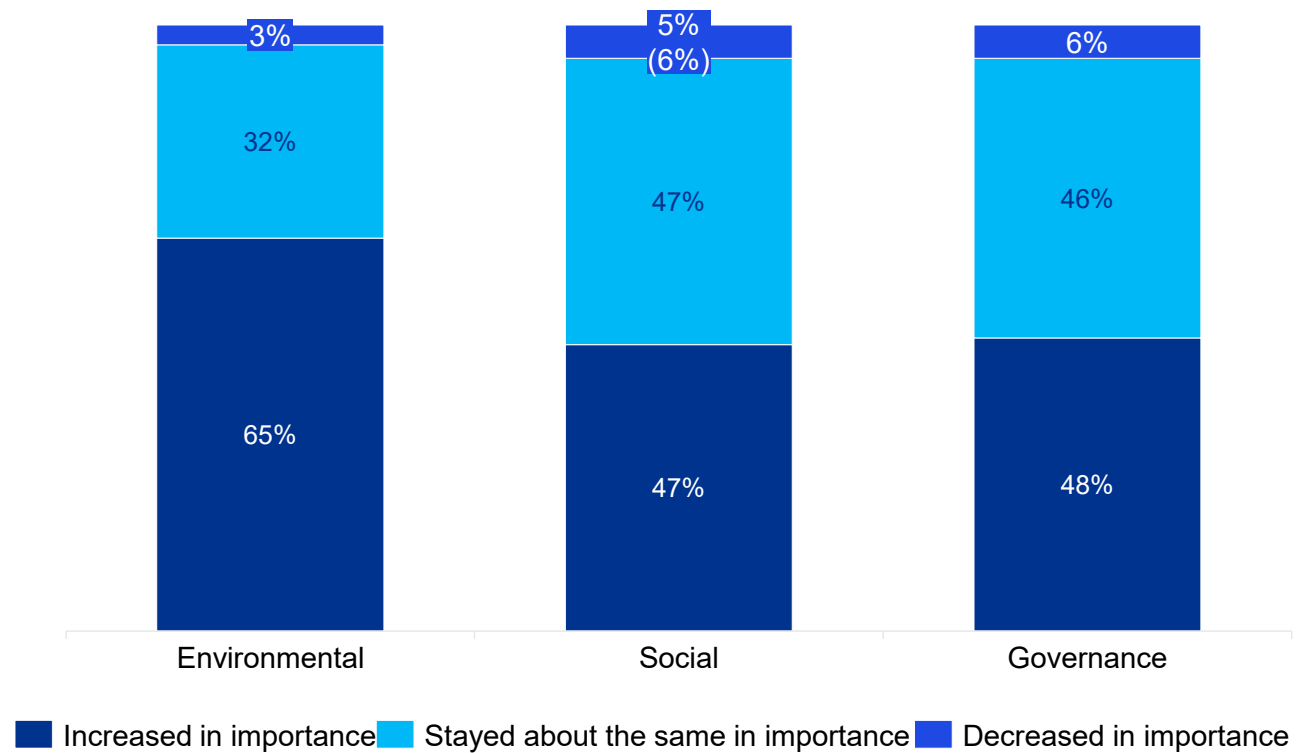
ESG initiative familiarity (N = 106)

How personally familiar are you with your company's ESG initiatives?



ESG changes (N = 91)

For your company, how have each of the components of ESG changed over the past year?

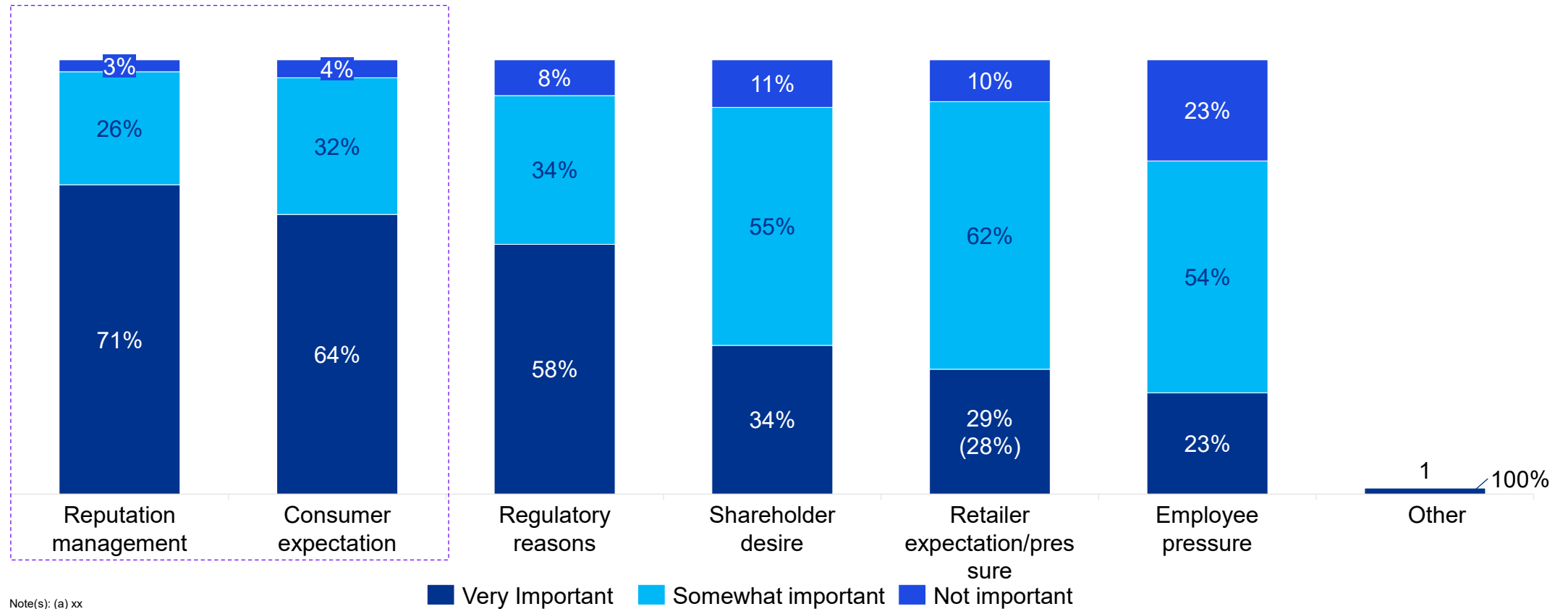


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
%s have been adjusted to sum to 100%

Company reputation management and meeting consumer expectations is seen as very important – With regulatory pressures looming

ESG importance (N = 73)

Rate each of the following reasons for why ESG is gaining more importance?

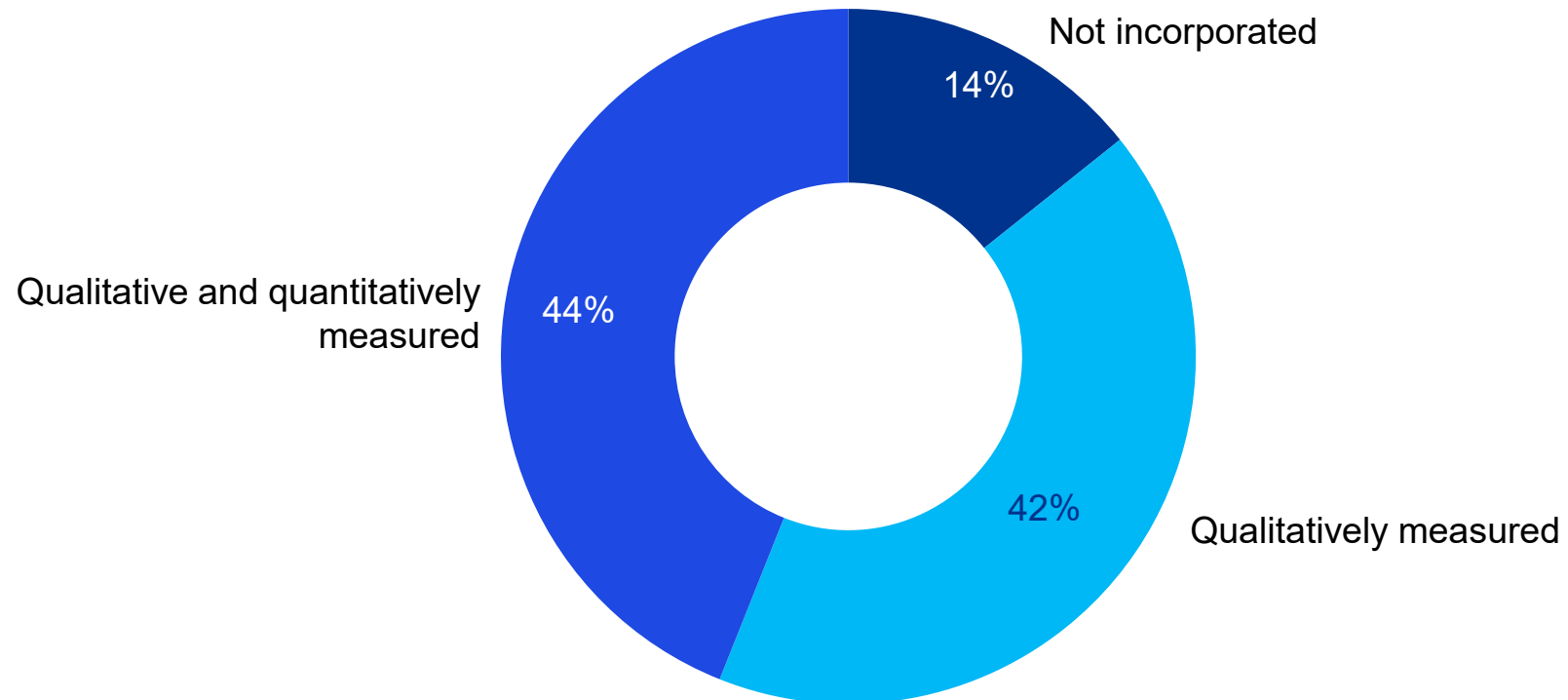


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
%s have been adjusted to sum to 100%

Most CPGs are formally measuring ESG efforts – Qualitative and quantitatively as part of their performance evaluations

ESG goals incorporation (N = 91)

To what extent are sustainability goals incorporated into your company's corporate performance evaluations?

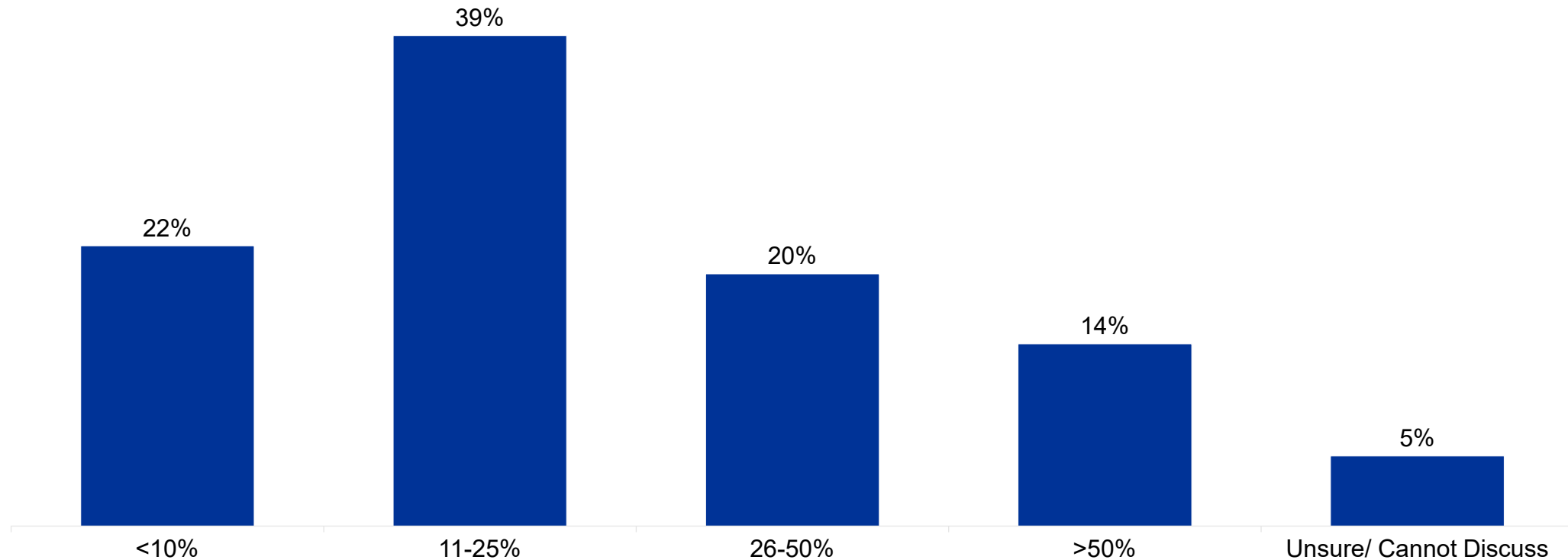


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Most CPGs are formally measuring ESG efforts – Qualitative and quantitatively as part of their performance evaluations (continued)

Portion of sustainable products (N = 91)

What portion of your sales would you consider sustainable products?

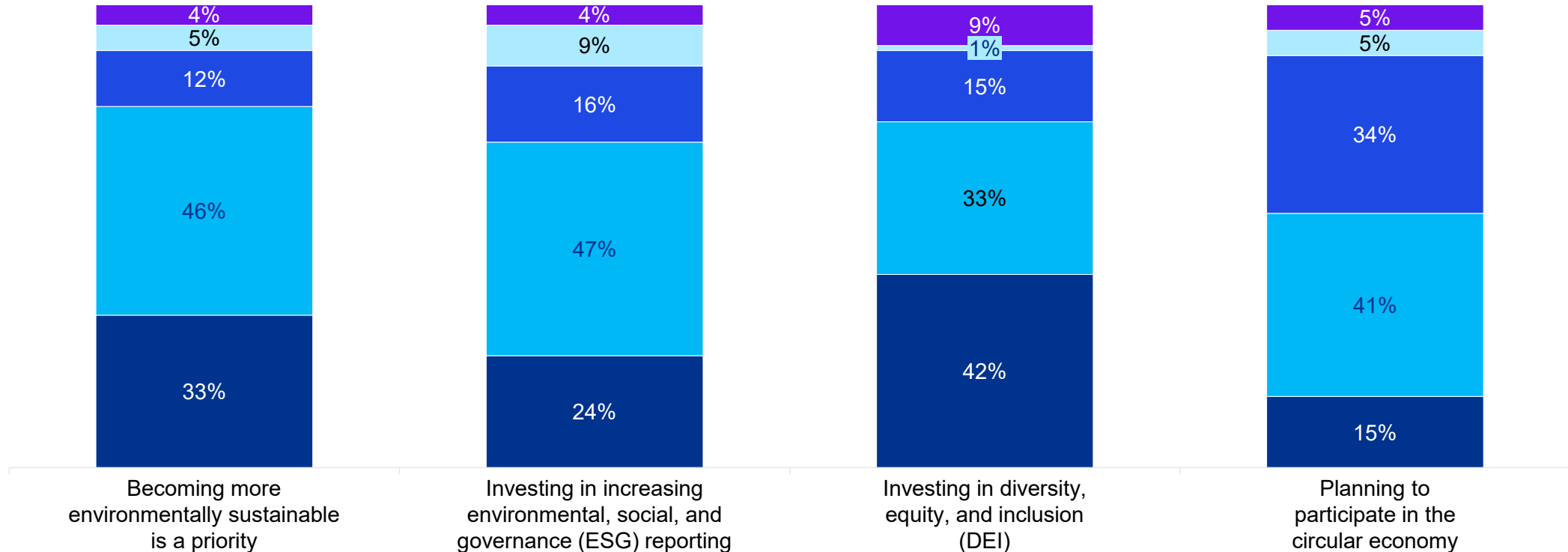


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

Progressing the entire ESG agenda, and continuing to invest, is evident in most CPGs

Agreement with ESG statements (N = 91)

To what extent do you agree with the following statement?



Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%

Strongly Agree Agree Neutral Disagree Strongly Disagree

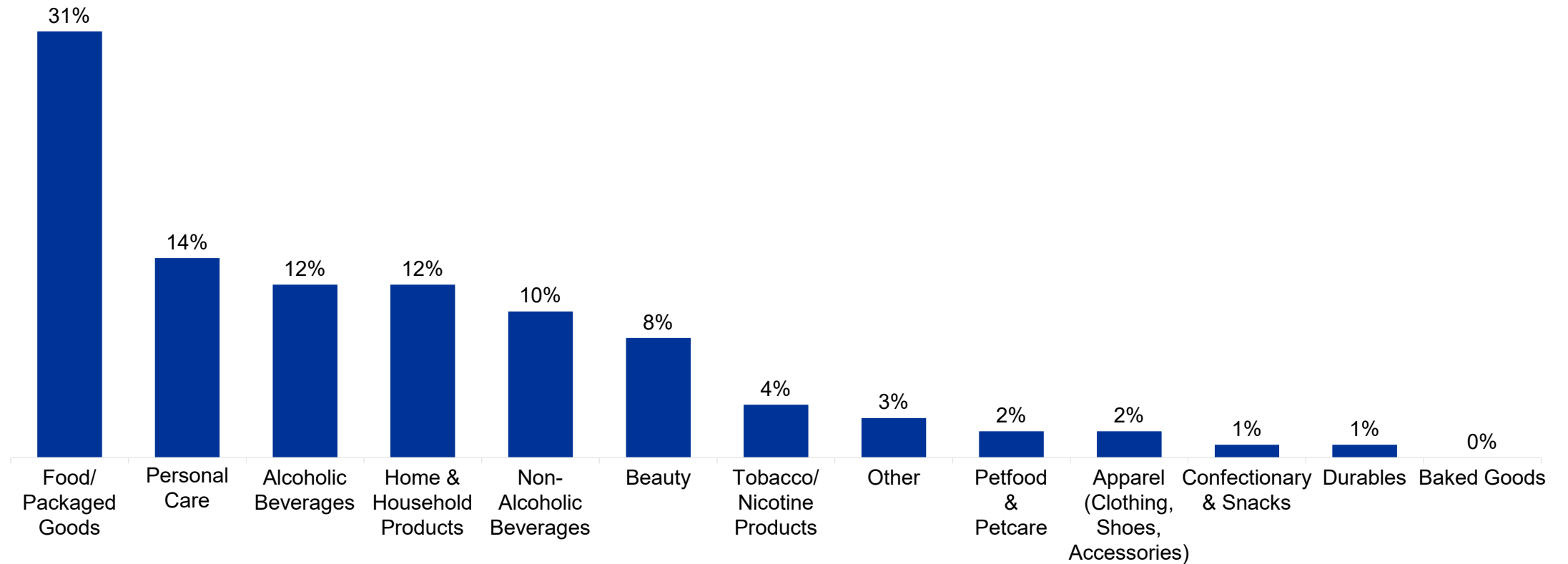
08

**Appendix I
Demographic
profiles**

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

Respondents' consumer products sub-sector (N = 106)

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

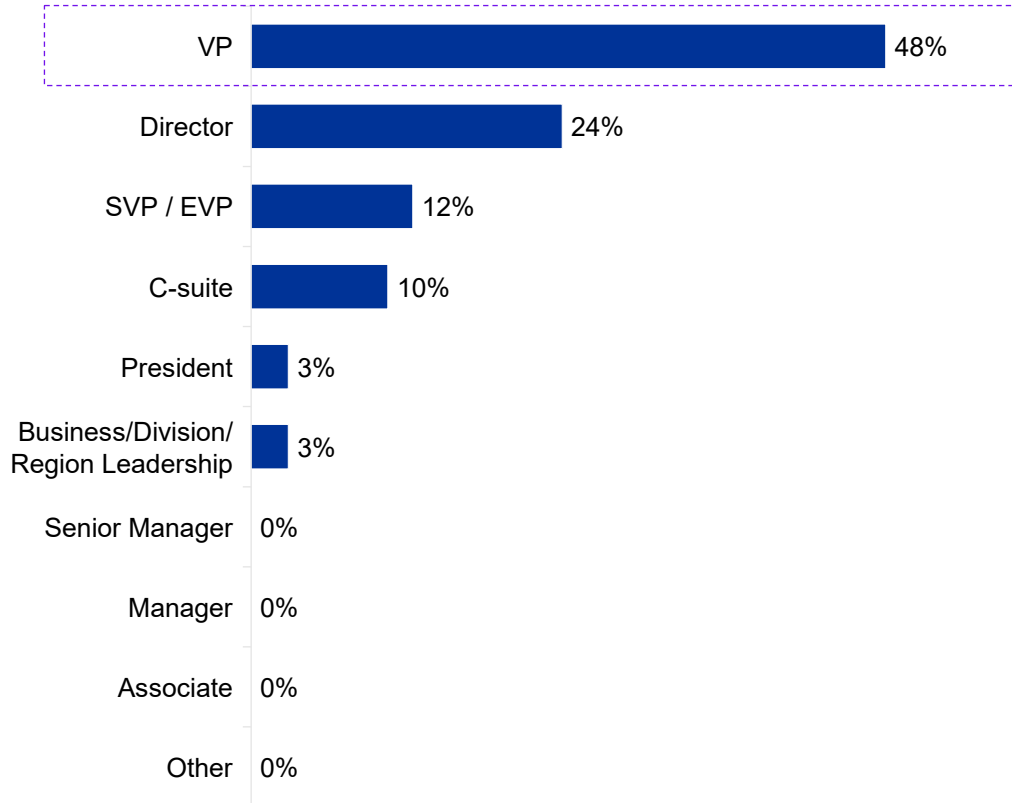


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

~50% of survey respondents are VPs; Marketing followed by sales are the top two functional expertise amongst respondents

Respondents' Current Job Level (N = 106)

What is your current job level?



Respondents' Core Functional Expertise (N = 106)

What is your core functional expertise?

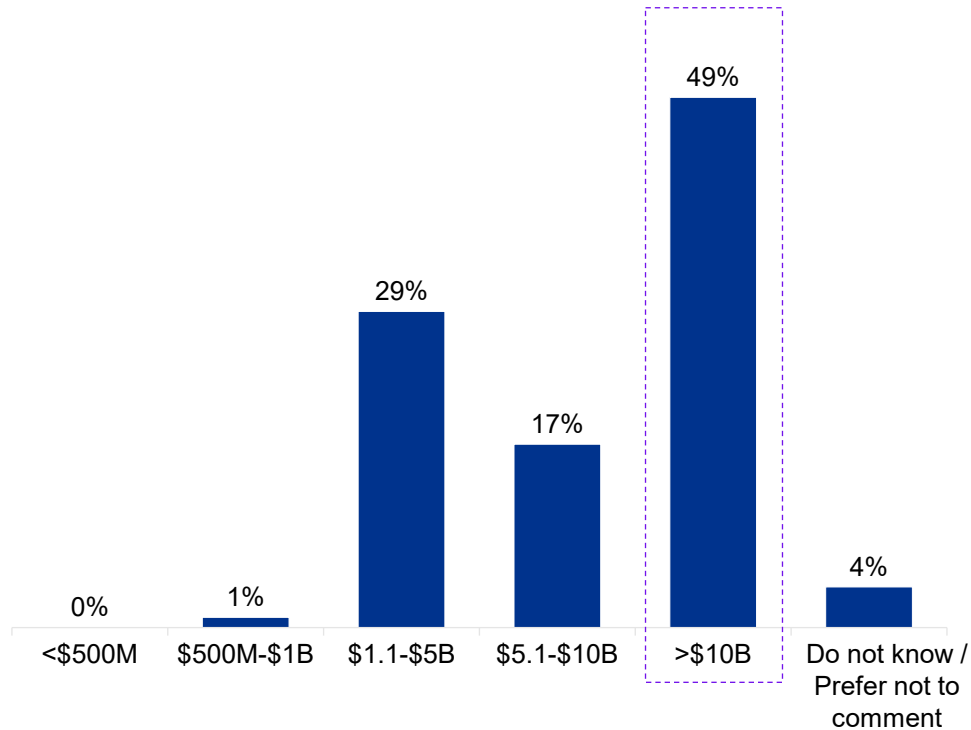


Note(s): (a) xx
Source(s): KPMG CPG State of the Industry Survey, fielded April 2023

~50% of survey respondents' CPG employers have >\$10B revenue; Growth is expected to a greater extent in North America

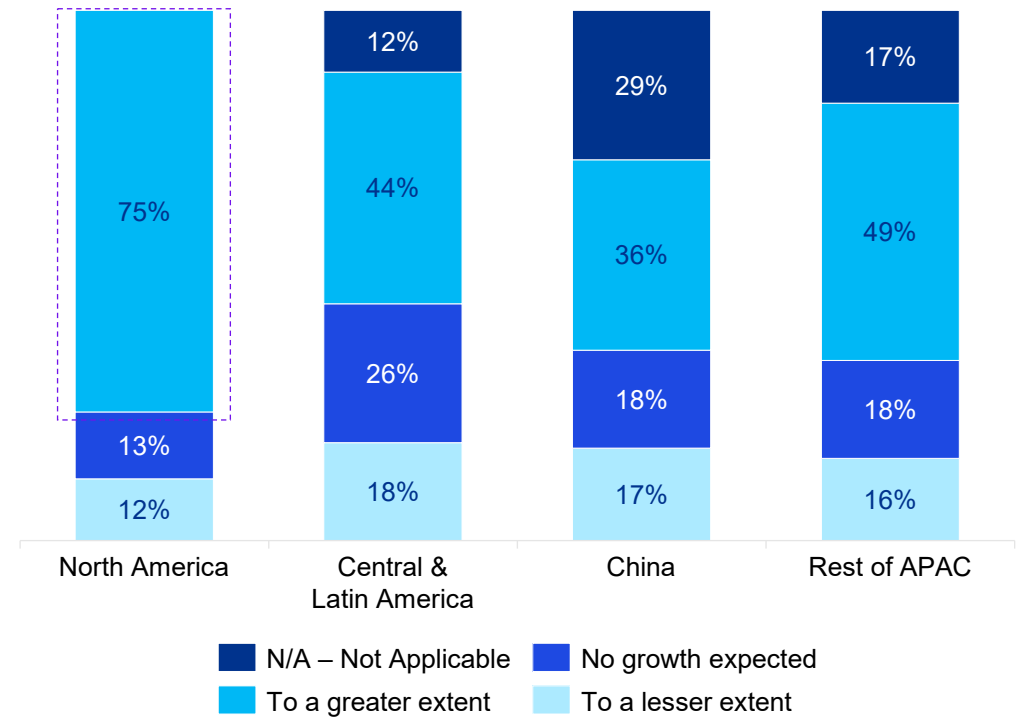
Revenue of current CPG employer (N = 106)

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



Degree of growth at regional level (N = 103)

Considering your organizations growth over the next 12 months, please select the degree of growth for the relative regions.



Note(s): (a) xx
 Source(s): KPMG CPG State of the Industry Survey, fielded April 2023
 %s have been adjusted to sum to 100%



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