Consumer Goods & Retail

The Future of Top-Line Growth in the Consumer Goods Industry

How to navigate through top trends, growth bets, and industry hurdles in challenging times

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INSIGHTS

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In the face of a slowing global economy, uncertain globalization, and persistent inflation, the consumerpackaged goods (CPG) industry is facing the challenge of delivering consistent growth.

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New-to-the-world product innovation is the biggest growth bet to incorporate into a CPG growth strategy. However, there is a high risk of failure, and most companies fall back to adjacent growth.

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80 percent of companies fail to execute growth strategies. Addressing non-transparent KPIs, lacking agility and flexibility, and missing capabilities, allows successful growth to stay competitive.

Enabling future top-line growth

Creating top-line growth is one of the key criteria for successful consumer packaged goods (CPG) companies. Research shows that only companies with a compelling growth strategy can outperform competition.[1] But how do companies efficaciously develop and execute the right growth strategy? The challenge to deliver growth consistently is becoming more extensive in the current market environment: The global economy is slowing down, globalization is in doubt, inflation is high, and consumer behavior is changing — and expected to last.

In order to thoroughly examine these trends, Porsche Consulting conducted a survey with more than 30 leaders of international CPG companies. The study offers key insights how to craft lasting growth strategies during these uncertain economic times by analyzing the most critical building blocks of CPGs in their top-line growth 2025 strategy.[2] While sustainability, health, and well-being as well as stagflation were seen as the most significant trends impacting top-line growth, this study also clearly indicates one main growth bet in CPG: product innovation.

Yet two other growth bets are mostly unexploited despite their double-digit growth potential: price and placement. Beyond examining promising growth bets in more detail, the study also highlights the greatest top-line growth execution hurdles. The top three reasons companies fail to enact their strategies are:

- **Lack of strategy: The strategy is not broken down into actionable and measurable KPIs**
- **Lack of process and technology: Processes are not agile enough to adapt to market demand, and the latest technology is missing**
- **Lack of people and talent: Employees are not equipped with the required skills and capabilities to support the change**

The predominant goal is assisting leaders in the CPG industry in making sufficient choices in prioritizing their growth bets. Successful strategy deployment means major change for most companies and thus requires new skills, agile processes, and the latest technology as a foundation. The study therefore focuses on the three main building blocks for top-line growth, top trends impacting growth strategy 2025, key growth bets for top-line growth, and the main hurdles to overcome the current challenges.

01

TOP TRENDS IMPACTING growth strategy 2025

Trends are a strong indicator for upcoming consumer behavior shift and thus the basis of any growth strategy. Understanding the change in the mindset of consumers influenced by trends allows an adaptation and a preemptive strategic direction setting. Powerful current trends include consumer trends such as seeking trust, personalization, or sustainability; market trends, e.g., D2C, omnichannel or the rise of small brands as well as external trends, e.g., deglobalization, regulations, or stagflation.

Trends can provide promising clues as to what behaviors and practices are likely to see consumers engaging in. With this insight, an effective growth strategy is simpler to develop, as brands are better equipped to anticipate their customers' needs. The Porsche Consulting study has examined various industry trends and offers key insights.

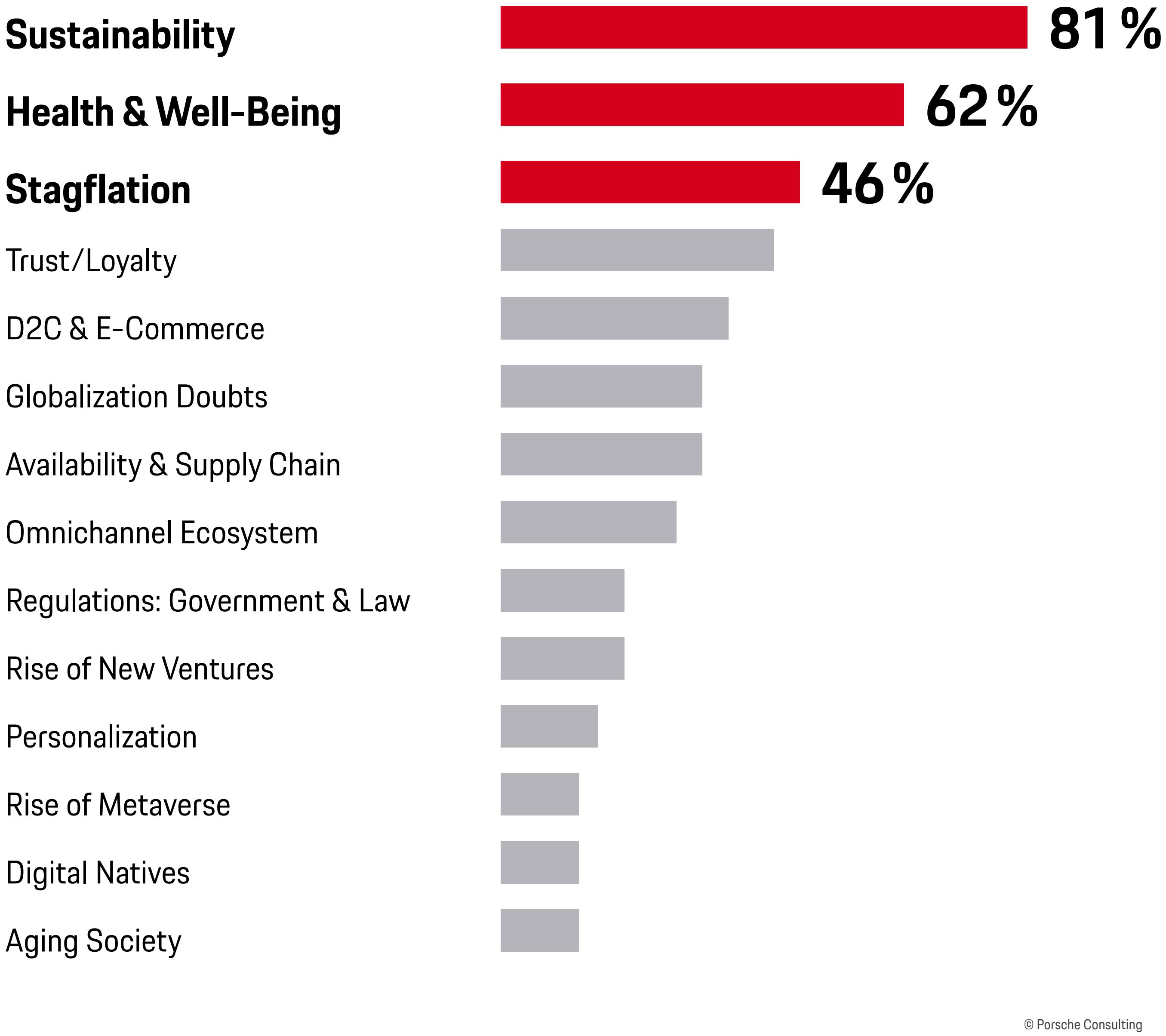

Fig. 2. Overview of respondents considering the respective trend as most important (in %)

01// SUSTAINABILITY: 50 PERCENT OF CONSUMERS ARE WILLING TO PAY A PRICE PREMIUM FOR SUSTAINABLE PRODUCTS

Sustainability has been rated as the trend with the strongest presence in today's everyday life and the most important trend for CPG companies in the upcoming years by the survey participants. Consumer goods brands from the food, personal care, and cosmetics sectors are expected to bring to market environmentally friendly nutrition and personal care products. Likewise, the fashion industry is starting to offer its customers a range of recycled and recyclable products. This transformation is driven by consumer demand, as they are increasingly focusing on sustainability and expect companies to reflect these values not only in their products but also their company strategy, culture, and processes. Due to consumers' willingness to pay a price premium of up to 50 percent for sustainable and organic products, sustainability has become a strategic priority for many companies.[3]

An example for the common trend is offered by the Los Angeles-based clothing brand Reformation, which has grown to a nationally and internationally popular brand due to its strong dedication to sustainability and ethics along the value chain. All products are made only from sustainable and upcycled materials in a fair wage environment and even come with a description of its environmental footprint, which is why the brand has expanded from a single boutique store in 2013 to an estimated $152 million business in 2022.[4] Furthermore, not only is Reformation currently climate neutral certified but it even aims to be climate positive by 2025.

Yet being perceived as a sustainable company is more than just ESG compliance: to successfully integrate sustainability, businesses need a sustainability strategy that is holistically embedded in the entire ecosystem. This includes strong leadership commitment, continuous engagement of stakeholders along the value chain, integration in the (product) innovation process, and rigorous mechanisms for execution.

For a long time, sustainability was recognized as costly and connected to high processual efforts. However, this perception has long been outdated. Examining an adjacent industries, such as pharmaceutical & chemical industry companies like BASF are trying to combine sustainability with the effort of generating health-promoting products despite a vast increase of input costs caused by inflation. BASF can be recognized as a pioneer in sustainable cost efficiency as they are, to put simply, using plastic waste in their processes as a foundation for new value cycles (ChemCycling™). This not only saves money overall, but it is also by far more sustainable and gentler for the environment.[5]

However, it is not enough to merely invest a small amount in sustainability to get a competitive advantage. Investing in sustainability is increasingly becoming common practice, but will do little gain the competitive edge. To make a business truly stand out, serious commitments need to be made — this is called the Red Queen effect. Coined by evolutionary biologist Richard Dawkins, this effect refers to the increasing pressure to adapt faster just to survive and is based on the "Alice in Wonderland" character who had to run as hard as she could just to stay in place. Thus, to gain a real benefit, businesses must apply firm commitment that embraces continual adaptation and improvement of practices. Otherwise, an improvement towards sustainability simply leads to being on par with market standards, while competitors are outpacing laggards through their own advances towards greater efficiency and effectiveness in sustainability.

02// HEALTH AND WELL-BEING: TWO-THIRDS OF CONSUMERS HAVE BEEN PAYING MORE ATTENTION TO THEIR HEALTH SINCE THE COVID PANDEMIC[6]

Following sustainability, health and well-being was rated as second most important trend by CPGs, which can largely be traced back to the profound effects the COVID pandemic had on businesses and consumers alike. After years of health measures and health-related news headlines that the global population was confronted with every day, the importance of health and well-being has been heightened. While health and well-being as a top trend may fade more into the background as populations start to live with COVID, this trend does offer market growth potential for many CPGs. The value of the global health and wellness food sector has steadily grown and is expected to reach over $7.66 billion by 2030.[7] With consumers progressively adopting a healthier lifestyle, paying more attention to their diet, and making sure they get enough physical exercise there are numerous opportunities to tap into this growing market. For example, CPGs could utilize product line extensions that offer health or wellness-focused benefits (e.g., using healthier ingredients in food products) or even consider creating a health and wellness-focused ecosystem of services and products.

Technology companies, for example, are expected to start offering health insurance before 2024, as they are currently collecting blood pressure, oxygen levels, ECG readings, and body temperature data from the smartwatches of their customers.[8] Leveraging the importance of health and combining it with data can be perceived as an impactful move in the healthcare market. In short, the key to successfully embedding this trend in a growth strategy is putting the consumer and their needs first, but may also require x-industry collaboration, e.g., when connecting sports with health and insurance services.

03// STAGFLATION: THE PROJECTED GROWTH RATE WILL ONLY BE ONLY 2.9 PERCENT BASED ON THE INTERNATIONAL MONETARY FUND (IMF)[9]

As stated by 46 percent of the survey's respondents, stagflation is ranked as number 3 among the top trends for the CPG industry. Stagflation reflects a prolonged stagnation in growth with equally persistent inflationary pressures[10] and poses a major challenge for CPG companies: decreasing consumer demand and difficult negotiations with suppliers and retailers alike, stagflation is on the daily agenda of executives. In the World Economic Outlook, the IMF has updated their projected growth rate for the world economy from 3.5 (2022) to 3.0 percent.[11]

Within CPG, it is especially the giants — companies with a strong market position and top brands — that are able to leverage stagflation to their advantage. Most giants successfully addressed inflation and increasing raw material prices with a mix of cost management, promotion, and doubledigit price increases. Consumers were willing to spend the extra money for their favorite brands and thus CPG giants like Coca-Cola and PepsiCo were able to reach record revenue and profit numbers in 2022.[12,13] In the consumer goods industry, it's unlikely that companies will reduce their prices; instead, they are more likely to intensify their promotional campaigns. This trend persists even in the face of slowing inflation rates and decreasing input costs, reflecting the industry's strategic approach to maintaining profit margins while stimulating consumer demand.

It is a thin line for large consumer packaged goods companies to leverage stagflation to their advantage. Although they may address inflation and rising raw material costs through significant price increases, this strategy can be viewed as ethically questionable due to the potential power dynamic between the company and its customers and retailers. It is crucial for these companies to maintain a balance between their business goals and ethical considerations, ensuring that their practices do not harm their reputation or relationships with stakeholders in the long run.

Beyond the TOP 3 trends: Unleveraged potentials in D2C and personalization

Two important trends with great potential have been overlooked by consumer packaged goods (CPG) companies. These trends are related to the digitalization of shopping, which was greatly boosted by the COVID-19 pandemic and extended store closures. While commerce is still often regarded as an offline-online dichotomy, this no longer reflects reality, as customer journeys from information search to purchase have become increasingly fluid. Consumers now move between digital and physical touchpoints and expect seamless experiences while doing so. Although mastering challenges that come along with these expectations may pose a hurdle at first, the shift to more digital touchpoints also offers market potentials to CPGs. Two of these potentials are D2C channels and personalization.

D2C: D2C is currently growing by up to 13 percent across CPG

Currently, D2C is not sufficiently leveraged by CPG companies and remains underrepresented in their growth agenda. According to this study, only 16 percent of the CPG companies rated D2C as a key trend for top-line growth, which poses a strong contradiction to its market potential: D2C is currently growing by 13 percent + per year in the CPG industry.[14] The conglomerate L'Oréal, among others, has been successfully expanding its D2C channel across different brands and countries. In 2021, the company's e-commerce sales grew by 25.7 percent to €9.3 billion,[15] paving the way to reaching their ambitious target of reaching 50 percent digital sales as early as 2023.[16] While big companies are already leveraging this trend, mid-sized companies are often afraid of cannibalizing their existing business and struggle to define an appropriate strategy and solution. However, it is possible, as can be seen in the case of the German company Just Spices, which sells 70 percent of its spice blends and other products through D2C channels in major European markets such as Germany and Spain.[17]

D2C not only provides an additional revenue stream but also offers multiple indirect value drivers, which are often overlooked when considering adopting D2C channels. In a more digitally driven normal, directly engaging with consumers and receiving data-driven insights have become a competitive advantage. Whereas first-party data was previously often inaccessible or difficult to obtain through e-commerce and retail partner models, D2C allows CPGs to continuously learn more about their consumers, shopping habits, and gain other crucial insights. In turn, these insights can be used in product development, thereby mitigating risks in the expensive process of innovation development and testing. Overall, owned channels such as D2C offer CPGs the flexibility to quickly adapt to evolving consumer needs and shifting trends while reducing risks and reliance on other retailers.

Personalization: Increasing revenue while reducing customer acquisition costs

A second underrepresented yet high potential market opportunity is personalization, which only 15 percent of the respondents indicated as a top trend in their growth strategy. With the acceleration of digital commerce, consumers have been exposed to a seemingly endless variety of goods and retailers all just one click away. Therefore, many shoppers seek convenience, and personalization has become the default that customers demand while engaging with retailers and brands. Companies that do meet the expectation of personalization experienced a 1.7x year-over-year growth in revenue and reduced customer acquisition costs by as much as 50 percent.[18] Yet in the race to leverage this trend and meet consumer demands, many companies have resorted to quick fixes in the personalization process, such as addressing customers with their first names in email marketing, poorly curated product suggestions, and simple marketing retargeting attempts.

Ideally, personalization should be integrated holistically throughout every customer touchpoint — from personalized product suggestions and recommendations based on preferences and past purchases to tailored products and even subscriptions. One CPG combining personalization excellence and D2C is British dog food manufacturer Tails.com. Dog owners fill out a survey and receive dog food tailored to their pet's needs, personalized feeding recommendations, and even have the option to turn their order into a subscription. Notably, personalization at Tails.com goes far beyond personalized products: the retailer creates emotional engagement with the shopper by printing the dog's name on all products and following up on their products with recommendations and advice.

To summarize, these insights and examples have shown that identifying and acting on trends is pivotal, as it gives CPGs a competitive advantage. Trend analyses based on consumer, market, and external trends offer a holistic view of the most important drivers that should function as a paradigm for growth strategy development and implementation. Especially consumer behavior offers crucial insights for every strategy, which can be partly predicted by trends. As a bottom line, a strategy that is not based on customers is not a promising strategy.

The following section provides insights into the key growth bets that are the foundation for growth strategies according to the respondents of the survey.

02

KEY GROWTH BETS

for top-line growth

To create growth sustainably over time, businesses should consider multiple options to keep generating new levels of success. These different approaches provide limitless avenues for continued development and improved performance no matter a business's strategy.

According to this study, CPG companies evaluate product innovations as the most important distinguishing factor towards the competition and is thus perceived as the dominant growth bet in the upcoming years. As previously addressed, sustainability and health represent the biggest trends in the coming future and are directly linked to product innovation. On top of that, due to shrinking margins caused by higher input costs, if a certain price level is reached, innovation can be a solution to generate new value pools for the customer.

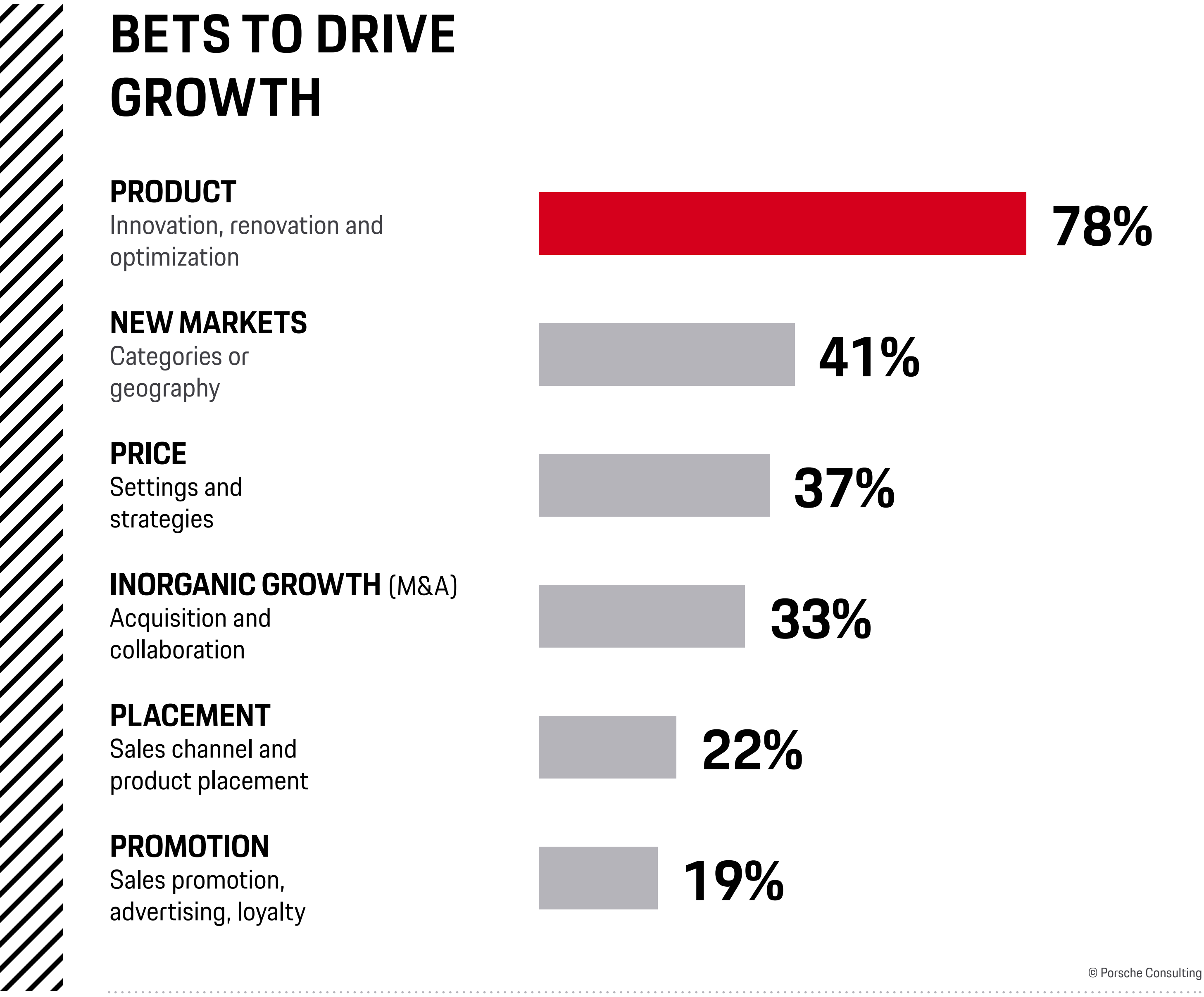

Fig. 3. Summary of results for the most relevant bets for CPG companies

The following sections will take a closer look at the core action fields to drive growth, including product, new markets, price, inorganic growth, placement, and promotion.

PRODUCT

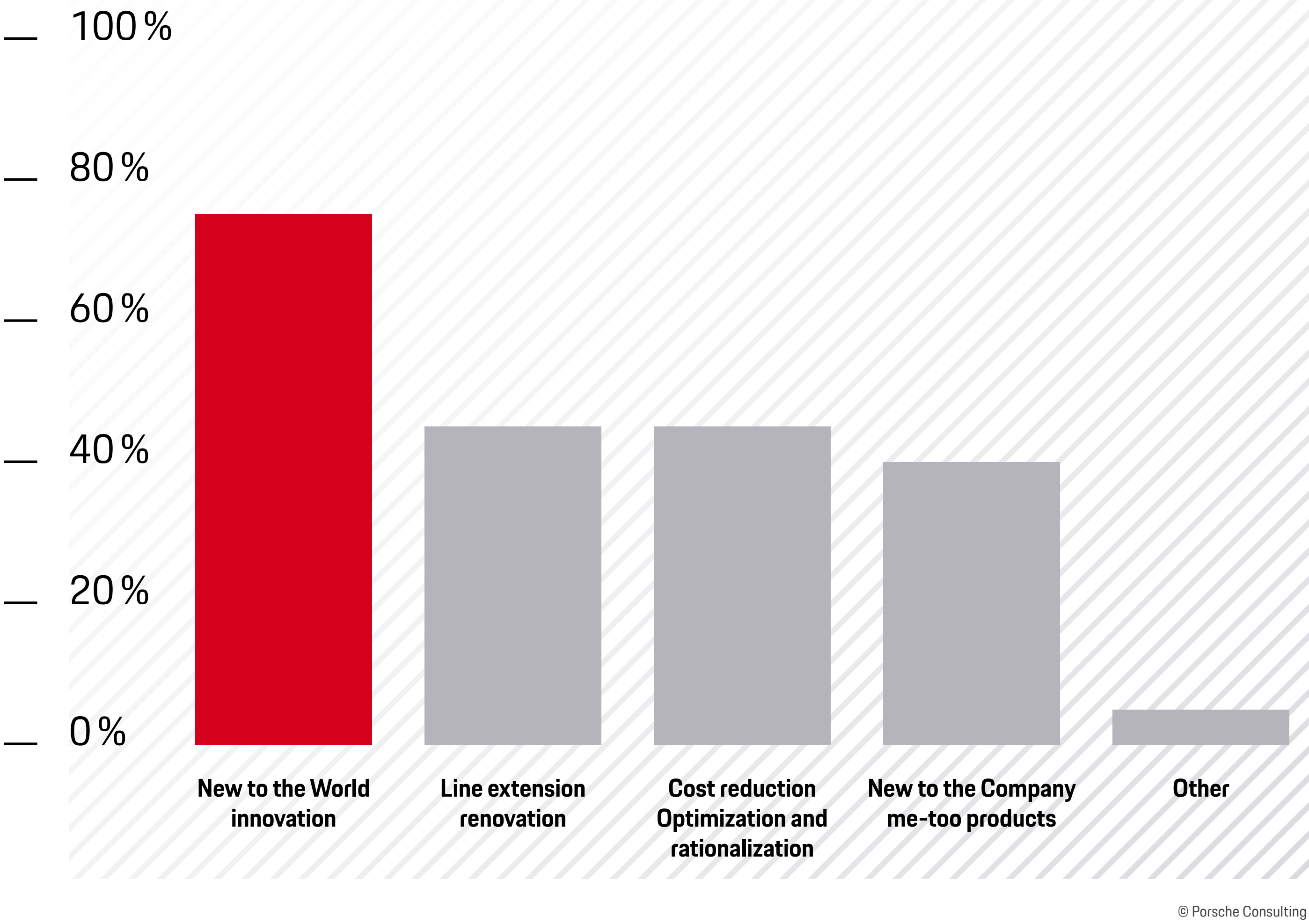

Fig. 4. Result overview of the most important product-related bets

Further examining products as the top growth bet, it becomes transparent that new-to-the-world innovation is the most important growth bet. The ambition is clear: new-to-the-world innovations create sustainable growth and strengthen the brand. However, this type of innovation poses considerable risks as failure is common, thereby driving most companies to focus on adjacent growth.

Examples of product innovations that respondents ranked as most important (in %) are illustrated below:[19]

NEW TO THE WORLD
Innovation – 75%

New to world products can be highly disruptive innovations, but don't have to be. They could be simple, like a sticky note

NEW TO THE COMPANY
Equity transfer – 40%

Confectionery manufacturers launch many new products outside of the original market as part of a new category strategy

LINE EXTENSION
Renovation – 45%

Line extension is used especially in the food and personal care industry to offer customers more variety of the same product

COST REDUCTION
Optimization and rationalization – 45%

Sportswear manufactured of recycled materials to cut costs and optimize the procurement processes

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Fig. 5. The 4 types of product innovations with examples

	Invest	Impact	Timing
Cost reduction Cost reduction at an existing product to improve price point, e.g. packaging optimization	+	+	Short-term
Line extension Extension of the existing product by adding new packaging, formats, types or sizes	+ / ++	++	Short- to Mid-term
New to the company Innovation with products that are new to the company (e.g. me too products)	++	++	Mid- to Long-term
New to the world Disrupting an industry by entering an empty "space" e.g. addressing unmet consumer needs with new product category	+++	+++	Long-term

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Fig. 6. Contextual overview of the innovation types

New-to-the-world innovation: An ambition rather than status quo

Despite the perceived importance of new-to-the-world innovations, research has shown that larger companies are proficient at advancing their existing products and processes with minor improvements (me-too products) but have a hard time with real new or radical innovations.[20] While incumbents hone details, they often lose sight of fundamentally new developments.[21] Start-ups, on the other hand, are largely focused on developing new and innovative products or services in an uncertain environment. Moreover, start-ups differ from conglomerates predominantly in their ability to innovate and their operational velocity due to their smaller size and agility. The study result can thus rather be understood as an ambition than a status quo scenario.

Undoubtedly, a successful new-to-the-world innovation can be highly impactful for the profit and loss sheet of a large-scale CPG company. However, it is important to consider the risks that are involved when spending capital on this type of innovation as roughly.

95 percent of all real new innovations fail.[22] High-risk high-reward strategies involve taking on a greater risk in order to achieve a higher return. These strategies can be beneficial for companies that are looking to maximize their profits and are willing to accept the risk of significant losses that accompanies this strategy.

New-to-the-world-innovation can be as successful for large-sized companies as for start-ups

For many years, there was the strong belief that only small start-ups can truly be innovative, as the structure of a large-sized company is not meant to be truly innovative. Yet even big conglomerates with rigid structures such as P&G or Unilever have proved numerous times that innovations can be generated at large-sized companies and start-ups alike. To do so, there are three fundamental factors that need to exist to establish an environment for innovation.

- The corporate culture needs to incorporate innovation into their DNA, especially through innovation labs, spare time for innovative work, innovation training and manifesting an innovative mindset in every employee

- Methods, systems, and especially processes need to be put in place

- The company needs to spend sufficient resources and form the right teams around the topic

Procter & Gamble emphasizes these pivotal factors by continuously pushing a culture of innovation, learning, and sometimes also failure. A prime example of this focus is their single-dose laundry detergent Tide Pods (Ariel Pods in Europe).[23] Due to the complexity of the product, it took more than 75 employees, 450 product sketches, and over eight years of research, development, and testing to come up with a product that eventually transformed the laundry detergent market.[24]

For smaller companies, such as VAHA, it might be even more natural to incorporate the three innovation characteristics into their corporate identity and put innovation-friendly processes and systems in place. The company is currently successfully disrupting the market with fitness mirrors, including a subscription model without fixed costs for their customers. Thus, putting resources on innovation is a key driver in defining the USP against the competition.[25]

To summarize, product innovation is by far perceived as the most important bet for CPG companies in the next five years. Even though this is an auspicious strategy, it is crucial to understand the risk as well as the criteria a company needs to put in place to be successful. Companies need to incorporate innovation into their DNA by creating an organizational culture that fosters innovative thinking, focus on customer centricity in the innovation process, and allocate their resources correctly. Leading companies are already leveraging the bet in their favor, using partnerships for artificial intelligence, new technologies, or even completely new business models.

Pricing and placement bets are potentially underevaluated by the replicants

Stagflation is a major issue that CPG companies must face in order to remain competitive in the marketplace. Companies are wise to invest their time, effort, and resources into innovation as it sets them apart from their rivals. But it seems contradictory that price and placement are evaluated as significantly less important when these pieces of the puzzle also represent an opportunity for growth.

NEW MARKETS

Forty-one percent of surveyed respondents deemed new markets as a top priority for top-line growth. Within this lever, nearly all participants considered the development of new product categories highly important.

New market strategies facilitate better visibility and increased customer loyalty due to new market strategies that allow companies to reach new and existing customers in different ways. By introducing new products, services, or promotions, companies can create a more attractive and engaging customer experience, leading to increased customer loyalty as customers feel more valued and appreciated. Additionally, new market strategies can help companies gain better visibility, as they may be able to reach new customers through different channels or platforms. This can help to boost brand recognition and create a larger customer base. By broadening their networks throughout the market, companies increase their reach and enhance the product portfolio. Moreover, expanding into new locations significantly boosts brand value and recognition.

This observation is exemplified through multinational companies such as Coca-Cola exploiting international target markets and launching new product categories into those markets to lift sales figures. Coca-Cola currently operates in 200 countries and territories with more than 200 brands, and is therefore expanding beyond traditional limits with tailored approaches for different market segments.[26]

PRICE

Rising input costs and reduced demand due to economic conditions make an effective pricing strategy essential, yet only 37% of respondents in the survey considered it highly relevant. This suggests some companies may not fully grasp its importance during economic uncertainty. To thrive in stagflation, businesses must quickly adjust pricing to control costs and maximize profitability.

The study highlights premiumization as the key factor in a company's pricing strategy for growth. Surprisingly, less than half of the respondents find bundling and promotions significant, and even fewer see value in transitioning to universally decent products (go-commodity). While premiumization is crucial, successful companies use multiple pricing tactics to cater to diverse customer needs and price sensitivities.

Major CPG companies often use a pricing strategy based on price tiers. Procter & Gamble, for instance, maintains a strong presence across various price tiers, offering consumers choices from 50 cents per load to 20 cents per load for its laundry detergent Tide in the US market.[27] This flexibility allows consumers to adjust their spending as needed. Such pricing strategies are not only crucial during economic uncertainty but also when introducing new products. Unilever, for instance, focuses on premium and value-based pricing for limited budgets in their innovation pricing strategy, resulting in double-digit sales growth in 2022.[28]

Additionally, businesses can boost profits by charging a premium for sustainable or healthy products, which align with top consumer trends Consumers are increasingly willing to pay extra for eco-friendly options, providing an opportunity for companies to capitalize on this demand.

INORGANIC GROWTH

Besides product innovation and new markets, M&A was seen as the third most important lever with 33 percent of the respondents evaluating it as a top growth lever within the CPG industry. M&A strategies allow businesses to acquire talented people, valuable resources, and new customers with limited manual effort and cost. As the global market becomes more competitive and strategic alliances become ever more beneficial, understanding how to successfully merge and acquire becomes essential for any company to take their top-line growth to new heights.

Nearly eight out of every ten respondents indicated that vertical integration held the highest priority in evaluating mergers and acquisitions. Following that, brand and portfolio acquisition came in second with a 44 percent share. On the other hand, customer access, channel access, and capability access collectively accounted for less than a quarter of responses. These results emphasize that vertical integration holds prominence when it comes to specialized M&A decisions.

As an example, world renowned confectioner and snacking giant Hershey made headlines last year with the announcement of its intent to purchase Dot's Homestyle Pretzels for $1.2 billion.[29] Beyond simply having access to the brand name, this transaction had an even grander purpose of expanding their own production capabilities. Investing in this transaction gave Hershey heightened skill in manufacturing and producing various snacks as part of their profitable business enterprise. With the additional resources, Hershey hoped to capitalize financially along with propagating their original goal: providing indulgent snacks all around the world.

PLACEMENT

Placement, and especially the e-commerce and sales channels, are increasingly becoming more important to the industry. It offers greater potential than traditional brick-and-mortar stores as it allows for a seamless experience from product searching all the way to purchase. Despite an overall agreement among the respondents that e-commerce is of high relevance, only 22 percent of them stated that they perceived placement bets as highly important. Elaborating further, when asked if owning an owned retail store and adopting an omnichannel approach was paramount, only around half of them gave positive responses.

The e-commerce business in Germany alone increased by more than 12 percent in 2022.[30] Companies across the globe have been leveraging e-commerce as a major sales channel to increase revenue and propel their stride forward. Nestlé, for example, aims for 25% e-commerce sales by 2025, driven by digital transformation and tech advances.[31]

Despite deprioritization, leveraging both sales channels and e-commerce remains vital for business success and profits. Established sales routes generate leads quickly and build awareness over time. E-commerce targets specific market segments with tailored messages.

PROMOTION

Albeit seen as the least important growth bet among CPGs, with only 19 percent of the respondents indicating its importance, promotion constitutes a relevant tool to face challenges and create opportunities in view of trends such as a stagflation. A significant body of research on ad spend in economic uncertainty suggest that reducing ad spend in a recession hurts brand equity and damages its market share due to a reduction in the brand's share of voice (SOV).[32] Thus, while keeping the share of voice should be the minimum, companies can also profit from gaining excess share of voice (ESOV) at little cost: brands that gained ESOV during the 2008 recession saw long-term profit growth from their increased advertising spend.[33] Understanding how competition adjusts in a recession becomes even more critical, as research has also shown that a company could see an average loss of 15 percent of its business if a similar-sized competitor in the same industry doubles its marketing spend.[34] Once brand equity and share of voice have declined, they are difficult to win back and require excessive investment. Red Bull is utilizing this opportunity and has boosted its advertising spends by 111 percent YoY.[35]

These insights gain even more significance as intangible assets such as brand equity offer a first defense in the continuous justification of pricing (increases) during a stagflation. Brands with a high perceived value have greater leverage in justifying price increases both towards the retailer and the consumer. The key to mastering growing internal pressure to reduce budgets while not sacrificing crucial brand equity is making the current marketing spend as efficient as possible and reducing redundancies. Remaining agile and making data-driven decisions is pivotal to achieving this.

Digital marketing, which nearly all respondents stated as the most important key strategy for promotional efforts for the upcoming five years, offers the ability to make these agile and data-driven decisions. The shift to digital marketing is also reflected in the lesser perceived importance of traditional promotions by CPGs. While 60 percent of the respondents regard in-store marketing as an important promotion strategy, less than half of the respondents see classic marketing, trade promotion, and loyalty programs as crucial in the upcoming years.

Overall, effective promotional activities can increase brand exposure and influence consumers' purchasing decisions. Together, these levers can be used to gain a strategic advantage over competitors, unlock significant growth opportunities, and support the overall top-line growth of a business.

To summarize, CPG companies view product innovation as the most important factor in distinguishing themselves from competitors and driving growth in the next years. Sustainability and health trends are directly linked to product innovation, and innovation can be a solution to generating new value pools for customers in response to shrinking margins. New-to-the-world innovation is the most important growth bet, but roughly 95 percent of all new innovations fail. Incorporating innovation into a company's DNA, creating a culture that fosters innovative thinking, and allocating resources correctly are essential to success. While pricing and placement are undervalued bets, pricing can be a powerful tool to remain financially viable during economic uncertainty.

The following section provides insights into hurdles that need to be overcome in order to mitigate the risk of failing to implement the growth strategy.

03

MAIN HURDLES to overcome

Lastly, implementation skills and being aware of potential hurdles is one of the decisive factors for successful companies, as this is the point where most companies fail. There are three dimensions a company needs to set up to put a strategy into action:

- Strategic transformation skills — e.g., transparent growth ambitions or strategically allocated profit pools

- Processes — e.g., consistency in the process map, agility, and flexibility

- Capabilities — e.g., skills, IT landscapes, and data insights

The key to success for many companies lies in developing strong implementation skills. Knowing how and when to deploy these skills can set the difference between the businesses that thrive and those destined for mediocrity. When enabled to join forces, these three pillars of implementation are capable of driving high returns for any company that makes use of them correctly.

The survey has shown that CPG companies have a clear focus on how to enable growth and embed actions into their general strategies. However, transparency about trends and growth bets is no guarantee for success. This section reveals insights into challenges that may be overcome to successfully deliver strategic goals. The majority of companies fail because of three main reasons:

- **Strategy is not broken down into actionable and measurable KPIs**

- **Processes and the organization are not agile enough to adapt to market demand**

- **The organization is not equipped with required skills and capabilities**

The top risks causing strategy ambitions to fail

Strategy implementation skills	**Growth ambitions | not transparently broken down into measurable KPIs**	**50 %**
	Roadmap | no defined milestones and top management sponsors	30 %
	Growth initiatives | not linked to corporate ambition	25 %
	Capital | not strategically allocated to future profit pools	25 %
	Initiatives | not rigorously monitored & controlled	25 %
Processes	**Agility & flexibility | missing along the process**	**55 %**
	Consistency | not cross-process and integrated into the overall process map	40 %
Capabilities	**Skills | requirements are not fully available**	**60 %**
	Organization | not properly sized or structured	40 %
	IT landscape & tools | not existing or not up to date with the latest technology	40 %
	Incentives | not aligned with future growth objectives	25 %
	E2E Data points | gathered but not converted into insights	25 %

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Fig. 7. Overview of the main strategy execution hurdles

Roughly 80 percent of all implementations are not successful

Many companies manage to define a strategy, but regularly fail to implement it. Even the best strategies are not immune to failure — which is not necessarily the result of a lack of research, missing data, or failure in the research of competitors or consumer behavior. Instead, strategies predominantly fail because of lacking implementation skills. Roughly 80 percent of all implementations are not successful. But what is hindering CPG companies in implementing their growth strategies sufficiently?

Goals, responsibilities, and clear measurable guidelines are often neither transparent nor available

The reasons are diverse — first, this study illustrates that most growth ambitions are not transparently enough broken down into measurable KPIs. Every second participant of the survey mentioned this hurdle as a highly important obstacle to growth. Growth strategies should be deeply manifested in the heads and minds of the leadership team, including the C-level. However, looking beyond the surface and evaluating the communication in the expanded team, goals, responsibilities, and clear measurable guidelines often are neither transparent nor available.

Second, the strategic growth goals are interpreted wrongly or are not known at all. The reasons behind this are also multidimensional. The infrastructure for reporting is often missing. In detail, software solutions for operating the project management office are not set in place, the responsible driver for manifesting the project plan is not nominated, and the mindset for establishing sustainable growth is not anchored in the minds of the employees.

Third, agility and flexibility are often not developed enough within the companies. Top-line growth requires per se a high amount of flexibility. Considering growth factors like product innovation, failing, and pivoting towards a different idea is key to changing direction successfully and quickly toward a better plan. Furthermore, looking for example towards pricing strategy, it is crucial to flexibly change towards a new strategy if competitors undermine price levels or the market environment has changed. Also, for other levers like entering new markets, flexibility and agility are imperative for a successful implementation.

Sixty percent of all CPG companies mention lack of skill as a key problem — especially IT know-how is missing

Lastly, the lack of skills is mentioned by 60 percent of all CPG companies as a core risk of failure during implementation. The reasons behind this are also diverse. A common example very often mentioned by CPG executives is the lack of digital affine employees. Hardly any other industry is more lacking in IT and digital skillsets than CPG. After graduation, talents typically look for careers in directly IT-related industries. Electronics, computer, software, and hardware companies are considerably more attractive at first glimpse than food or fashion-producing companies. On top of that, the problem has been exacerbated due to generally low unemployment rates in recent years and the lack of new skilled graduates. In addition, more and more of the baby boomer generation is exiting the labor pool due to retirement. The developing gap requires tremendous effort to be closed, also and especially for the CPG industry. Skill is also pricy — it is mandatory to qualify personnel accordingly, which takes time and costs direct money for in-person training or e-learning platforms.

This study has provided the most critical building blocks of CPGs in their top-line growth 2025 strategy, identifying sustainability, health, and well-being as well as stagflation as significant trends impacting growth. Product innovation is the main growth bet in CPG, with 80 percent of surveyed companies focusing on this field, notably on new-to-the-world innovation. Price and placement are underutilized growth bets, with double-digit growth potential. However, the greatest hurdles to enacting growth strategies are a lack of strategy, process and technology, and people and talent. CPG companies need to address the challenges due to implementing growth strategies by investing in strategy development, process and technology improvements, as well as talent acquisition and development. Only by taking this holistic approach can companies remain competitive and navigate through the challenging times ahead.

IN BRIEF

01 The starting point is the dream of the customer. The focus for the growth strategy needs to be on the most important CPG trends incorporating specific trends for the owned brands.

02 Sustainability is a trend to stay — a holistic approach and continuous investment will ensure long-term success even if the effect may not be tangible in the EBIT impact right away.

03 Being bold and committed to investing in new-to-the-world innovation is key for success. Innovation levers include an organizational culture that promotes innovation and out-of-the box thinking, customer centricity and design thinking, and investing in crucial talents.

04 Employing growth bets efficiently offers CPGs a competitive advantage: an omnichannel sales strategy and effective pricing strategy including premiumization helps growing and mitigating risk in uncertain times.

05 Placing emphasis on implementation is crucial for harvesting the growth potential. Projects aligned with the strategy, an investment into employee capabilities and flexibility is key.

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Appendix

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(1) Source: Capital IQ, Porsche Consulting analysis

(2) *Study methodology: Porsche Consulting conducted an online survey to identify the top trends, key growth bets and implementation hurdles to consider in a CPG growth strategy. 33 leaders of international CPG companies participated in the survey, survey period was August to October 2023, sub-sectors covered were Nutrition, Beverage, Beauty & Personal Care, Fashion, Nicotine & Beyond, Consumer Durables, Homecare, Pet and Sports*

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