

5 Key Habits of Successful CPG Brands

NIQ



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Successful CPG brands are overcoming a range of challenges in the marketplace

Introduction

2023 has been a chaotic year with brands and consumers facing the pressures of inflation. This is driving up the cost of raw materials, transportation, and other inputs making it difficult for CPG brands to maintain their profit margins.

Many CPG brands are passing on inflation costs to consumers by raising prices or reducing product sizes. CPG unit prices jumped **11%** in the past year, adding an additional **\$760** to the average household grocery bill.

However, brands need to be careful not to alienate consumers by raising prices too high or reducing product sizes too much.

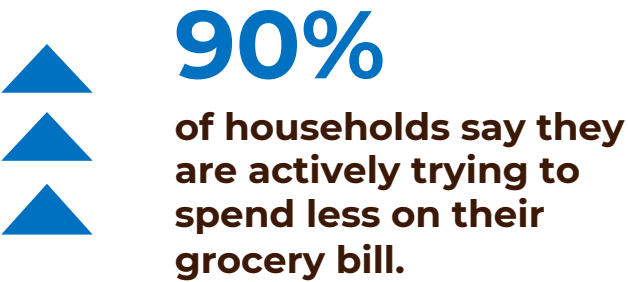
Consumers are also increasingly demanding high-quality, sustainable, and affordable products. CPG brands need to meet these expectations in order to stay competitive.

Finally, the shift to omnichannel shopping has change the dynamic between brands and their consumers. Within the US, **86%** of CPG dollar sales are represented by “omnichannel shoppers.”

This means CPG brands have more to contend with than ever before as they chase success. Failing to keep pace with the markets or notice shifting trends early can be the difference between market dominance and fighting for scraps.

Some of the key topics we’ll cover in this eBook are:

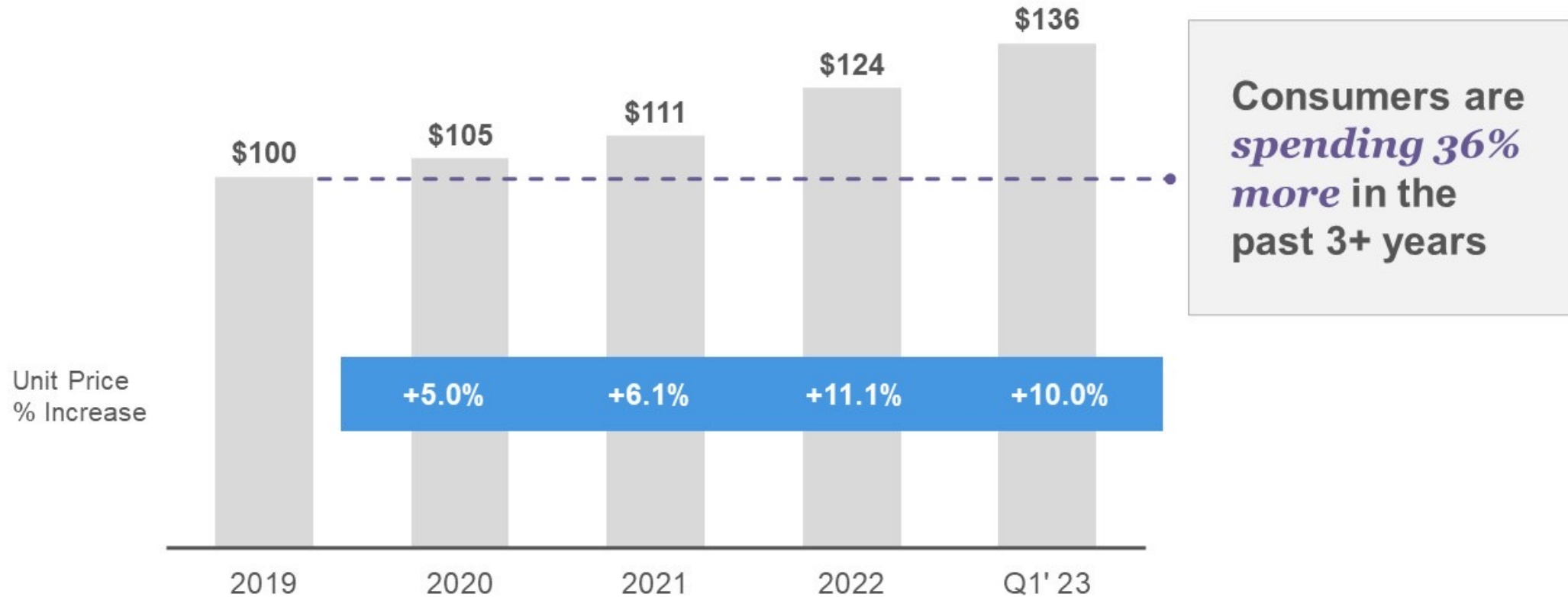
- Shifting consumer behaviors
- The importance of agility
- CPG product innovation
- Building brand equity
- The value of data



Sources: NIQ Total U.S. xAOC 4 weekly periods ending Weeks Period Ending February 25, 2023; NIQ Report – From Blind Spots to Breakthroughs

The compounding effects of CPG inflation over the past 3+ years

\$100 in 2019....



Source: NIQ Total U.S. xAOC, Annual Unit Price % Change

Habit #1: Understanding Consumers



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One of the most common habits we've seen in successful CPG brands is that they have a deep understanding of their customers, their needs, and their wants. They use this understanding to create products that meet those needs and wants, and to market their products in a way that resonates with their customers.

This requires looking at retail sales data, consumer behavior, competitor pricing and promotion tactics, outside factors, and more. Understanding not only what's going on, but why, is key to adapting to a shifting marketplace and continuing to grow.

With that in mind, here are **3 key ways** shopper behavior is changing the market:

1. Inflationary Spending

As inflationary prices continue to burden consumers, the core habits of traditional consumption have shifted, forcing shoppers to behave as though a recession is already here. They consume less, shift their spending to value retailers and brands, and buy more products on promotion.

Today, it's costing Americans **\$136** for the same basket of goods they would have paid \$100 for in 2019. Unsurprisingly, when surveyed, Americans are applying **4.7** saving strategies when deciding what to buy and where to shop. This means it's more important than ever to convey brand value and align with consumer concerns.

2. Sustainability Demands

There's no question that sustainability is still a major trend in 2023. In fact, almost all consumers (**95%**) say they are trying to take some action to live sustainably. And they're backing this up with their wallets.

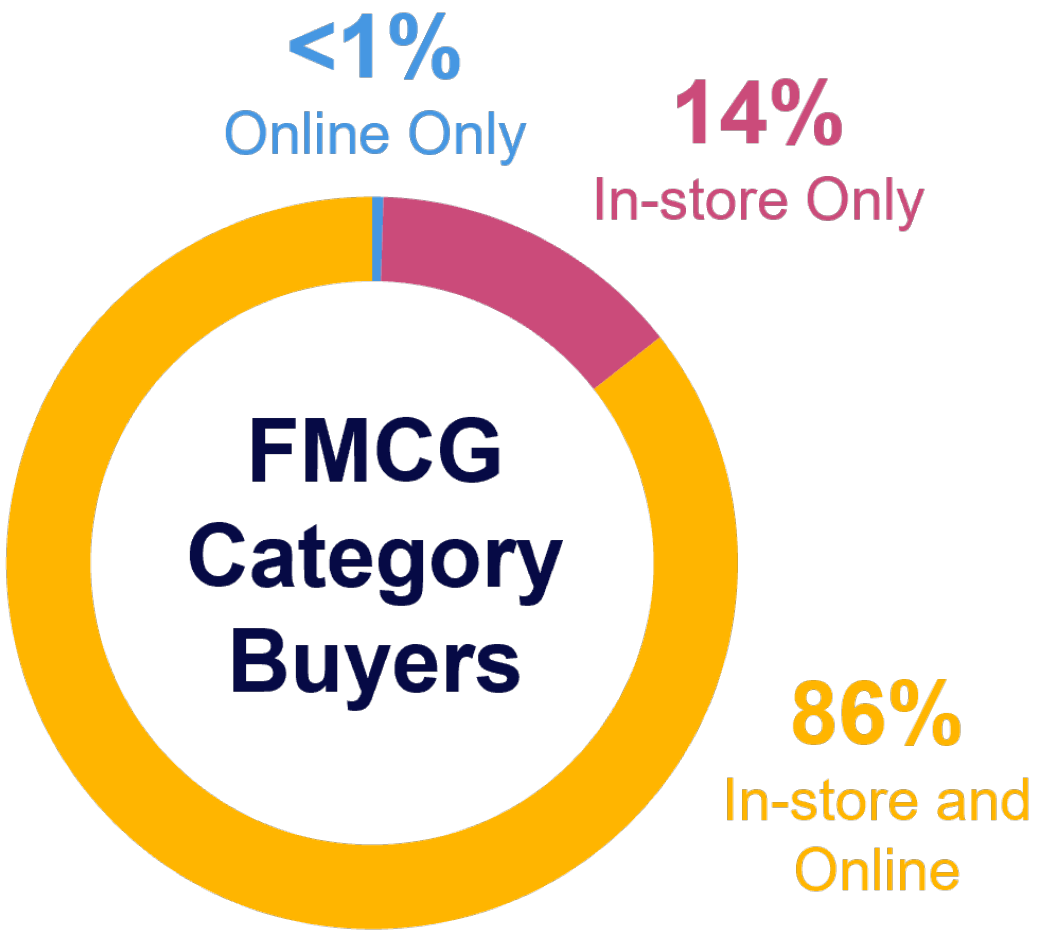
A growing number of shoppers (**46%**) want brands to take the lead on creating the sustainable change they're looking for. And in our recent study with McKinsey & Company, we found that products making claims like "plant-based" had a **4.7%** growth differential over their peers. Aligning with this growing trend may pay dividends.

Habit #1: Understanding Consumers

3. Omnichannel Shopping

Today, more consumers than ever are choosing to shop with an omnichannel mindset. According to NIQ Omnishopper data, 2022 brought close to **15 million** new online CPG shoppers to the table. Within the US, **86%** of CPG dollar sales are represented by “omnichannel shoppers.” This has helped drive the revenue opportunities in the omnichannel space to **\$1.54 trillion**.

But, the omnichannel shift has also come with challenges. Retail tracking has become more complicated, and many brands are only seeing a part of the picture via retail sales or a third-party company. Avoiding duplication in their sales is complicated and acting on inaccurate data leaves them in the dark struggling to keep pace as their competition takes more shelf space and grows. This means investing in the right data and tools is imperative. Especially as, more than **one in five (22%)** shoppers now plan an in-store shopping trip combined with a prior online order.



Sources: NIQ Omnishopper, Total US, 52 weeks ending 12.31.22



Habit #2: Staying Agile

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With so many factors affecting consumer demand, reacting only to inflation will only get you so far. The CPG industry is constantly changing, so successful brands need to be agile. They need to be able to adapt quickly to changes in the market, consumer preferences, and technology. But this is easier said than done.

You should start by putting the consumer at the center of your strategies. Investing in consumer research and data analysis to gain insights into their needs, preferences, and pain points can help set the stage. Then you can use these insights to tailor your products, packaging, and marketing efforts to meet consumer demands.

This may mean revising your product assortment to avoid wasting shelf space and drive sales. According to The Food Marketing Institute, **56%** of retailers intend to allocate more space in-store to online fulfillment. This means getting the most out of each product is more important than ever.

Or it may mean adjusting your pricing model to fit shifting needs. Pricing is the most critical lever impacting the commercial results, above fixed, variable costs, or even volume sales. Indeed a **1%** improvement in price equals an **11%** improvement in margins. So, getting it right can make a huge difference in today's markets.

Most of all, this means intelligently analyzing your efforts and investing in what works and eliminating what doesn't. Holding on to a strategy that isn't working will only compound the issues over time and leave you behind as the rest of the pack fills in the gaps in the market. Smaller tests may also help you optimize your strategies before going all in.



~50%

of all promotional sales are sales that would have occurred regardless of the promotion.

Global risks ranked by severity

as reported by World Economic Forum

Short Term (2-year horizon)
1. Cost-of-living crisis
2. Natural disasters and extreme weather events
3. Geo-economic confrontation
4. Failure to mitigate climate change
5. Erosion of social cohesion and societal polarization
6. Large-scale environmental damage incidents
7. Failure of climate change adaptation
8. Widespread cybercrime and cyber insecurity
9. Natural resource crises
10. Large-scale involuntary migration

Long Term (10-year horizon)
1. Failure to mitigate climate change
2. Failure of climate change adaptation
3. Natural disasters and extreme weather events
4. Biodiversity loss and ecosystem collapse
5. Large-scale involuntary migration
6. Natural resource crises
7. Erosion of social cohesion and societal polarization
8. Widespread cybercrime and cyber insecurity
9. Geo-economic confrontation
10. Large-scale environmental damage incidents

Agility is Needed for Complex Markets

CPG manufacturers and retailers now face a dual challenge for growth. Their strategies must consider the role they may play in building consumer prosperity and confidence.

Companies must boost brand value in the present, while also strategically preparing for the forthcoming shifts that will impact consumers' ability to thrive. By using data and understanding larger trends at play, successful brands are navigating choppy waters and building a better future.

Source: World Economic Forum Global Risks Perception Survey, 2022-2023

Habit #3: Innovating Often



Habit #3: Innovating Often

The CPG industry is constantly changing, with new products and brands being introduced all the time. Successful CPG brands are constantly innovating, looking for new ways to improve their products and meet the needs of their customers.

NIQ BASES data shows that when innovation sales grow, a company is **1.8X** more likely to grow overall sales compared with companies whose innovation sales are stagnant or declining. But not all brands are innovating in a way that will lead them to success.

Here are **3 ways to achieve success** with innovation:

1. Stick to the Fundamentals

Finding the right concept and product, pairing it with the right activation, and proactively managing innovation performance in real time can help you drive sustained growth. Don't cut corners during pre-launch planning and early-stage concept testing. Instead, invest in a rigorous screening and validation process.

Our research found that top innovators, on average, spend **four more months** in pre-market prep than low performers. That's because a solid concept begins with solid research. Starting from a strong foundation can make all the difference for a product's success.

2. Focus on Activation

Don't treat every innovation the same. Execution may look different across categories, markets, and brand type and size. How you activate your innovations and measure their impact is key.

Early and continuous monitoring of critical metrics that automatically refresh allows you to identify emerging trends and brands faster, make informed strategic investment and execution decisions by benchmarking innovation performance, and manage innovation performance post-launch in real time.

Source: NIQ BASES Innovation Measurement Database

Habit #3: Innovating Often

3. Manage Innovations

Innovation is never a “launch and leave” project — the work doesn’t stop once you launch. Sustaining vitality requires ongoing monitoring and optimization. Yet many FMCG marketers have admitted to waiting up to **8 weeks** to begin assessing performance, which deprives them of the ability to course correct during a critical time.

By week 4 of launch, **60%** of categories show higher vitality among fast distribution growers. Whether your innovation is big or small, focus on your retailer story and value proposition to maximize your distribution opportunities.

If you aren’t actively engaged in your product launches, you’re going to miss the signals that tell you where to go next. Unfortunately, this is why many CPG brands feel that innovation isn’t going to be a benefit to their growth.

Week #

4

60% of categories show higher vitality among fast distribution growers

8

80% of innovations don't change their sales rank from week 8 to week 52 by more than 20%

13

80% of categories show higher vitality among innovations maintaining or growing distribution rank from week 4 to week 13

Source: NIQ BASES Innovation Measurement Database; NIQ BASES State of Innovation Survey, June 2022

Habit #4: Building a Brand



Habit #4: Building a Brand

A strong brand is essential for any CPG brand. It gives consumers a reason to choose your product over the competition. Successful CPG brands understand who their customers are and work diligently to align themselves and their products with customer demands. That doesn't mean changing their core brand, just adapting efforts to connect with their audience.

A strong brand is built on a foundation of quality, innovation, and marketing. When these three factors are working together and addressing consumer needs, it paves the way for future growth. Successful CPG brands invest in each pillar and regularly measure their performance in the market.

They also focus on providing a consistently positive customer experience at every touchpoint, from the product itself to the way they interact with customers on social media. This means making sure that products are high-quality, easy to use, and meet the needs of the target audience.

According to our 2022 Brand Balancing Act Survey, **80%** of respondents felt that customer experience was one of the most important factors when picking a brand. If you can tell a compelling story behind your brand and its purpose, you can build stronger relationships with your target customers. This can pay dividends when consumer wallets shift.

Unless you're at the forefront of a new trend, there are likely a lot of brands competing in the same space. You'll need to be able to identify the competitors in your space and identify the underlying differentiators. Whatever it is, the better you are at conveying what makes your brand unique can help you build your brand and attract and retain customers.

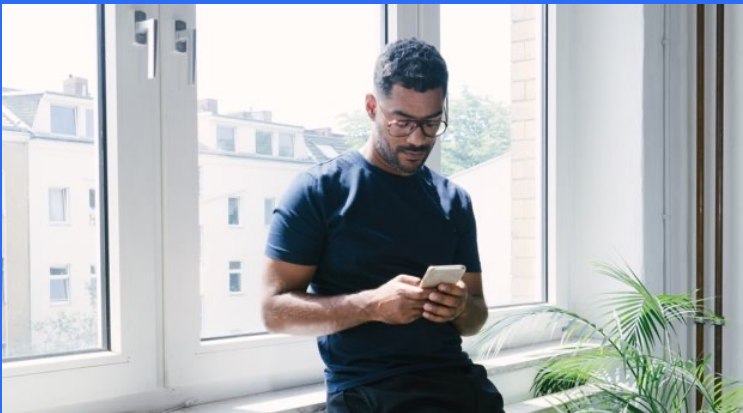
Building brand equity takes time and effort, but it's worth it. A strong brand can help you to attract new customers, increase sales, and command a premium price for your products. This is only possible if you have an accurate understanding of who your target customers are and what is motivating them to buy your products or a competitor.

Habit #4: Building a Brand



Active social media user identities
(April 2023) – 4.8 Billion

Facebook	2.9 BN	YouTube	2.5 BN
Instagram	2 BN	TikTok	1 BN
LinkedIn	740 MN	Twitter	556 MN



Top sites visited in the past month by
internet users aged 16 to 64 years

- 94% visited a social media site
- 80% visited a search engine or web portal
- 72.8% of users use any kind of social media platform for brand and product research

Many of the most successful brands also make great use of social media. This lets them to connect with customers and build relationships. They may share product news, offer discounts and promotions, and engage in conversations with customers.

By being active on social media, brands can show that they care about their customers and that they're interested in hearing what they have to say. In a recent study, Dash Hudson utilized data provided by NielsenIQ to evaluate the top beauty brands on TikTok. They found that brands that entertained their audience on TikTok grow at a rate **34%** faster than those who approach the platform with a traditional marketing mindset.

Sources: [Facts & Factor, September 2022](#); [Digital 2023 April Global Statshot Report, Datareportal](#); [35+ Stats on How Social Media Affects Travel \[2023\] \(passport-photo.online\)](#)

Habit #5: Relying on Data



Habit #5: Relying on Data

Successful CPG brands use data to make informed decisions about product development, marketing, and sales. They track sales data, customer feedback, and other metrics to identify trends and opportunities.

Acting on sub-par data usually leads to sub-par success. This means they can never act on complete data and get the most out of their products. The true value of high-quality data and insights can be seen in your ability to identify emerging issues and trends and act on them.

Here are **3 key ways** successful brands are using data to grow:

1. Assortment Planning

Knowing what products to keep on shelves, which to promote online, and if any are worth cutting should always be done by looking at the data. Shelf space is at a premium these days, so optimizing your assortment is key.

This can be a significant challenge, especially for stores with small floor space or those that offer a wide range of products. To make this even more evident, we've found that a **2%** increase in shelf space can drive **1%** more in revenue. Clearly, shelf space is valuable, and the fight for it is ongoing across all categories. Successful CPG brands are making the most out of this limited space.

2. Marketing Efforts

No brand can be successful if consumers don't know about it or aren't engaging with it. Successful brands make use of their understanding of market trends and demands to align their marketing efforts effectively.

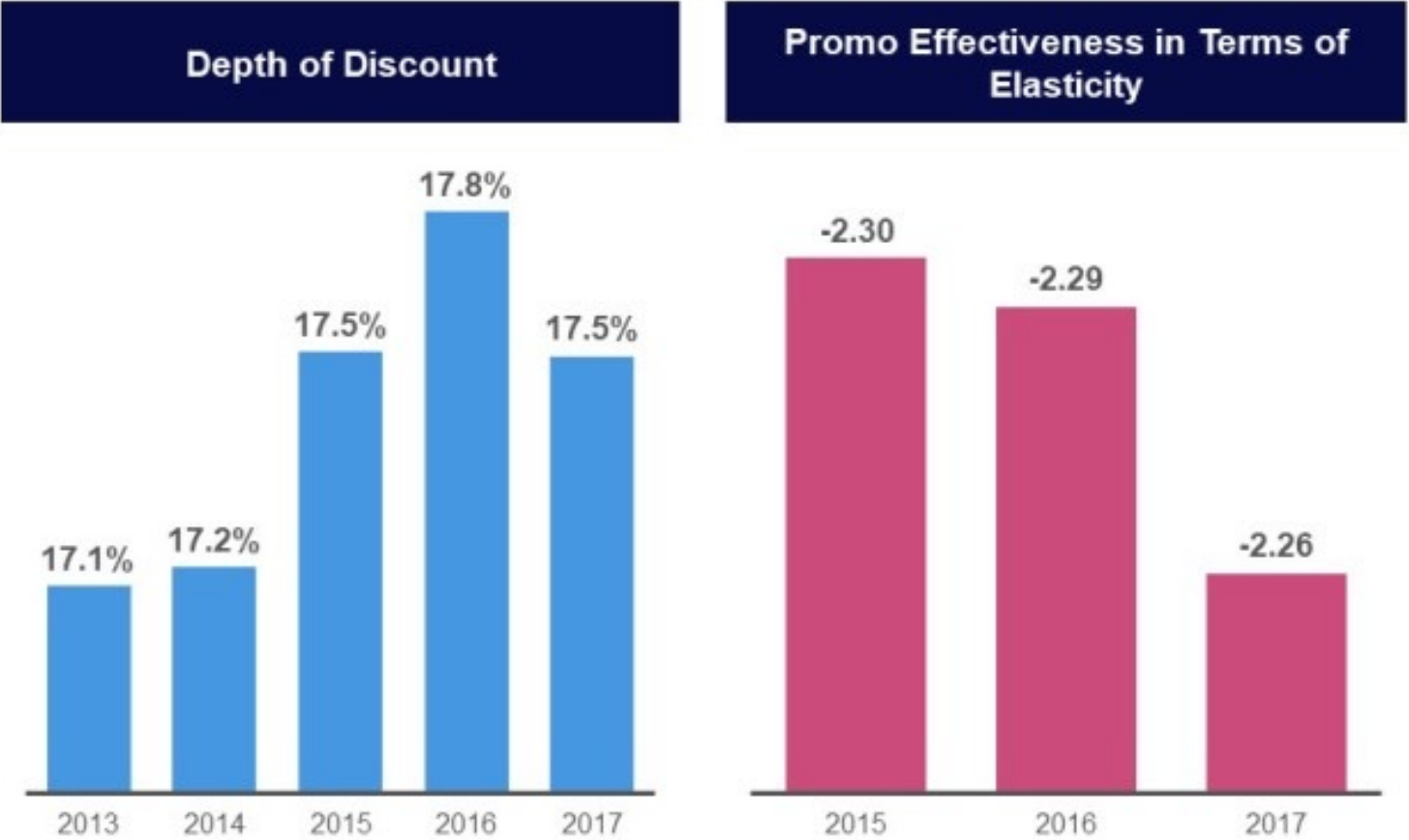
Panel data can go a very long way here. This data can give you insights into what consumers think about your category, brand, product offerings, marketing, and more. For example, 28% of Gen Z consumers seek a recommendation first. If you aren't leveraging customer reviews, you may be missing out.

Habit #5: Relying on Data

3. Pricing & Promotions

Prior to 2019, the percentage of units sold on promotion was upwards of **30%**. Many categories trained shoppers to bridge from deal to deal, rarely capturing an off-promotion sale through the register. COVID allowed brands the opportunity to reset their strategies and change how they operate going forward.

Successful brands are choosing to promote their products and price them more intelligently in this new post-COVID era. This may mean promoting less often or reducing the depth of the discount or increasing prices only on certain product offerings. Using data to identify the right opportunities is key.



Source: NIQ Retail Measurement, Total U.S., 52 weeks 2014-2017 periods



How to Leverage These Habits and Grow

How to Leverage These Habits and Grow

The key to being a successful CPG brand is learning from past experiences, understanding the markets, and adapting as necessary to fit the shifting demands of consumers. But, this is often easier said than done.

With that in mind, here are **3 key tips** to leverage the habits of successful brands:

1. Put the Customer First

CPG inflation has been hurting American shoppers' wallets since April 2020. But that doesn't mean that price is the only thing they care about. Understanding the different methods they're using to cope with the pressure is key.

For example, **a quarter** of Americans are buying larger sizes of products with long shelf lives as a savings strategy to get a lower cost per use. Knowing how you can leverage this information can help drive growth.

2. Don't be Afraid

Successful brands are willing to take risks and act quickly. But this doesn't mean acting without purpose. The courage to lead requires a clear understanding of the market, your brand, and the state of consumers.

Getting in on an emerging trend early can help you gain market share and take on the competition. Don't be afraid to test out new markets, products, or personas and see what works for your brand and what doesn't. A missed opportunity can be costly.

3. Invest in Data and Insights

No business can rise to the top if they're acting on partial or inaccurate data. Successful brands are investing in the right tools to help them understand the market and act intelligently.

Investing in third-party POS and panel data can help you act quickly on accurate and current data and trends. With more than **60%** of Americans believing we're in a recession, you'll need all the tools in your belt to succeed.

Source: NIQ, Total US xAOC, 4 weeks ending April 1, 2023; NIQ, Total US xAOC, 4 weekly periods ending February 25, 2023; NIQ Global Inflation Hub

What You Can Do to be Successful in 2023 and Beyond

NIQ can help you get a Full View of the market

When the market is shifting, you need to be on top of your game if you're going to come out on top.

NielsenIQ offers emerging and growth brands access to the same best-in-class, accurate data and high-quality insights that Fortune 500 brands leverage—at a price customized for their budgets.

We also know that businesses at different stages have diverse needs. Whether you're looking to nail your next retailer pitch, are expanding distribution, or need to defend your turf, we have the data and tools you need to succeed.

Some of the solutions we can provide include:

- POS & Shopper Data
- Product Attribute Trends
- Omnichannel Sales Data
- Demand Forecasting
- Pricing & Promotion Optimization
- Assortment Optimization
- Expert Insights into Market Trends
- And More

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About NIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to the ideals and passionate about helping clients achieve success.