2022 CPG Lookback

A CPG Starter Guide for Emerging Brands

Table of Contents

So much happened in 2022, but what did we learn from all the chaos?

Introduction

In 2022, emerging and growth brands were up against many outside pressures. From inflation to supply chain issues to rapidly shifting consumer behaviors, there was a lot going on. So, did that mean that everyone took a step back?

Not at all! These brands continued to grow and put extraordinary effort in to learning more about their industries and how they could build a strong brand. We saw these brands engaging with an array of informative and educational content as they pursued new paths for growth.

With that in mind, we wanted to compile some of the most valuable content into one, easy-to-read eBook for you.

In this eBook, we'll share some of the most impactful articles and takeaways from 2022. This includes content from the basics of the CPG industry to more complex issues faced by emerging brands. You can think of this as both a "Year in Review" and a "CPG Starter Guide" to help you better understand the markets and how you can navigate the choppy waters going into 2023.

Some of the key topics we covered this year were:

- The difference between "FMCG" and "CPG"
- POS data vs panel data
- How to successfully launch new products
- Defending shelf space
- Supply chain management
- Factors affecting demand

10.2%

The increase in CPG dollar sales from November 2021 to 2022.

(https://nielseniq.com/global/en/insights/analysis/2022/the-brand-balancing-act-of-small-and-medium-sized-businesses/)

FMCG vs. CPG: What’s the Difference?

FMCG vs. CPG

In the world of retail, you're used to hearing and using the terms CPG and FMCG interchangeably. And for the most part, you'll do fine spending a whole career using these two words that way.

But, is there a difference between these retail terms? And does it matter it counts—to sales?

If you want to impress the real industry sticklers, though, you should know that there are distinctions between "FMCG" and "CPG". This may help you better understand the nuances of navigating the retail industry. It can help you with your next retailer pitch.

What is CPG?

CPG, or consumer packaged goods, are products that consumers purchase frequently like clothing, beauty products, and other household products. These products generally have a short lifespan and are intended to be used soon after purchase.

What is FMCG?

FMCG, or Fast-moving Consumer Goods, refers to products that you can sell quickly at relatively low cost. They are considered moving because retailers need to restock the shelves regularly due to high turnover rate.

Common Types of FMCG

As a general rule, FMCG refers to products that consumers use (almost) every day.

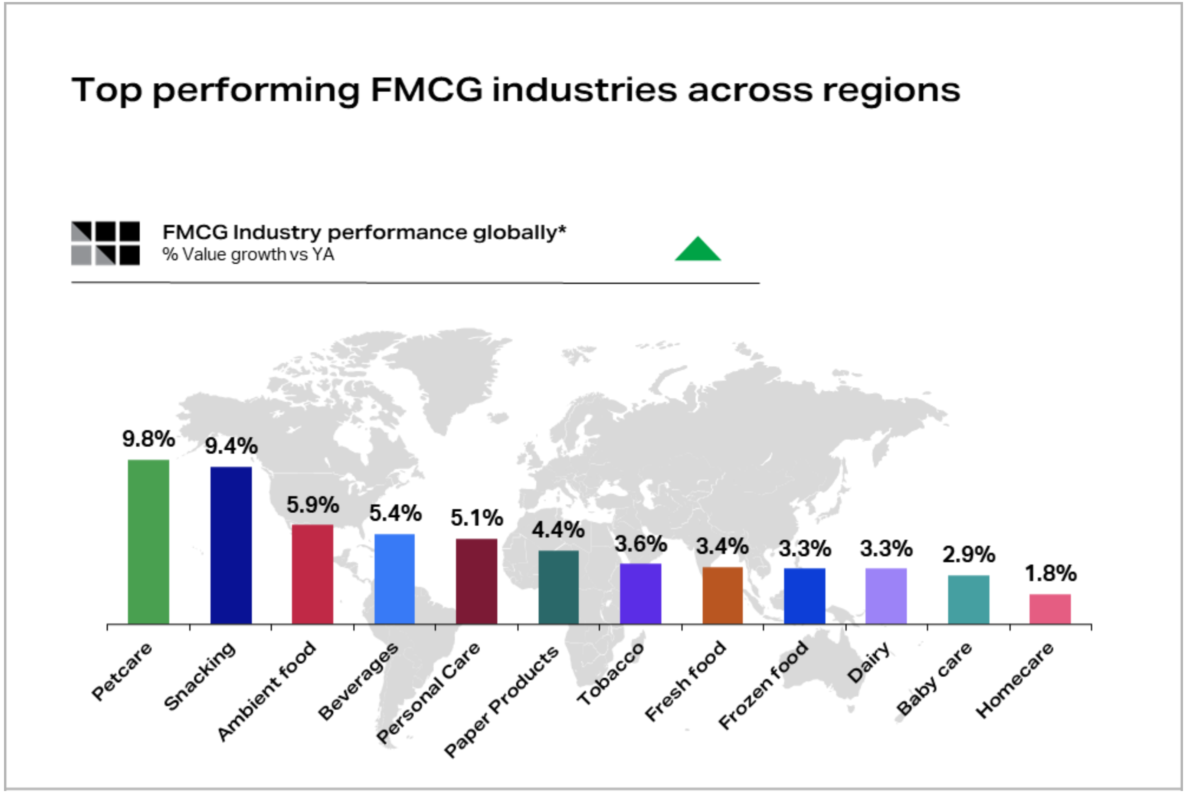
Here are a few FMCG product types:

- Toiletries
- Beverages
- Processed Foods
- Health and Wellness Products

13.5%

The increase in FMCG prices from December 2021 to 2022.

(https://nielseniq.com/global/en/landing-page/global-inflation-hub/)



As inflation grew and customers tightened their belts, FMCG product sales soared, and many consumers even paid a premium.

Consumers are spending less on out-of-home entertainment and eating out to mitigate the impact of rising utility and grocery bills. This means FMCG products are more necessary than ever.

(https://nielseniq.com/global/en/insights/education/2022/beyond-cost-cautiousness-whats-next-in-fmcg-category-trends/)

Differences between CPG and FMCG

For Consumers

In the minds of most consumers, there is no real difference between CPG and FMCG products. In fact, these products have major overlaps that make them hard to distinguish for consumers.

The most common ways a consumer is impacted by both CPG and FMCG goods:

- Frequent purchases
- Low engagement (little or no effort to choose the item)
- Low price
- Short shelf life
- Rapid consumption

For Manufacturers

For manufacturers, CPG and FMCG products are different in the manner that they are priced and sold. Turnover rate, levels of demand, and seasonality are all factors. But there are still plenty of commonalities between the products.

The most common ways a manufacturer is impacted by both CPG and FMCG goods:

- High volumes
- Low contribution margins
- Extensive distribution
- High inventory turnover

Why It Matters

The most important differentiator for CPG and FMCG products is their sales velocity and what this means to manufacturers. Since FMCG products have such a high turnover rate, manufacturers must maintain a steady output to keep up with demand.

For example, if you know one of your products is selling faster than others, you can invest strategically to increase sales velocity and gain more distribution. You just need to understand the products, the demand, and how to react.

POS and Panel Data

POS Data vs Panel Data

The number one challenge we hear from emerging brands is not that the CPG industry lacks data—it's that there is too much data available. From POS data to panel data to digital analytics, it can be overwhelming for a small CPG company.

If you're a CPG manufacturer trying to tackle the foundations of retail data, it's hard to know where to begin. Learning the CPG retail data landscape can feel like studying for a doctoral degree, but it doesn't have to be so complicated.

A good place to start is understanding the types of data your brand should be measuring. What can POS (**point-of-sale**) data tell you? And what can panel (**household**) data tell you?

POS Data Decision Tree

STEP 1

- Are sales up or down?
- How do they compare to category performance

STEP 2

- Are these changes limited to one class of trade or retailer?
- Are these changes limited to one brand or SKU?
- What was the percent AND absolute change in my incremental sales?

STEP 3

- Consider all potential drivers.
- Could a robust affiliate marketing program support my base sales?
- Or a consumer promotion such as in-store sampling?
- Could a new display in Retailer A have led to increased sales?

STEP 4

- How much did the retailer support my promotion?
- Did my email campaign offering a promo code drive sales?

(https://nielseniq.com/global/en/landing-page/pos-data-decision-tree-the-questions-you-should-be-asking/)

POS Data vs Panel Data

What Is POS Data?

POS data, or point-of-sale data, is transaction-level data collected at a retail store. You may recognize the word “POS” as the electronic system we often call a register.

POS data is collected as the customer gets checked out. The data from each item scanned is logged into the POS system (or digitally) and used for multiple purposes. This includes automatically adjusting inventory levels, sales figures, product rankings, and more. POS data is the most well-known form of retail data analytics.

What Is Panel Data?

Panel data, or household data, is self-reported purchasing data collected by third-party companies like NielsenIQ.

Consumers provide data by scanning the barcodes on products they purchase and indicate where they bought them. This allows NielsenIQ to track consumer behavior for more than 250,000 households in 25 countries. It also grants CPG data professionals insights like customer loyalty, consumer demographics, and the purchase cycle of a given product.

Why You Need Both

Combining POS and panel data gives emerging and growth brands the full view of the market they need to react in the most effective way. From sales growth to emerging trends to consumer demand, you can see it all.

36% of smaller companies said their traditional competitors have already gained a material edge by integrating data and analytics into their core business. By utilizing both POS and panel data, you can take advantage of shifts in the market to gain shelf space and market share.

Launching New Products Successfully

Launch New Products with Data

No product launch has ever gone entirely smoothly. But that doesn't mean it has to be so hard.

Retail data analytics offers the tools to streamline a product launch, optimize initial sales, and impress retailers. By understanding what consumers are seeking, how competition is performing, and what niches to target, you can take your product launches and product assortment to the next level.

Before you even launch a product, you should be accruing data on the product's category, retailer, and competition.

For example, do you know your retailer's speed to market?

If not, you need to revisit the data when it's available on store shelves, and you've launched marketing campaigns. It's data that can help you track the progress of your product, the areas that work, and which need course correcting. This way you can fully capitalize on this major moment.

Integrating data into the decision-making process for every decision maker up and down the ladder is better. It's what separates successful CPG manufacturers from the rest, no matter what their size.

High-performing brands use data for product launches

21%

of high-performing organizations identified setting a data and analytics strategy as their number one key to success

57%

of these companies more likely to say that they alter their long-term strategy in response to data and analytics

43%

said data is broadly available to frontline employees whenever they need it

(https://nielseniq.com/global/en/insights/education/2022/how-to-successfully-launch-new-products-with-data/)

How to Defend Shelf Space

Defending Shelf Space

Shelf space plays a key role in any CPG brand's success. Getting retailers not only to carry your product but give it good positioning on the shelves is difficult but rewarding.

Unfortunately, once you've gotten on the shelf, you also need to be able to defend your position from the competition while continuing to grow sales.

So, what can you do to defend your shelf space?

The key to defending shelf space comes down to mastering the three Ps: Pricing, Packaging, and Placement.

The Three Ps:

- **Pricing -** The process of setting prices for products sold in retailers and online. This requires using the tools at your disposal to pick the prices for each product to maximize sales and profits.
- **Packaging -** CPG products have to create a positive first impression if you're going to stay on shelf. So, everything about the design matters!
- **Placement -** The process of identifying the best location for every SKU you have to maximize sales.

You should also create a planogram to have a visual representation of your shelf space and product placements.

Creating a planogram and optimizing your shelf space rely on your ability to access and digest a comprehensive set of data. To get the best results, you shouldn't just rely on the POS sales data provided by the retailer. Keep reading to see what data to use.

89%

of CPG executives agree that advanced analytics are critical.

(https://nielseniq.com/global/en/insights/education/2022/small-cpg-businesses-data-driven-growth-strategy/)

Defending Shelf Space with Data

1. SKU-Level Sales Data

You should be tracking each individual product sold at the retailer and look back at least three months. This can give you insight into what products are currently selling well and which aren't. It will also show if there were any sudden spikes in demand that skewed monthly figures.

Using this data, you can start moving products within the planogram to highlight stronger products and pull back the weak ones. You can also use this data to optimize your inventory to support the shift in sales.

2. Market/Category Data

Your own sales figures can only get you so far. You also need to have a better understanding of sales trends within your larger category and market. This includes information on a target market or geographic location and how these influence the purchasing decisions of your target demographics.

If you can show that you're outperforming in a particular area, retailers are more likely to put your products in a prime location. One important note is that this data is only available through a third-party company like NielsenIQ.

3. Panel Data

A vital data set, but often overlooked by SMBs, comes in the form of panel data. This data is self-reported to companies like NielsenIQ by the consumers themselves.

When paired with POS data, it gives you deep insight into the motivations behind shoppers' habits. You might learn that moving a lower-priced product forward will actually increase your overall revenue because shoppers are concerned about spending. Or you might discover that you're not targeting a demographic that is expressing interest in your products.

Supply Chain Management

Supply Chain Management

Other than inflation, supply chain issues were one of the most talked about subjects in business news in 2022. Unfortunately, supply chain management isn't the easiest thing to do.

When you run an emerging CPG brand, it can seem like something beyond your scope. But it's important to understand the factors that affect your business and how to cope with them. If you aren't effectively managing your supply chain, you may end up not being able to fulfill your obligations.

With that in mind, here are some best practices for supply chain management:

1. Perform Demand Planning

Demand planning is the process of forecasting the demand for your products and producing the correct amount to meet this demand.

This is a vital step for any CPG brand to undertake to avoid running into issues with too little or too much supply. This will help you maintain your margins and avoid missing out on sales or losing money in dead stock. It also has a major impact on the other businesses in your supply chain. If you don't have the correct amount of stock, you may cause a bullwhip effect where your suppliers and retailers suffer losses as well.

2. Track Inventory Levels

Unsurprisingly, one of the keys to success for a CPG business is to keep track of the inventory. Tracking your inventory levels lets you react in real-time to shifts in demand or issues with the supply chain. If there's a sudden spike in demand, you don't want to be surprised to discover you can' tactually fill the orders as you expected. Keeping track of your supplies will also let you maximize the impact of retail data.

20%

in incremental sales and profit by reducing item cannibalization

(https://nielseniq.com/global/en/insights/education/2022/advanced-analytics-can-give-cpg-companies-an-edge/)

Supply Chain Management

3. Maintain Strong Relationships

One of the most important tools to combat supply chain issues is information. But you're not going to be getting that information if you don't have good communication with your suppliers and retailers.

You should work to build a strong relationship with every business you work with and share information whenever possible. This will be paid in kind and can often let you react quicker than your competition when an issue is looming on the horizon.

4. Utilize Technology

Using automated systems and retail data platforms are great ways to streamline your supply chain.

Automated supply chain management involves using digital technology to track inventory levels, forecast demand, and quickly allocate products to certain retailers or markets. Pair this with POS and panel data from a supplier like NielsenIQ. That way, you can act and react faster and more intelligently than the competition.

5. Avoid Unnecessary Waste

This one might seem surprising, but it's actually very helpful. Avoiding waste in the form of damaged or lost inventory, wasted energy, and even excess packaging can help streamline your supply chain.

The more you maximize the usage of every product or investment, the less likely you are to cause problems along the supply chain. A focus on sustainability can help you avoid losses and increase your ability to meet demand when and where it arises.

Factors of Demand

Factors of Demand

The demand for a good increases or decreases depending on several factors. This includes the product's price, perceived quality, advertising spend, consumer income, consumer confidence, and changes in taste and fashion. Understanding the many varied elements and the small CPG landscape that affects product demand is hugely beneficial.

Fortunately, we've compiled a list of the top seven factors affecting demand for you.

Take a look at seven of the most common factors affecting demand for consumer goods:

1. Consumers in the market

In this case, demand is determined by how many people are buying a particular product. Therefore, the more consumers available, the greater the demand. In some cases, this number increases because of population changes. In other instances, demand goes up because the product appeals to more demographics. There, the number of consumers is technically the same, but more of them are buying than before.

2. Consumer's income

As a rule, the more money consumers have, the more they like to spend it and buy more. Not only do wealthier groups shop more frequently, but they tend to prefer high-quality, pricier products. The opposite is also true, meaning that changes in consumer demand can ebb and flow along with general economic stability. During a recession, consumers will spend less than they do in a boom.

Factors of Demand

3. Price of product

The single-most impactful factor on a product's demand is the price.

In general, there is a clear connection between the price of a good and the demand. Higher prices create lower demand and lower prices create higher demand. This is due to the satisfaction levels of consumers. If they can't afford your good, there won't be much demand for it. This means understanding CPG pricing is vital.

This is also called the price elasticity of demand (PED).

4. Tastes and preferences

Consumer tastes and preferences have a direct impact on the demand for consumer goods. Unfortunately, preferences can change within a market for a wide array of reasons. Some of these reasons can be intrinsic, while others are external.

For example, the tastes of single shoppers and families are vastly different. A family will likely buy child-friendly products, while a single person is generally only shopping for themselves. Other influences can include age, geography, marital status, and more.

5. Availability of substitutes

You have to pay attention to your competitors, as they can eat into your market share if you're not careful. When talking about the availability of substitutes, the factors that influence it can include:

Price Gaps – How much are your products compared to others?

Distribution – Do competitors offer more items in a similar product line?
Relation of Substitutes – Are these products a direct one-to-one translation, or are they just similar?

Factors of Demand

6. Consumer’s expectations

Another reason that anticipating demand can be so challenging is that you have to pay attention to both habits and expectations. Unfortunately, it’s much harder to predict or understand these expectations, especially when shifts are caused by outside forces.

Many things can influence consumer expectations. If we take the COVID-19 pandemic, for example, fears drove consumers to buy toilet paper and hand sanitizer in massive quantities. Pre-pandemic, it would have been difficult to anticipate that kind of reactionary spending.

7. Elasticity vs. inelasticity

Elastic goods are those that are affected by driving factors. Prices, availability, and competition can have a positive or negative correlation, depending on the situation. As we illustrated, price elasticity is usually negative. However, if the driving factor is wider distribution, it would create positive elasticity as your volume would also increase.

By comparison, demand for inelastic goods doesn’t fluctuate much (if at all) from external factors. For example, if the price of Product A goes up, but the sales volume stays constant, that product is inelastic.

Knowing the above seven factors is only the first step. How can you utilize this information to move your brand forward and expand your market share?

Here are some ways to internalize this information.

- Anticipate consumer needs
- Create better promotions
- Find your place in the market

22%

of shoppers now plan an in-store shopping trip combined with a prior online order.

(https://nielseniq.com/global/en/insights/success-story/2022/planning-for-2023-in-a-shifting-retail-landscape/)

What You Can Do In 2023

NIQ can help you put the pieces together in 2023

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

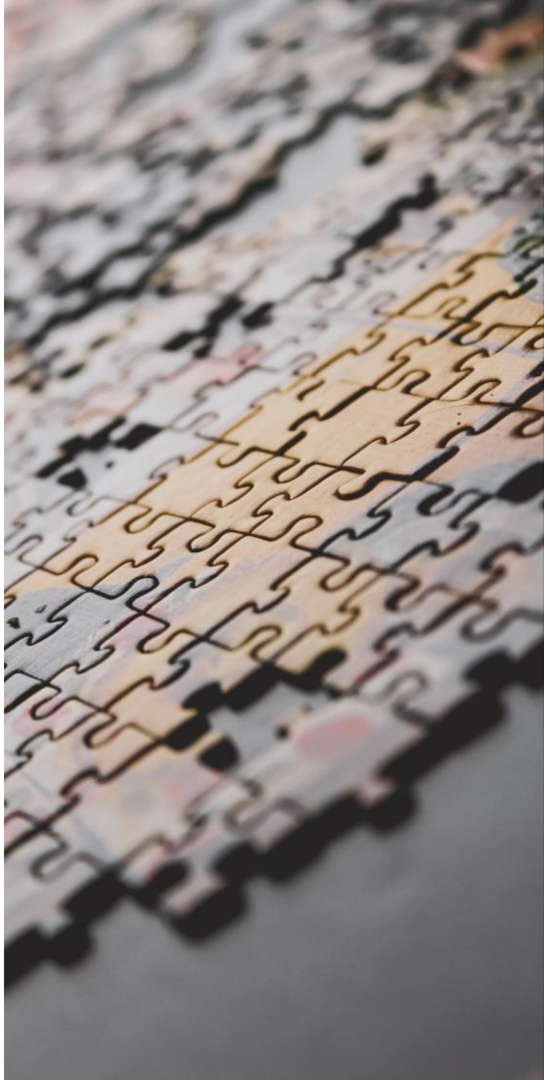
NielsenIQ offers emerging and growth brands access to the same best-in-class, accurate data and high-quality insights that Fortune 500 brands leverage—at a price customized for their budgets.

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

Learn More About Our Emerging Brand Solutions



For more insights:

niq.com/global/en/insights/

About NielsenIQ

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 NielsenIQ. 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 these ideals and passionate about helping clients achieve success. For more information, visit: