

# CPG food

INDUSTRY  
TRENDS  
2017





# General Landscape

Competition in the CPG sector has always been intense, but food manufacturers now also face an increasingly fragmented retail market, as well as an evolving set of social trends that have changed the landscape of the industry.

Setting the agenda for CPG foods companies are issues of

**HEALTH & WELLNESS**

**SOCIAL IMPACT**

**CONVENIENCE**

**TRANSPARENCY**

and digitally armed consumers seeking to be more informed about how their food products align with these issues.



With enabling technologies like social media, mobile apps, and other digital technologies that pave the path to purchase, CPG foods companies are feeling the glare of the consumer spotlight, prompting industry-wide upheavals in which small, niche companies that address consumer preferences are seeing the highest levels of growth.



**23%** OF  
THE GROWTH WAS  
DRIVEN BY PRIVATE  
LABELS WHICH GREW  
AT A **2.6%** ANNUAL  
GROWTH RATE

**49%** OF  
ALL CATEGORY  
GROWTH WAS  
DRIVEN BY THE  
SMALLEST 20,000  
COMPANIES WHICH  
GREW AT A RATE  
OF **6.3%**

FROM 2011 TO 2015  
THE TOP 25 LARGEST  
FOOD AND BEVERAGE  
COMPANIES DROVE  
THE TOTAL CATEGORY  
GROWTH BY ONLY

**3%**



With the share of online grocery spending expected to reach 20% of all sales by 2025, the traditional retail setting for CPG foods is fast changing and geared towards the most nimble and consumer-focused brands.

**20%**  
OF ALL  
SALES  
— BY —  
**2025**



In order to help our brand and agency partners understand the key drivers of change and keep their engagement with consumers relevant, we've put together this brief guide to CPG food industry trends.



**TREND  
#1**

## Health, Wellness and Indulgence

**One of the most powerful trends in the U.S. CPG foods industry over the past few years has been an explosion in consumer preferences for products that promote health and wellness – juxtaposed against a growing taste for highly indulgent fare.**

Consumers are increasingly using food to manage their health, and being careful about what they put in their stomachs.

In a recent survey, 63% of Americans said they're trying to eat healthier, and consume foods with higher quality ingredients.







**13.7%**

U.S. volume sales of products with an organic claim grew by 13.7% in 2016.



**56%**

Over half of U.S. respondents strongly or somewhat agree they're willing to pay more for foods and drinks that don't contain undesirable ingredients.



**26%**

The market share of probiotic supplements has increased in dollar sales from a year ago.



**22%**

of Americans are restricting their sugar intake.

**52%**

Try to avoid artificial sweeteners

**In response to these priorities, American food manufacturers are dramatically altering their strategies to serve consumers who are concerned about better nutrition, higher quality ingredients, and fewer sugars and fats in their foods.**

**Companies that satisfied one or the other of these seemingly conflicting desires were among the strongest performers in 2016.**





## TREND #2

# Social Impact & Transparency

There are rising consumer demands for transparency on how companies perform when it comes to sustainability and corporate social responsibility, as well as where products are made. Food decisions are increasingly being based on where, how and by whom products are made, grown and raised.



## Food Facts

Currently, only **12% of consumers** rank brands as their most **trusted resource** for information about what is in their own food.

But **67%** believe it is the **brand's responsibility** to provide consumers with this information.

**94% of consumers** surveyed in 2016 said that it is important to them that brands and manufacturers are **transparent** about what is in their food and how it is made.

More **than two-thirds (83%)** said they would find additional value in having access to more extensive product information.

More than **a third of consumers** surveyed (**37%**) said they would **switch brands** if another brand shared more detailed product information.

Consumer demand for transparency in information and production is driving the evolution of the food industry, requiring brands and manufacturers to rethink their marketing strategies.

As a reflection of an increasingly important consumer priority, the U.S. Food and Drug Administration recently announced that companies will need to label products with detailed information about sugar content -- spurring greater demands for transparency in labeling.



# TREND #3

## Authenticity – Not Scale

**Small brands — those with annual sales of less than \$1 billion — are outperforming the competition in 18 of the top 25 food & beverage categories. Consumers choose these brands because they offer a strong connection to their community, a sense of authenticity, the promise of healthy ingredients, or a quirky story.**

The 'Bigger Is Better' paradigm has been challenged virtually everywhere. Hyper-localization and specialization are fueling today's retail growth.



As lifestyle and consumption habits change, we're seeing a structural shift in where consumers shop and what they buy, with small, consumer-friendly brands driving big growth.

With a focus on authenticity, especially among Millennials, mass-market strategies are losing relevance as consumers look for unique experiences, and products that address their personal values.

With supply chain process improvements, smaller firms are able to disrupt the scale economics of large firms' integrated operations. These smaller manufacturers immerse themselves in the context of the consumer - they sweat the details that create great experiences, and are far more concerned with being authentic and relevant than huge.

**Although scale will continue to contribute to greater efficiencies, these companies that have a better understanding of what their customers want will benefit in the future.**

### THE SUPPLY CHAIN





# TREND #4

## E-commerce

**With Grocery set to become the next retail sector transformed by digital, online food shopping is expected to reach saturation in the US faster than other industries have before -- requiring a focus on effective content marketing.**

With the online share of food and beverage sales in 2016 estimated at 2.4% of total U.S. e-retail, the growing consensus among leading CPG food companies is that online is a channel that can't be ignored.

A new study from The Food Marketing Institute (FMI) and Nielsen predicts that by 2025, one-fifth of all U.S. grocery spending (valued at \$100 billion) will come from online channels. And as online grocery continues to evolve, nearly three-quarters of all U.S. shoppers are projected to conduct 25% of their grocery shopping online within the next decade.

CPGs are not only having to deal with a shift to online shopping habits, but are also confronted with the continued growth of newer technologies such as Amazon's Dash button and voice-activated Echo.

The realization is mounting that e-commerce is not just a sales channel but also a crucial marketing channel, requiring its own unique marketing strategies. Brands that have recognized this have dedicated personnel and time to creating online-specific content and marketing touchstones, and ensuring that they reach their necessary audiences.

### ONLINE SHARE OF FOOD & BEVERAGE SALES IN 2016

**2.4%** of total U.S. E-retail (estimated)

By **2025**, will constitute **1/5<sup>TH</sup>** of all U.S. Grocery spend (valued at **\$100 billion**)

**3/4<sup>TH</sup>** of U.S. shoppers projected to conduct **25%** of grocery shopping online within the **next 10 years**





# Best Practices for the CPG Food Industry



## INFLUENCE THE DISCERNING CONSUMER

People, especially savvy consumers, don't like to be directly marketed to -- For CPGs, influencer marketing, on social media channels, is a great way to get products into native content and out to audiences that have been traditionally hard to reach. When people are looking for recipes and new foods and drinks to try, they go to Pinterest; they look at recipe videos on YouTube; and they search for specific recipes on Google. They read reviews and recommendations before deciding on what to eat or cook. For 60% of YouTubers, they would follow advice on what to buy from their favorite creator over a TV or movie personality.

In an environment that rewards change as well as tradition, CPG brands today need to push the envelope in their quest to reconcile these contradictions and engender loyalty from their increasingly diverse consumers. The brands that succeed find ways to engage their audience with their brand stories through digital and social channels and become part of a lifestyle.



## BE SOCIAL – AND SOCIALLY RESPONSIVE

Social marketing can be the most effective way to interact with and listen to consumers, and for brands to connect over social issues and priorities. Ben & Jerry's ice cream, for example, uses social media campaigns to highlight their corporate beliefs and social initiatives. Several years ago, the company had a promotion where Twitter followers would "donate" their unused Twitter characters that would then be used to create messages to raise awareness for World Fair Trade Day. This not only allowed the company to spread its message effectively, it also did it in the context of two-way communication with its customers.





## USE DIGITAL TECHNOLOGIES TO:

**PROMOTE TRANSPARENCY** Innovations like Augmented Technology can be used extremely effectively to market towards the keen, information-hungry consumer in an immersive and engaging way. Nutritional information, ingredients, customized recipes, and behind-the-scenes of production can all be offered through an augmented label, creating an immediate connection with the consumer – on demand, and potentially for keeps.

**MAKE ENGAGEMENT SIMPLE** Kellogg's overhauled its engagement efforts to be seamless and digital. Whereas in the past, consumers had to physically enter unique codes found inside their product packages in order to engage in a promotion, now they need only take photos of receipts and submit them on the KFR website or via text. Snipp's proprietary receipt processing solution drastically mitigated the time, inconvenience and operating costs of Kellogg's previous engagement model.

**MAKE ENGAGEMENT INSIGHTFUL** Over 50% of CPG brands are using digitally derived consumer insights to support their marketing campaigns. Unilever discovered that social media conversations around Ben & Jerry's ice cream peaked on Thursday and Friday, but sales spiked on Saturday. Using this knowledge meant they could run ads only from Wednesday to Saturday, increasing their digital influence and improving the ROI of their marketing spend.









**Snipp** is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our solutions include shopper marketing promotions, loyalty, rewards, rebates and data analytics, all of which are seamlessly integrated to provide a one-stop marketing technology platform. We also provide the services and expertise to design, execute and promote client programs. SnippCheck, our receipt processing engine, is the market leader for receipt-based purchase validation; SnippLoyalty is the only unified loyalty solution in the market for CPG brands. Snipp has powered hundreds of programs for Fortune 1000 brands and world-class agencies and partners.

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