



## WHAT ARE SOME OF THE GLOBAL TRENDS IN THE FMCG SPACE?

On the upside, Covid-19 has left consumers more environmentally conscious. Healthy convenience is top of mind. While this progressive change in mindset has brought about its challenges, it has also opened the door to enormous opportunity.

### Consumers are looking for convenience

As consumers and their families live busier lifestyles, they are demanding more convenience, especially when it comes to getting meals. There has been a proliferation of services specializing in restaurant delivery, like Uber Eats, Grubhub, and Deliveroo, and others, such as Blue Apron in the USA and Les Commis in France, that distribute meal kits with recipes and ingredients to consumers' front doors'. Supermarkets are also upping their game by offering a large selection of ready-to-go meal options, from pre-cut fruit-vegetable-nut packs to three-course dinners. FMCG makers are responding to the desire for convenience in different ways. For example, some are improving on the frozen "TV dinners" and microwavable dishes of yesteryear by launching a wider variety of easy-to-prepare meals that are fresher and better-tasting than their predecessors. At the same time, there is a growing selection of new food and drink products that are conveniently packaged, all-in-one meal replacements such as Vega bars and Soylent drink powder.

## **Health is an important consumer preference**

Seemingly healthier low-sodium, reduced fat, and sugar-free products have been available for decades. However, other options that used to be found only in specialty health food stores have made their way into “normal” supermarkets as consumers want food and beverages that they believe will do less harm or actively improve their health, day-to-day performance, and general well-being. Products such as plant-based protein milk alternatives (like soy or almond drinks), lab-grown “cultured meat,” and alcohol-free “mocktails” are gaining wider acceptance and availability. Allergen-free products are also becoming more popular amongst those who don’t have allergies. For example, whereas in the past products such as gluten-free baked goods and beers appealed almost exclusively to those suffering from celiac disease, consumers who don’t suffer from a gluten allergy are gradually adopting these due to the perceived health benefits of a gluten-free diet.

## **Consumers are environmentally aware**

Consumers are becoming more conscious of the negative impact of FMCG production and its byproducts. Products labelled as “organic” and “local” have broadening appeal as does the adoption of more plant-based foods. Consumers who still choose meat, dairy, poultry, fish, etc. can also choose products that are “antibiotic-free,” “grass-fed,” “free range,” etc. And it’s not just the product itself, but how the product is packaged that will impact consumer choices as more and more consumers opt for plastic-free solutions. Messaging around sustainable improvements will help consumers make choices that are ethical ones that positively impact animal welfare, sustainability, and the environment as well as their individual health.

## **Consumers want an experience**

FMCG makers have become aware that consumers – especially Millennials and those from Generation Z – are interested in experiences more than actual products. Therefore, industry players are looking to create experiences around their products and encourage sharing among consumers by investing in digital capabilities to enable more personalized communication via social media and community management.

Furthermore, FMCG makers are launching more products that grab the attention of consumers, such as Coca-Cola cans with names on them, or snacks with more extreme flavors, such as hot and spicy Doritos Blaze. These products encourage consumers to share their experiences online and generate conversations with their peers to create better return on investments in marketing, not to mention a treasure trove of data to further accelerate and inform marketing efforts.

## **Leveraging technology**

Technology is a trend that has been around for a while, and will stick around for a while whilst constantly transforming and evolving. Nowadays, it’s more important than ever for consumers to be at the cutting edge of this technology as it evolves. From VR, AI, and AR, there are many avenues FMCG brands can take to stay ahead of the game.

Smartphones are now an extension to reality, and so brands need to find new ways to reach customers, enhance their experience, encourage engagement and offer up exciting products and ideas that align with their values. The use of data can help a brand to understand how their customers interact with them at present, and how they can utilise consumer insights to work in their favour.

### **Variabilization of fixed costs**

During an economic downturn or in the current case of a pandemic, fixed costs like rental, fixed salaries, utilities and other overheads, can threaten a business' survival or severely limit its options. To emerge from such a crisis and overcome the next one, companies must make their cost structure leaner and more flexible.

They can do this by transforming fixed costs into variable costs through a process known as variabilization. Converting fixed to variable costs is an option to reduce your need for money and most fixed costs can potentially be converted into a variable cost.

### **Outsourcing parts of the value chain**

Outsourcing is one method to help your business focus on what you do best. Instead of having equipment, people or other resources as fixed expenses, you can outsource these to an external partner who has the expertise and can focus exclusively on the outsourced areas while doing it more efficiently.

An example is to outsource sales, marketing and logistics aspects of the business to save operational costs. By using an experienced and trusted partner to handle these areas, the company can focus on product innovation and the development of quality products.

### **Continued growth of eCommerce**

The COVID-19 situation has elevated consumers' entry into the digital world. When the pandemic hit and shops around the world had to close their doors, consumer behaviour changed as well. As they were either restricted in their movement or chose to stay home to stay safe, more consumers, especially over in Asia, went online to cater to their food supplies and living necessities.

Frost & Sullivan said that the number of online transactions for groceries and takeaway food in the region grew by between 50 and 400 percent from March to May this year, with some players witnessing their gross merchandise value increased by at least 50 percent over the same period.

### **Rising demand for “affordable luxury”**

GlobalData stated that consumers in Asia Pacific are switching from big-ticket items to the affordable luxury realm. Affordable luxury is often characterized by consumers looking for the status associated with value without encountering the high price tag.

For the FMCG sector, this can mean that people are turning to buy affordable, splurge-worthy products to treat themselves such as a small piece of premium chocolate like Ferrero Rocher. This is a simple and smart way for people to reward themselves without overspending especially in these cash-conscious times.

### **Anticipate future disruption**

Forward-thinking FMCG companies need to think about the “next normal” and how they should operate once the virus-control measures are lifted. As noted by McKinsey & Company, the trends observed in Asia amid the prolonged recovery and the “next normal” are:

- > Increased price sensitivity
- > Higher digital engagement
- > Rise in attention to wellness and hygiene
- > “Nesting” at home
- > A redefinition of brand purpose

McKinsey & Company also expect to see important channel shifts to a smaller food-service sector, retailer consolidation and the rise of value retailers. Having an agile business continuity plan in place that enables companies to pivot strategies quickly is key to managing future disruption.

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