

A close-up photograph of a person's hands holding a red and white striped straw, stirring a drink in a glass filled with ice. The person is wearing a blue shirt and a necklace with a gold medallion. The background is slightly blurred, showing a white surface and another glass.

accenture

The consumer goods value shakeup

Going closer to and deeper into the home to get your share of a potential \$2T in value

After a year of shockwaves—and reverberations—related to COVID-19, some aspects of life are starting to settle. Value pools are being redrawn, and they may not be where we expected them. A year spent under various restrictions has forced consumers to adapt the way they live, work and socialize, and this has set major shifts into motion.

Accenture finds that \$2 trillion in value (75% of which is retail and food service/restaurants) is expected to migrate closer to home to areas such as home improvement, digital entertainment and e-commerce.¹ However, large global consumer packaged goods (CPG) companies aren't prepared to capitalize on this new opportunity.

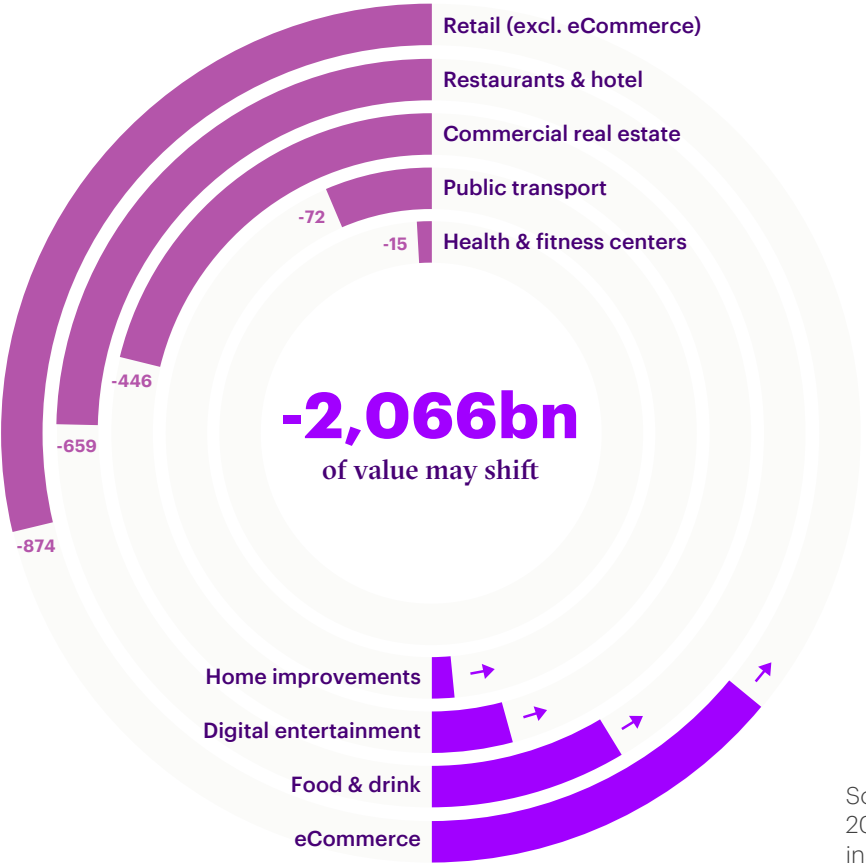
**\$2 trillion
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CPGs must evaluate what, where and through whom they sell to capture the value that has shifted. They need access to new forms of data that can help them understand their consumers much more intimately—and that can help them spot the new demand patterns that are emerging within the home environment. They need an intelligent operating model to be able to adapt to the ongoing physical redistribution of demand and redirect resources accordingly. And they need to re-evaluate their channel and customer strategy to reflect how consumers now shop; supporting local stores to serve their local communities in ways that both enhance the shopper experience and optimize store performance.

The world has changed forever. CPGs must change, too, before they risk being disintermediated.

Figure 1.

Changing consumer preferences may cause US\$2+ trillion of annual value to migrate away from public spaces to home-focused industries.



Source: "The Big Value Shift", Accenture, 2021, <https://www.accenture.com/gb-en/insights/strategy/big-value-shift>

**Value has
a new home**



Value has a new home

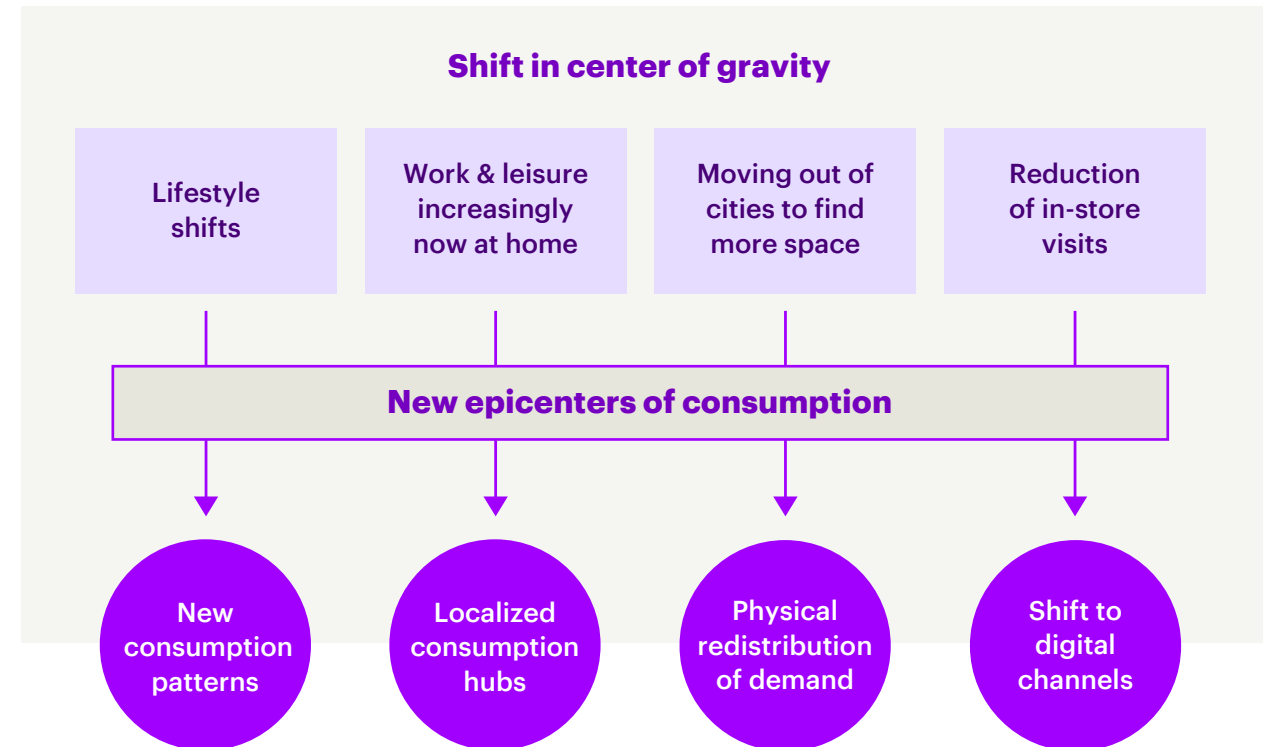
Historically, the home (and the areas around it) have been a secondary priority for CPGs. Now, it is one of the biggest opportunities. Home is no longer just a physical location; it has become the epicenter of life and of consumption.

—

This movement is a result of a year spent under various set of restrictions that forced consumers to adapt the way they live, work and socialize. Although restrictions are temporary, the new habits formed as a result of them have set in motion a longer-term shift in where people spend their time.

Figure 2.

Changes in centers of gravity have created new epicenters of consumption.



Remote work is a growing preference

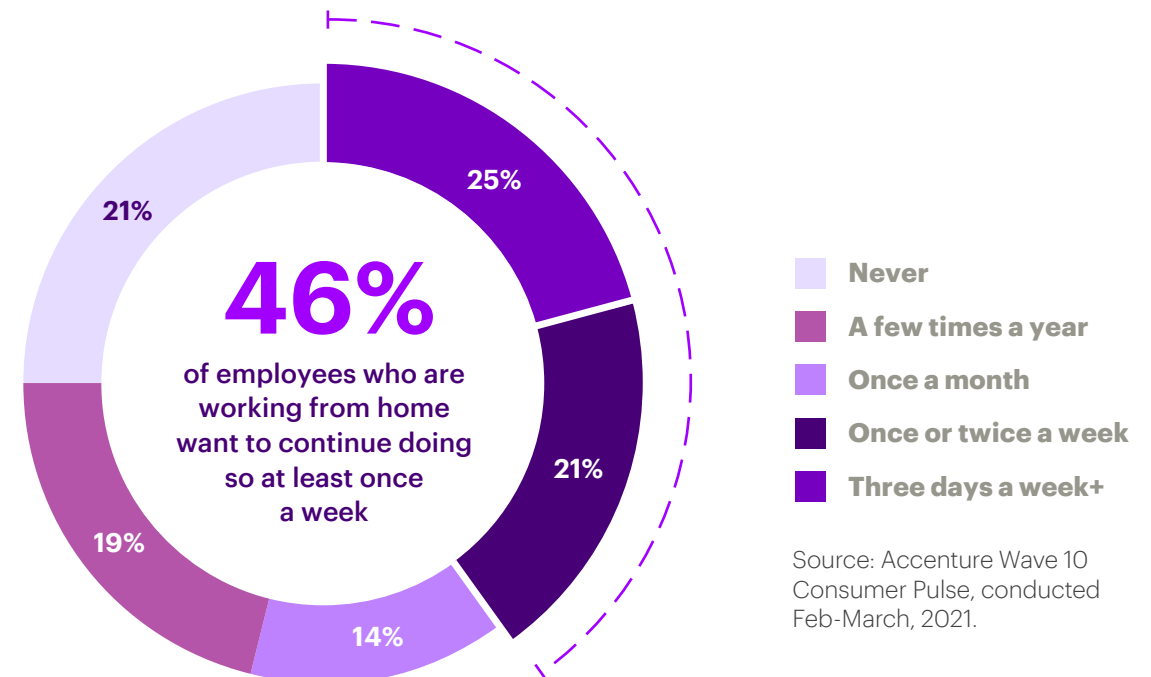
Consumers continue to work from home and show ongoing interest in remote work models. Nearly half of workers (46%) intend to make remote working a regular part of their routine, and increasing numbers of those who never worked from home before now wish to in the future.

Consumers are re-evaluating their living situations and available space. One in five consumers has recently or plans to relocate, with housing demand in the US growing strongest in less densely populated areas.²

And as people work at home and spend more leisure time there, they're making their residences functional and comfortable spaces in which to spend time. One in four consumers has recently, or plans to, renovate their existing home. This is another signal of long-term intent to make the home the nucleus of daily life.

Figure 3.

Intended future working patterns for remote workers.






1. **Human behaviors have permanently changed**

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Shifting lifestyles have influenced what people need and want to spend money on. For instance, those who are now working at home are 32% more likely to be making big ticket purchases of large, one-off items as a result of money saved on their commuting costs. On the flip side, 58% are worried about their financial situation, with 46% reducing spend on non-essentials.

Shifts in priorities and needs are impacting demand across categories. With the rise in home cooking, we are seeing greater demand for refrigerated and frozen foods. As people change routines and take part in new rituals, there is a shift in beauty spend, with skin care and self-care products now surpassing makeup.



“An area which has changed, even in terms of meaning, was my room, which now is the room/space of work. I had to make some changes to it, make it like a mini office.

Male, 23, Brazil

1. Human behaviors have permanently changed

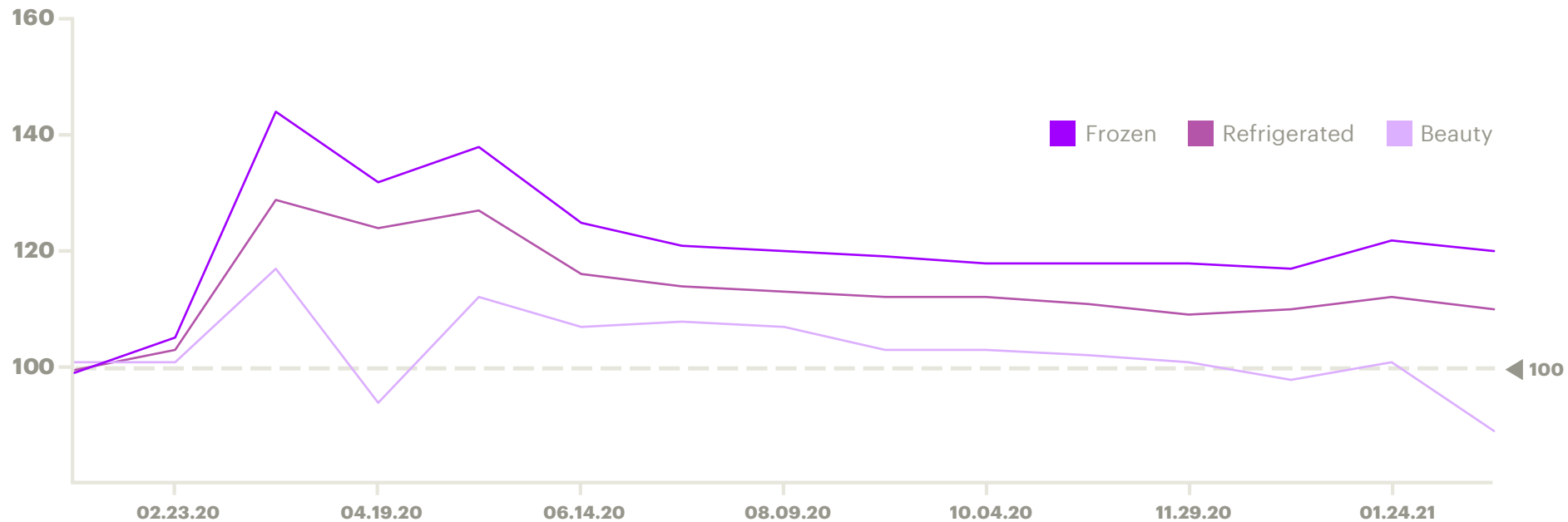
Figure 4.

New needs and priorities impact demand across categories.

Value growth vs. last year, US

Index where 100 = corresponding 4 weeks from the year prior

Increases in home cooking have changed demand patterns in food, while beauty is impacted by the shift from make-up to skin care and self-care.



Source: IRI CPG Demand Index. The index measures rolling quad-weekly changes in consumer purchases by dollar sales against the year-ago period. Total store view

1. Human behaviors have permanently changed

From routines to new rituals

As people stay at home more to work, socialize and live, it has created new occasions to serve. For instance, breakfasts and snacks are no longer just grab and go (see Figure 5). Breakfast has become more leisurely, and therefore creative and experimental. This is particularly true for households with kids, who are 16% more likely to prepare homemade food such as eggs or pancakes than those without. Snacking is the only meal occasion where routine and ritual is trending up, as consumers use snacks to provide structure to their days.



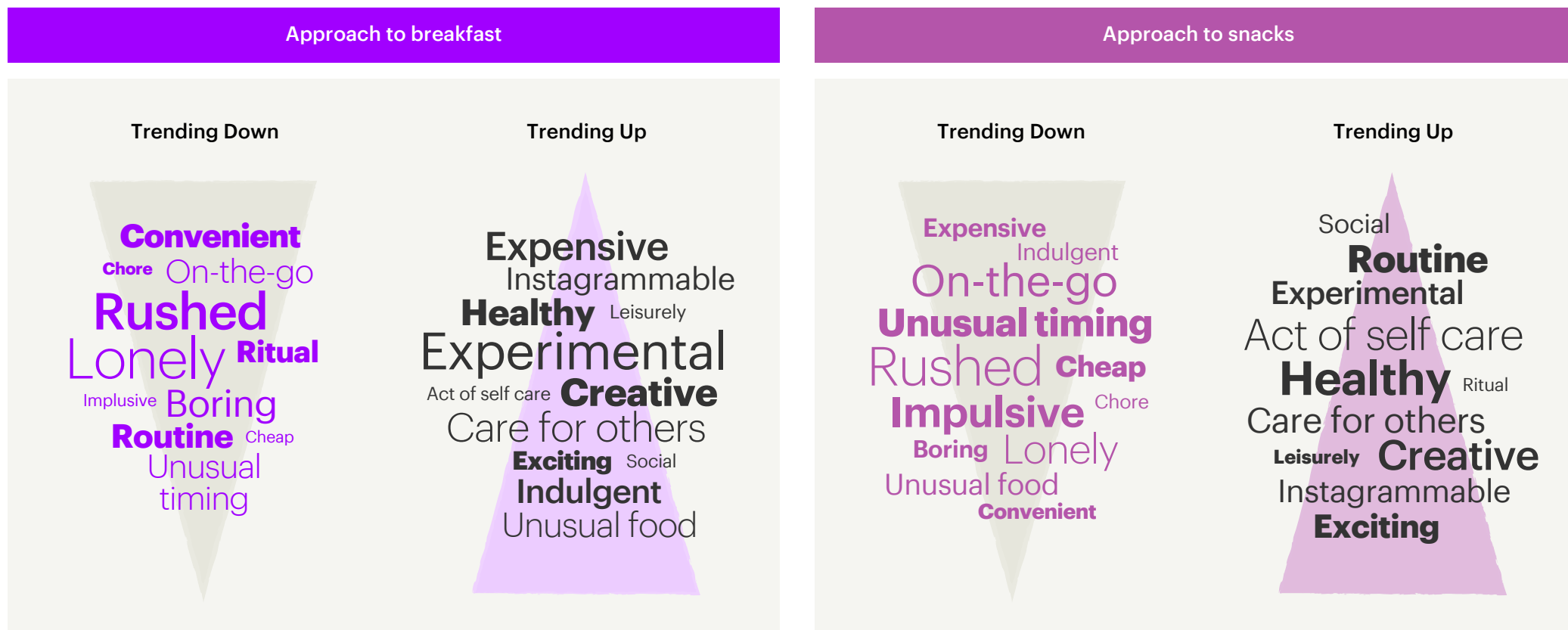
"I eat a hearty breakfast without rush, read my daily newspaper to stay up to date."

Female, 70, Germany

1. Human behaviors have permanently changed

Figure 5.

Breakfasts and snacks have become new occasions, serving up opportunities for CPGs.



Source: Accenture Wave 9 Consumer Pulse, conducted Nov-Dec, 2020.

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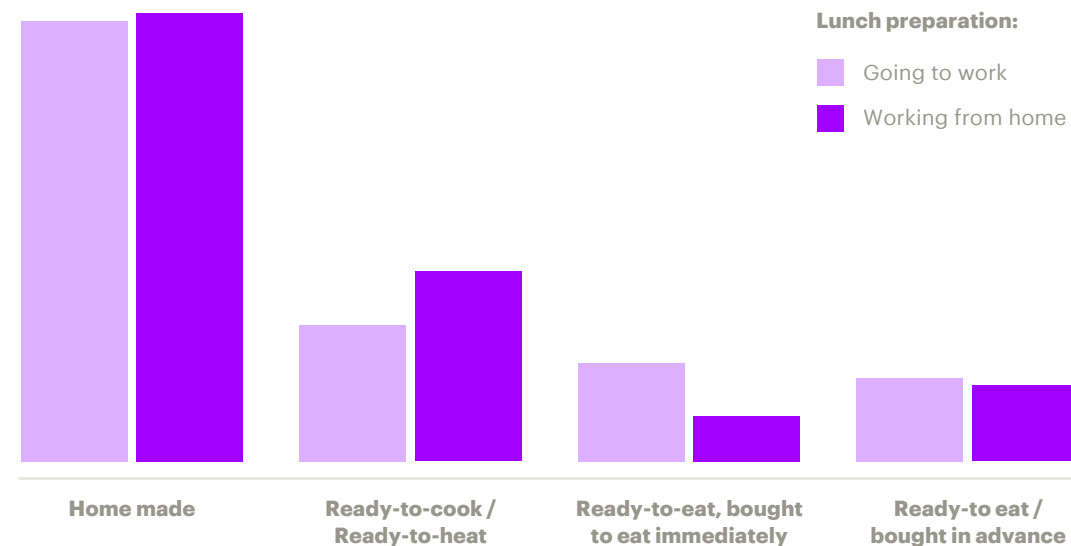
Lunch breaks have also changed, though not all for the better. Those with kids at home are 1.5x more likely to now describe lunch as a “chore.” Those working from home (68%) say that convenience, such as access to food and drink options, is important to them. They are turning to ready-to-heat and ready-to-eat options. Just Eat (a leading online food order and delivery service) saw lunch orders rise by 80% in April and May of last year.³

CPGs should explore these opportunities for brands to better cater to the demands of home workers through convenient offerings. Delivery providers such as Uber Eats, Door Dash and Deliveroo now all offer various home meal solutions targeted at businesses as a way for them to treat and support their employees, whether it be vouchers, subscriptions or meal stipends.

Figure 6.

Convenience is critical for homeworkers.

Those working from home are having to turn to ready to cook / heat products as availability of food ready for immediate consumption is more limited...



Source: Accenture Wave 9 Consumer Pulse, conducted Nov-Dec, 2020.

1. Human behaviors have permanently changed



Act on data to follow demand

These shifts are not just about food; they represent the larger picture of major fluctuations in demand. But CPGs also need to be attuned to the micro shifts, to spot the opportunities emerging, and target individual needs.

Take the Perso system that L’Oreal has developed, launching this year with Yves Saint Laurent Rouge Sur Mesure Powered by Perso. It gives users the ability to mix any shade of lipstick they like – whether it be to match a current trend, their hair or eye color or their choice of outfit for the day.⁴ This IoT device allows L’Oreal to serve the unique needs of their consumer in the moment, but it also provides them with a wealth of data to feed their ongoing pipeline of research and innovation for their broader consumer base.

Having access to data that provides a window into the home will be crucial. However, so too is the ability to rapidly respond to the signals identified. Consider Paper Boat, an Indian beverage manufacturer that uses hyper-customization to refine its processes and products based on new insights. The company adjusts production lines based on multiple data sources, including consumer surveys. IoT technology enables integration in less than three minutes, factoring in external variables, such as weather and air pressure, to ensure the finished beverage tastes exactly as intended. No opportunity is too small or too fleeting; the company is able to sell small runs of seasonal beverages that celebrate regional holidays.⁵

1. Human behaviors have permanently changed

Sweet rewards at scale

Hershey used data analytics to find that increases in COVID-19 cases were correlated with increases in s'mores consumption, as consumers opted to stay at home and socialize outside. Hershey was able to respond quickly to this insight by increasing retail activation and media in relevant geographies. The result? +4% POS, +5M households and +350bps share.⁶

2. Localized consumption hubs



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Spend has been redirected
away from urban centers
to residential areas

Physical retail growth in small towns was three times that of metropolitan areas between March and September 2020 in the US.⁷ Targeting these emerging localized consumption hubs will require revised route to market strategies and channel approaches to quickly meet consumers' wants profitably and at scale. CPG leaders who report top-quartile growth have an insight-led, strategic approach to route to market.

2. Localized consumption hubs

With people recentering consumption closer to home and within local neighborhoods, local outlets such as mom-n-pop shops, bars and restaurants present an attractive channel that offers greater intimacy with consumers while capitalizing on the increased demand. AB InBev is using a learning algorithm to optimize individual outlet performance locally. By capturing data on a given outlet and comparing it with similar outlets, they are able to create data-driven recommendations and meaningful selling stories for sales reps to take to customers. Initial results from a pilot with wholesalers showed in 2019 a 1.5% uplift.⁸

The demand for convenience coupled with the huge increase in use of eCommerce creates an opportunity for CPGs to help transform these stores into quasi-digital businesses. By helping these stores to get online, CPGs can strengthen their relationship with their customers while providing cost-effective options for last mile fulfilment to service demands of local consumers—all while gaining better visibility of what's selling where.

Coca-Cola launched Wabi, an app for kiosks and other traditional neighborhood stores to fulfil local orders. Consumers browse what's on offer from local stores, and local, trusted shopkeepers fulfill orders free of charge in under 15 minutes.⁹



3.

**A disrupted
world requires
disruptive
thinking**



3. A disrupted world requires disruptive thinking

Times of crisis are fertile breeding grounds for disruptive innovation. The last recession created a new sharing economy that gave way to Uber and Airbnb. Ecommerce giant Alibaba successfully launched its online consumer marketplace in 2003 when SARS hit. For example, Hewlett-Packard and Trader Joe's were born during past US recessions.

This crisis has been no different. Over the past year, the resilience of all businesses has been tested as they had to adapt to new circumstances.

39% of consumers would order a meal kit directly from a restaurant at least once a month in the future.

Restaurants became meal kit makers, grocery stores started offering hot food and nightclubs went virtual. Even hotels started tapping into the new epicenters of consumption, with many opening up as co-working spaces, or servicing consumer needs at home (see side bar). With the focus on the future, many of these businesses now find themselves considering hybrid strategies that combine what they had before, with new models that have tapped into previously under-exploited areas of demand.

Hotel experience at home

Room Service LATAM is an app that brings hotel experiences into customers' homes. Users can order a variety of hotel services from nearby luxury hotels so that they can feel like a guest in their own home. Services include cleaning and laundry, brunch buffets, romantic dinners, themed celebration dinners, as well as the offer to book a day pass to work from the hotel.¹⁰

3. A disrupted world requires disruptive thinking

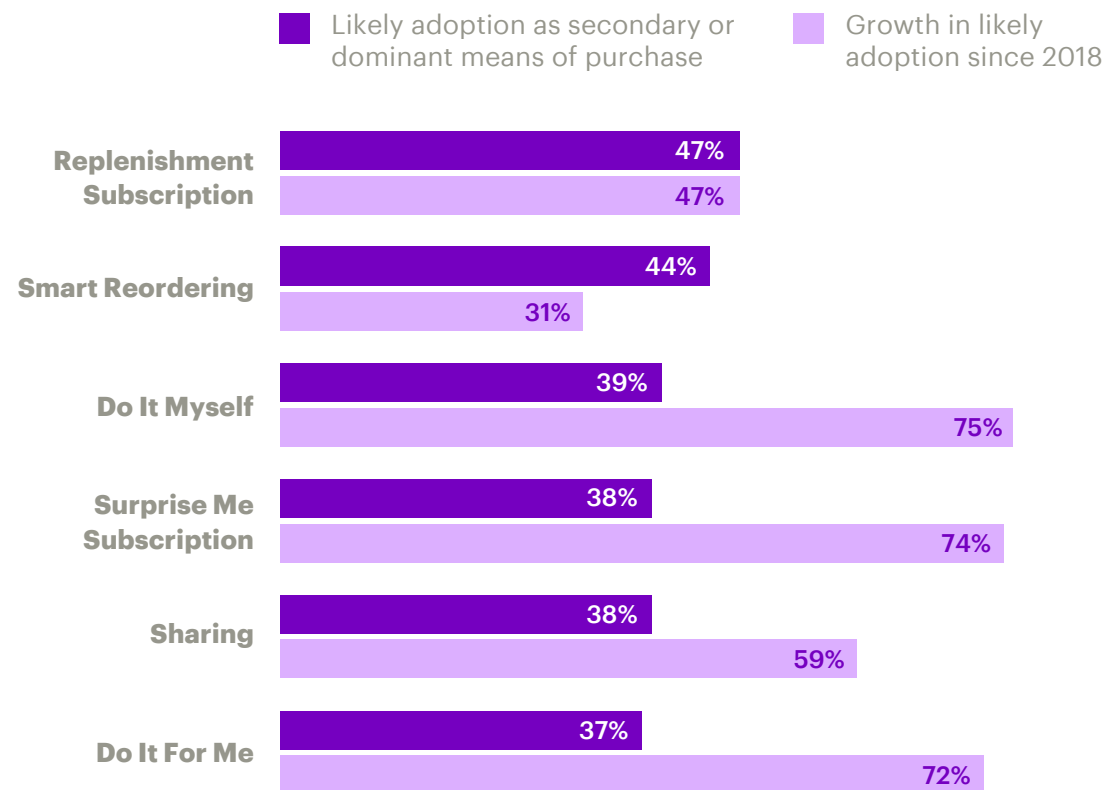
The experiences of the future

Consumers of all generations have proven that they are open to new products, services and experiences. Increased eCommerce penetration has acted as a gateway for other types of digital business models to flourish, as consumers get more comfortable and familiar with digital transactions. Our research indicates that likely adoption of new business models has increased by up to 75% globally, with up to half now indicating they would use these methods, if it were available to them (see figure 7). It's up to CPG businesses to meet that demand.

Combining physical and digital experiences offers another avenue for innovation. Many of the consumers we spoke with in our qualitative research talked about how they missed the more social elements of shopping, which are sometimes lacking in digital commerce experiences. Tiger Beer Malaysia is making digital commerce more experiential. The company created a virtual street food festival in October 2020. Users could create their own customized avatar to explore the virtual festival—even playing games to win discounts within the digital environment, and order street food and beer for delivery via DeliverEat to enjoy from the comfort of their homes.


Figure 7.

Adoption of new business models



Source: Global Consumer Pulse Survey (GCPR) 2018 & Accenture Wave 9 Consumer Pulse, conducted Nov-Dec, 2020.

3. A disrupted world requires disruptive thinking



“The kind of activity that was enjoyable when you went shopping was having that conversation with employees in the store and having them recommend products and letting you try them...I’ve always been an online shopper, but I’d say the pleasure of shopping in a store is lost for me.”

Female, 23, UK

New opportunities for innovation

Innovation today should also address more than just offerings. It must be about managing cost-to-serve, making digital commerce profitable and increasing the company’s competitiveness. This will require diverse thinking, distinguished capabilities and disruptive technologies across the full value chain. As such, CPG companies need to look beyond existing industry boundaries and outside of traditional partners. They need to work with the wider ecosystem to first identify, then test and scale these new ideas to be a new driver in the next wave of innovation.



4. **Blazing new paths to growth**

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To tap into the \$2T at stake, CPG leaders need to rethink what they sell, through whom and where to drive growth. Companies will not win by doing the things they've done before. They need to dramatically accelerate the pace of innovation in their core portfolio, capturing data on real-time meaningful trends and seizing those opportunities with the help of consumer advocates.

What: Create innovations powered by data

Consumers' lifestyles and behaviors have changed and the home is the new epicenter of consumption. To understand evolving consumption patterns, CPGs must combine real-time local data (e.g. social, weather, traffic patterns) with consumer insight (e.g. through voice apps, smart devices) in an integrated, unified data platform. This should then be forensically interrogated at scale through artificial intelligence, advanced analytics enabled by cloud and machine learning to create prescriptive recommendations on both emerging demand spaces and new occasions to be served.

Through whom: Re-evaluate priority channels

CPGs must respond to how and where consumers are shopping. Local stores in residential areas will play an increasingly important role in their communities, and they therefore need to be prioritized as part of a holistic channel strategy. CPGs need to redefine their customer segmentation and service strategy to reflect localized needs and new value potential. And don't forget about the basics. In typically smaller local stores, each SKU needs to work harder. Upweight RGM capabilities to optimize category assortment at outlet level and maximize value potential.

Where and how: Build agile operating models and supply chains

To be able to respond at the speed necessary to be competitive in today's world, CPGs need to create agile operating models – processes, capabilities, teams and culture, that can intelligently flex to accommodate the shifts and unlock new value pools. This is particularly true for the supply chain, as CPGs grapple with the increased complexity from managing more localized models. Here, an asset-light approach can be advantageous, using new ecosystem partners to plug capability gaps and scale up quickly.

Own the future

New epicenters of demand have created the imperative for brands to both move closer to home with redrawn routes to market, and also deeper into the home as individuals explore new and lasting habits and occasions. The historic playbook for success will not be enough to compete in this new world. CPGs cannot rely on traditional business models, capabilities or ways of working to maintain or improve their share. They need new approaches—especially now.

It's time for new and continuous innovation to start your relentless pursuit to growth.

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- 9 Coca Cola: **AWS, iProUP**
- 10 Room Service LATAM: **Room Service Latam**

All other data points are from Accenture's ongoing consumer research, the latest of which was conducted in 19 countries, from Nov. 26-Dec. 10, 2020 and Feb. 25-Mar. 5, 2021.

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