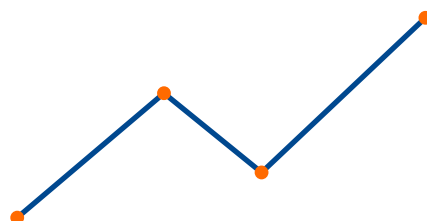


# 2022 CPG TRENDS REPORT



**2022**

REIMAGINING  
PERSONALIZATION WITH AI-LED  
DIGITAL TRANSFORMATION



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# INTRODUCTION

Meet Alex, an average consumer in the U.S. economy. In the second year of the pandemic, Alex's digital engagement has increased significantly. He now has a running subscription for a can of soy milk, is shopping online from his favorite brand by virtually trying clothes on and has invested in a smartwatch to keep tabs on those calories from his increased indoor time. Alex's newfound normalcy reflects the state of the CPG market in 2021.



This year saw the industry evolve rapidly to meet consumer needs. Businesses invested in digital transformation journeys to offer exciting consumer experiences, embracing technologies such as Artificial Intelligence (AI), Machine Learning (ML) and Augmented Reality/Virtual Reality (AR/VR). For instance, a well-known refrigerator brand developed an app that leverages AI to understand usage patterns and recommend optimized settings to ensure freshness. The refrigerator also comes with a built-in AI-powered consumer service platform to provide customized maintenance tips, alerts and expedite repairs, enhancing consumer experience and satisfaction.<sup>1</sup>

New sustainable and eco-friendly products hit the markets, in line with consumer demand. An ice cream brand began its transition to becoming fully animal-free, stepping up its sustainability efforts and setting a great example for other brands to follow.<sup>2</sup> DIY products like make your own meals saw some traction – although their popularity is expected to fizzle out soon as things return to normal.<sup>3</sup>

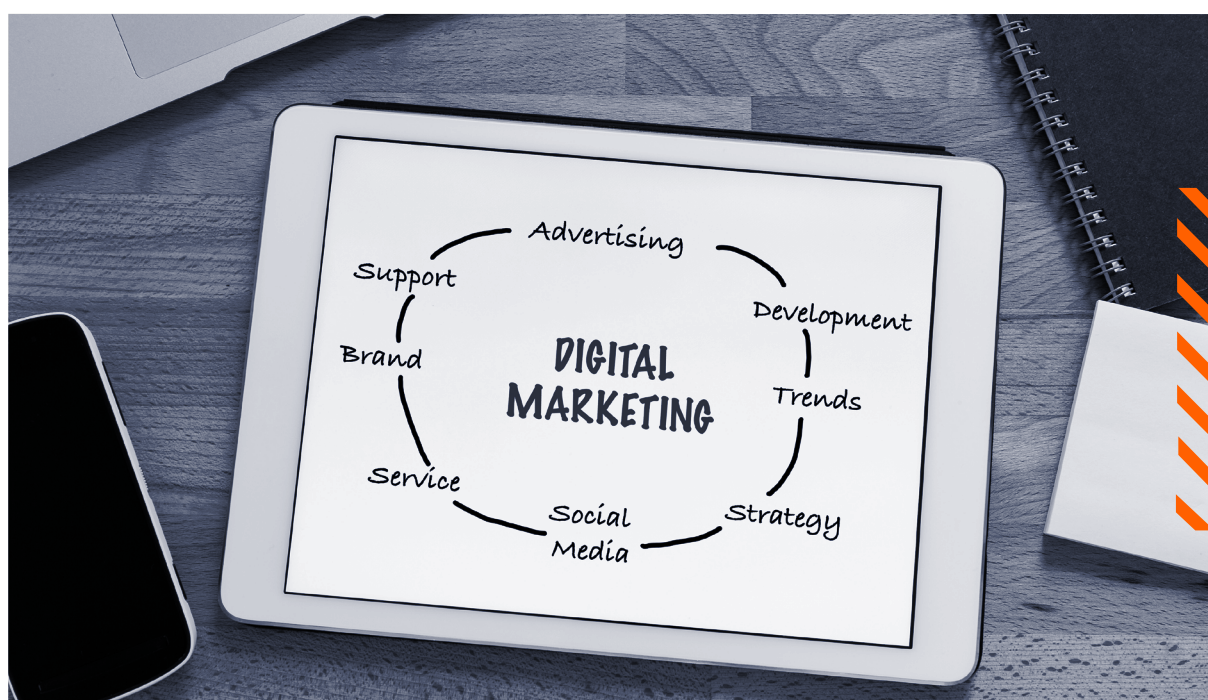
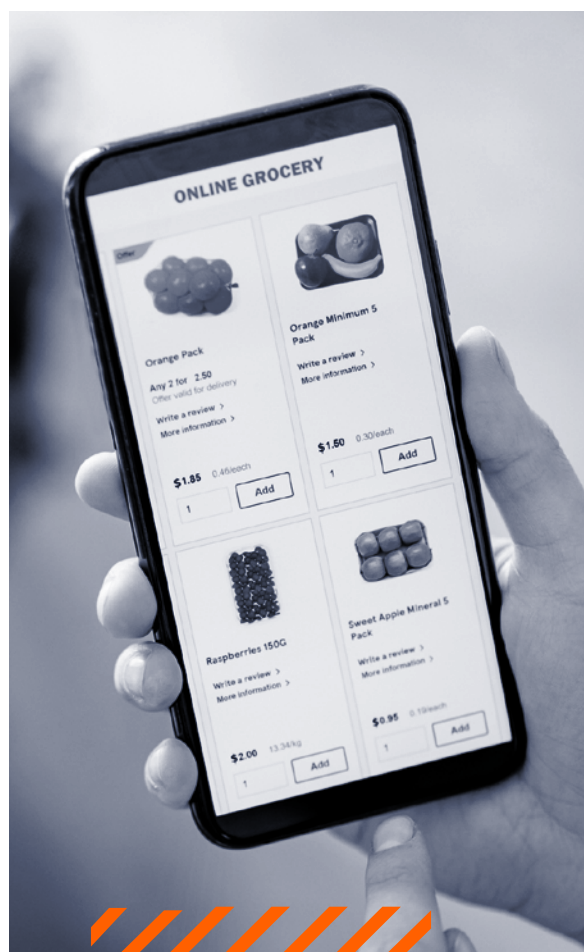
<sup>1</sup><https://www.lg.com/us/press-release/lg-redesigns-side-by-side-refrigerators-with-modern-feature-packed-2021-lineup>

<sup>2</sup><https://www.forbes.com/sites/douglasyu/2021/12/13/coolhaus-ice-cream-to-be-fully-animal-free-upon-acquisition-by-perfect-days-independent-cpg-subsiidiary/?sh=4ff427265dc2>

<sup>3</sup><https://themathcompany.com/RetailTrendsReportDownload/>

Businesses have also adopted direct to customer (DTC) models to overcome the limitations that conventional systems posed when it came to building solid brand-consumer relationships. Deliveries were introduced, prices were revamped, and social media was the new billboard. All in all, technology was embraced with both arms wide open as companies set out to adapt to changing times.

This brings us to what is in store for 2022. The focus on digital transformation to elevate consumer experience will continue to transition into the year ahead. With pandemic related restrictions easing up, businesses will also renew their focus on offline engagement, along with online, to create convenient experiences for today's hybrid consumers. Companies are expected to re-strategize their presence across channels to meet consumers where they want to be met. And finally, sustainability will continue to be one of the major focus areas for businesses, in line with consumer preferences for conscious products. This report outlines four key trends we forecast for the CPG industry in 2022 that will help you evolve, adapt, and scale operations.







# ACCELERATING DIGITAL TRANSFORMATION

*Utilizing analytics to anticipate consumer demand and optimize processes*

The pandemic saw CPG businesses accelerate the shift towards digital channels for engagement. The coming year will continue to push digital consumer engagements while also focusing on creating digital threads - frameworks to collect data across supply chain networks - across manufacturing and production. CPG businesses are all set to make the most out of data to be prepared for future unforeseen fluctuations in product supply and demand.





# TREND #1: REMODELLING THE SUPPLY CHAIN

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When the pandemic hit the world in 2020, like every other industry, CPG businesses too, faced heavy setbacks. Businesses were not prepared for the fluctuating demand and supply cycles it posed, especially with pandemic-induced panic buying and hoarding. The window of opportunity, however, came through a significant increase in sales via e-commerce channels. Almost two years since, while the situation has returned to pre-pandemic levels, businesses are still navigating their way around the newfound demand in digital channels and are increasingly relying on technology to help. According to studies, CPG businesses are expected to spend \$23.8 billion on Digital Transformation by 2030.<sup>4</sup> A majority of this is expected to begin right from the new attention on the value (and vulnerability) of the supply chain.

Businesses are now looking to own the entire supply chain to reduce disruption and enable more growth. Manufacturers are letting end-to-end supply chain analytics take center stage to ensure production plans are informed by relevant data. This involves shifting from traditional supply chain models to building an optimised supply chain network with the consumer at the heart of it all.

This in turn entails creating AI models for unified demand planning, engineering business drivers, and exploring ML techniques to simulate demand planning processes. The ML algorithms in this case will detect when products are not selling as planned and find the root cause of the problem before assigning specific tasks. It then creates a series of automated workflows that routes the tasks to store sales representatives, all the way up to regional store and supply chain managers for appropriate action.

In this regard, a popular beverage company digitised its supply chain to offer its products to consumers via touch-screen dispensers. Hundreds of cans are dispensed from a single point of sale while these automated machines are managed and operated remotely. When the stock must be replenished, an automated workflow is created, to direct a task to the appropriate center for restocking.<sup>5</sup> From a consumer perspective, the kiosk saves the hassle of waiting in queues in retail stores, allowing them to complete a purchase in less than 60 seconds.

CPG manufacturers are also creating digital threads, a framework to collect data across the supply chain network, to leverage information for faster production cycles, deliver higher quality products, and drive innovation efforts. Digital threads follow the product throughout its lifecycle and even capture its interactions with the end-consumers. These interactions, facilitated by AI and IoT, can then be relayed back to the plant floor for real-time information on consumer demand and usage.



<sup>4</sup><https://www.automationworld.com/home/article/21615208/cpgs-digital-transformation-to-grow-to-24b-by-2030>

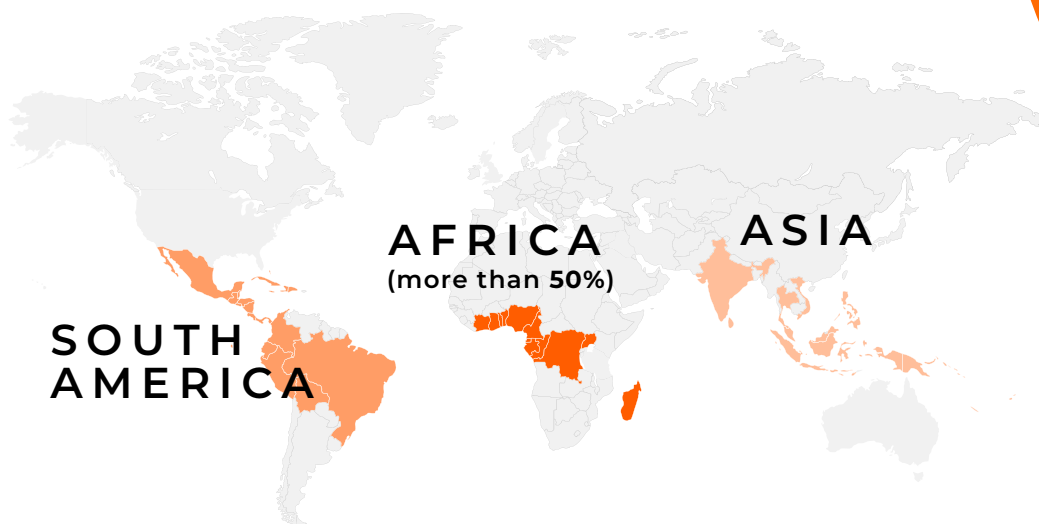


<sup>5</sup><https://www.coca-colafreestyle.com/find-freestyle-locations/>



As consumers demand more transparency from the products they consume, digital threads can be used to trace and share information on the origins of the ingredients/materials used for the product. Apart from increasing overall production efficiency, it will also help create meaningful experiences for consumers. For instance, a leading chocolate brand's recent endeavor is an excellent demonstration of the true value digital threads can create for consumers. The brand has created digital threads that enable them to trace the cocoa, a key ingredient, it uses in its products. The level of traceability extended to a country of origin, to a farmer group within that country, and to the individual farms supplying that farmer group.<sup>6</sup> With the transparent supply chain network, the company was able to effectively reassure consumers of their commitment to sustainability.

All in all, 2022 is not just about creating a supply chain that is efficient, but also about making it transparent to ensure resiliency.



## COCOA HARVESTING AND SOURCING



<sup>6</sup><https://www.mars.com/news-and-stories/articles/cocoa-supply-chain-transparency>



# PERSONALIZED AND CONVENIENT EXPERIENCES

*Hyper-personalized consumer experiences for meaningful interactions*

Consumers are always at the center of focus for CPG brands and more so now with businesses pivoting to DTC strategies. The next year is going to push brands to re-think how to provide seamless experiences to consumers, both offline and online. Consumers expect brands to provide superior, feel-good experiences during every interaction and want personalized engagements in real-time.





## TREND #2: LAST-MILE FULFILMENT

One of the big Cs in the consumer economy is Convenience. Consumers of both, B2B and B2C, demand seamless experiences from brands that are tailored for their evolving definitions of convenience. On-demand fulfilment has become a prominent measure of consumer convenience in the post-pandemic years.

Consumers want faster delivery of products, a bar that is set very high by e-commerce retail giants. While this was earlier confined to non-essentials, consumers now expect the same swift delivery options for groceries, food, healthcare products, etc.<sup>7</sup>

To meet these demands, CPG manufacturers will need to create an effortless digital journey to differentiate their last-mile deliveries and stay ahead of the competition. This includes deep diving into data to analyse and resolve abandoned checkouts, offer faster payment options, and even include real-time tracking of packages once dispatched. This presents a great opportunity for CPG manufacturers to position themselves for long-term success.

AI can help make last-mile deliveries smooth for consumers and businesses. The use cases for AI in deliveries are quite dynamic, ranging from smart sorting to intelligent routing. AI can predict delivery times based on locations by considering real-time traffic data, weather conditions and other related variables. The resultant information can help drivers decide on the fastest delivery routes. Trained AI models can also use natural language processing to perform these checks continuously on consumer address information to ensure completeness, correctness, and consistency with global and regional address formats.

Investment in AI can help bring about much-needed transparency to the entire delivery process and help businesses plan production and dispatch efficiently. By enabling instant alerts and real-time tracking, consumers are kept in the loop, thereby resulting in a delightful experience.



<sup>7</sup><https://www.grocerydive.com/news/pardon-the-disruption-e-grocery-and-the-evolving-need-for-speed/598685/>





## TREND #3: STRATEGIZING OMNI-CHANNEL SHOPPING EXPERIENCES

A consumer today can reach out to a brand via mail, phone call, WhatsApp chat, Twitter, Facebook messenger, Instagram DM, website contact form or even a chatbot. A brand that has it all, wins. Picking up on consumer preferences, brands today provide channel agnostic services to consumers. It is not just about being omnipresent it is also about being able to provide the same seamless experience across channels.

While consumers walked into stores with ease just a few years ago, the pandemic accelerated the shift to e-commerce, thereby propelling a “storeless” economy. According to the Interactive Advertising Bureau (IAB), the storeless economy has already accelerated 200-300% and is expected to grow exponentially in the years to come.<sup>8</sup> Businesses now need to focus on providing superior online and offline experiences for today’s hybrid consumers.

The solution lies in embracing innovative technology that can help merge online and offline experiences. For example, a popular cosmetics brand has used AR and AI to develop algorithms that recognise different skin types and lighting conditions to then deliver personalized suggestions of their products. This experience is available online and at the store for shoppers to virtually try makeup on before purchase.<sup>9</sup>

Contactless shopping will continue to dominate consumer shopping experiences in the coming year. The low-to-no touch shopping experience will be a welcome shift from the traditional shopping experience. For instance, a global fashion brand used AI-enabled mirrors to offer contactless experiences to its shoppers. Shoppers could see an image of themselves on the mirror wearing the product, with options to vary style, size, color, and patterns.<sup>10</sup>

Similarly, a multinational e-commerce company made waves with their ‘just walk out’ stores well before the pandemic struck. Consumers could load their bags up and walk right out while their virtual accounts would be charged for the purchase.<sup>11</sup> From mobile wallets to tap-to-pay enabled chip cards, CPG businesses are following suit to minimize physical contact and make checkout processes smoother than ever.

 <sup>8</sup><https://www.iab.com/insights/brand-disruption-2022-the-iab-annual-report-on-the-evolving-consumer-ecosystem/>

 <sup>9</sup><https://www.loreal.com/en/beauty-science-and-technology/beauty-tech/discovering-modiface/>

 <sup>10</sup><https://hbr.org/2021/11/the-future-of-contactless-commerce>

 <sup>11</sup><https://hbr.org/2021/11/the-future-of-contactless-commerce>



# RENEWED FOCUS ON SUSTAINABILITY

## *Growing popularity of farm-to-table products and responsible consumption*

Today's consumers want businesses to be responsible, authentic, and make morally sound decisions when it comes to the impact of their products. Buyers are no longer just motivated by advertising or cost; the conscious consumer's sense of civic duty has now evolved to mindful consumption that is good for the community and the planet. Businesses must reassure consumers of their sustainability commitments to build lasting relationships.





## TREND #4: RISE OF THE CONSCIOUS CONSUMER

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The modern shopper wants to know whom they are buying from. They research companies to understand where they source their materials from, understand their business process, their larger purpose as a brand, their sustainability commitments, and their footprint on the planet. After careful consideration, the consumer then aligns with a brand that matches their moral beliefs. Case in point, the rise of vegan food consumption. According to the trade group Plant Based Food Association, sales of vegan products in the US rose by 90% during last year's first COVID-19 lockdown.<sup>12</sup>

Conscious consumerism is a growing CPG industry trend that COVID-19 accelerated. Around 74% of consumers say they are willing to pay an additional amount for products in sustainable packaging.<sup>13</sup> The coming year will see several businesses using returnable containers and cutlery items to reduce environmental impact. A US food brand has introduced glass containers to serve fresh salad that can then be returned to its kiosk.<sup>14</sup>

In the quest for more sustainable experiences, farm-to-table products have gained more popularity. Consumers prefer to buy directly from the source and want to be well informed about the food that lands on their tables. Powered by technology such as blockchain, information on the supply network, stage of production, and delivery are all transparent and available in real-time. CPG businesses can leverage this technology to share vital information on product sourcing and manufacturing conditions to reiterate their commitments to responsible production.

Businesses are also moving towards connected packaging to establish a more meaningful and valuable relationship with their consumers. QR codes are placed on products, which when scanned provide shoppers with information about the product's origin and its ingredients offering innovative digital experiences.<sup>15</sup> The QR code is used in conjunction with a product cloud platform to control experiences and gather data. It connects brands directly to the consumers, independent of the retail channel and helps businesses influence them.

Responsible production by CPG businesses will go a long way in ensuring the longevity of the planet and with it the emergence of a healthy economy.

 <sup>12</sup><https://www.plantbasedfoods.org/plant-based-food-outpaces-total-food-sales-during-covid19/>

 <sup>13</sup><https://www.packagingdigest.com/sustainability/7-sustainable-packaging-trends-2021>

 <sup>14</sup><https://www.myfreshbowl.com/>

 <sup>15</sup><https://www.forbes.com/sites/niallmurphy/2021/07/21/cpg-brands-are-looking-to-connected-packaging-to-connect-with-consumers/?sh=22942082b9b9>



# KEY TAKEAWAY FOR CPG BUSINESSES

Rounding up the sentiment for 2022, here are the top three recommendations for businesses to build resilience amidst the ever-evolving landscape.

## 1. INNOVATE

Invest in technology to remain relevant in today's times and be future-ready. With digital innovation, businesses can tap into consumers across borders and build meaningful relationships. Investment in technology such as AI, Blockchain, and Machine Learning in the supply chain network can help businesses streamline production, plan supply, venture into deliveries, and offer superior consumer

## 2. REDEFINE

Businesses must go back to the drawing board to plan effective strategies that deliver seamless experiences across channels. Consumers expect personalized experiences that are channel-agnostic. Redefine your strategy keeping consumer experience at the center of it all and use the power of data to drive smarter engagements.

## 3. GROW

Embrace digital technology to scale your business like never before. Right from manufacturing and production all the way to consumer engagements, advanced technology like AI can help streamline processes, increase efficiency, and build resilient businesses. Explore multiple ways data can be leveraged to enrich businesses and enable long-lasting consumer relationships.



## CONCLUSION

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The CPG industry in its ever-evolving nature is all set to rapidly move from one trend to another. While these trends will help companies chart their course of action, it is important for businesses to embrace continuous learning. Businesses must build an agile system that can adapt fast to changing consumer behaviors and preferences.

The industry has seen tremendous changes ever since the pandemic and is only set to change further. Embracing innovative technology, focusing on consumers, and being conscious of the footprint left behind by products is the only way forward for businesses.





# INFUSE AI INTO YOUR DIGITAL TRANSFORMATION JOURNEY TO BUILD RESILIENCE



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