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2024 consumer products industry outlook

**As price-taking runs its course, the industry may turn to
'profitable volume'**

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Executive summary

For the past few years, the playbook for consumer product companies—spanning food and beverage, household goods, personal care, and apparel—relied on price-taking. Input costs rose dramatically,¹ so price had to follow—to near-unprecedented levels.² Companies did all they could to control costs to limit pass-through,³ and premiumization⁴ helped justify what they charged. But the name of the game was price.

That strategy seems to have worked for several companies. Looking at the highest performers among the global top 100 companies in the consumer products industry by revenue, we see some were able to raise prices as much as, if not more than, others, with smaller hits to volume and more margin growth (see [methodology](#)). The larger group of these “Profitable Growers,” which outperforms on five-year revenue growth and return on assets (ROA), reveals important lessons about pricing power, revenue growth management (RGM), innovation, supply chain smarts, and a willingness to prune and refresh their business portfolio and product set perpetually.

Those lessons will likely be important in 2024, but the world is changing. Further significant price increases might not be possible in an uncertain economy where retailers are pushing back and consumers are unwilling to pay more and often trade down.⁵ The industry may need to look for a new approach.

Navigating away from price-taking to a different growth formula may be creating tension in the industry’s view of the year ahead. The consumer product executives we surveyed are quite bullish on the industry’s prospects and their company’s strategy and performance. However, their optimism starts to wane when pressed on their ability to succeed on the specifics—areas like unit volume, pricing, or ability to grow margins. They are also decidedly realists regarding geopolitics and don’t feel particularly optimistic about the global economy despite a stronger ending to 2023 than many expected (see [the macroeconomic outlook](#) from Deloitte Global Chief Economist, Ira Kalish).

So, what new growth formula might cut the tension? If price has run its course, companies may need to pivot to volume. But not all volume is equal. Companies that aspire to Profitable Grower status in 2024 might consider **profitable volume**. That means executing a plan that carefully grows volume with an innovative and more profitable product mix while retaining as much pricing as practical.

What follows is our profitable volume playbook, derived from financial performance and earnings transcript analysis, subject-matter specialist interviews, and a global survey of 250 consumer product executives. Its components include moves to boost both volume and profitability:

Volume

- Targeted advertising and promotion
- Precision growth management
- Opportunistic M&A

Profitability

- A rebalanced mix
- Strategic innovation
- Enhanced operations and supply chain

Of course, these factors are intertwined: mix affects price, price affects volume, and so on. The key is finding the right balance among them to drive profitable volume. Each leadership team across the C-suite should own part of the agenda to hit the mark (see function-based questions in Deloitte’s [‘agenda for action’](#)).

While winning approaches to 2024 may revolve around fundamentals like price, volume, and mix, leaders will also likely confront newer challenges like Generative AI, GLP-1 (i.e., the new weight-loss drugs), or emerging regulations like the Corporate Sustainability Reporting Directive (CSRD). Our outlook concludes with a series of [deep dives](#) that include a macroeconomic outlook, a view from each of the industry’s subsectors, executive perspectives on Generative AI and GLP-1, a review of emerging regulations, a databank of additional survey results, and a view of the mega trends affecting the industry’s long-term future.

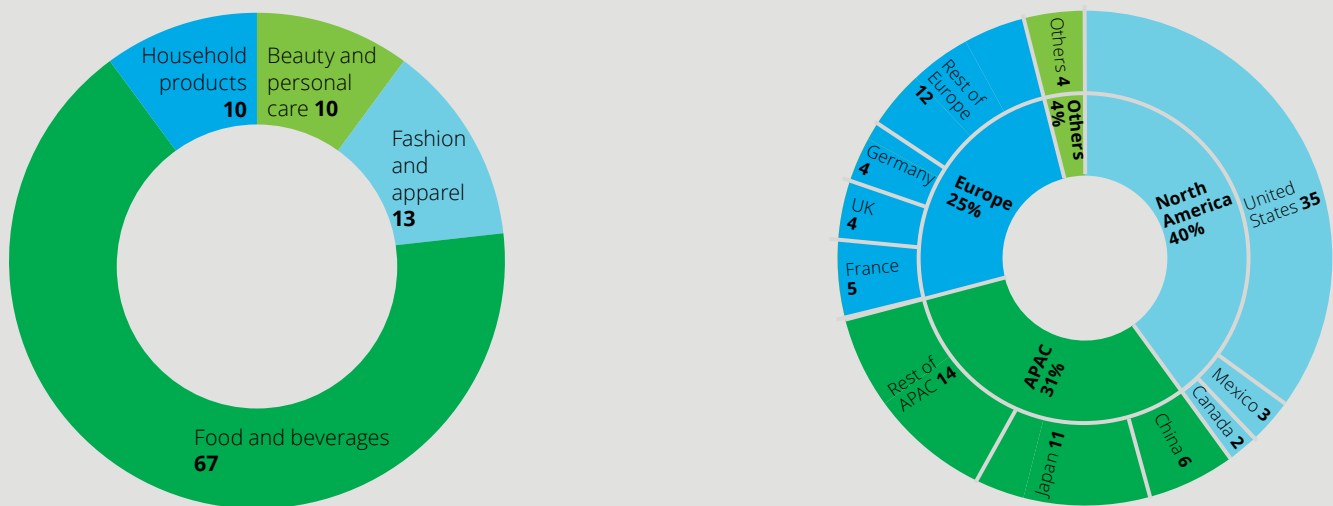
Methodology

We analyzed a worldwide set of the largest 100 public consumer product companies by revenue, drawn from S&P Capital IQ and filtered for industry definitional fit (e.g., excluding high-end luxury, tobacco, conglomerates with less than 50% of revenue from consumer products). We then used a five-year composite percentile index of both top-line growth and efficient use of assets (measured in return on assets) to assess relative success.

Deloitte also conducted a global survey of 250 consumer products executives spanning food and beverage, household goods, personal care, and apparel. All respondents were senior decision-makers at companies with more than \$500 million in revenue (most above \$5 billion). They were sourced proportionally to roughly match the geographic markets and subsectors in the top 100 global consumer products company financial analysis (figure 1).

Survey questions were developed through an analysis of trending topics found in company reports, earnings call transcripts, and analyst reports, as well as through exploratory surveys and interviews with financial analysts, investors, and Deloitte leaders. We also deployed many of these same methods to determine what high-performing companies (on revenue and ROA indexes) were doing differently from the lower-performing companies in our financial analysis.

Figure 1: Top 100 global consumer product companies by subsector and geography

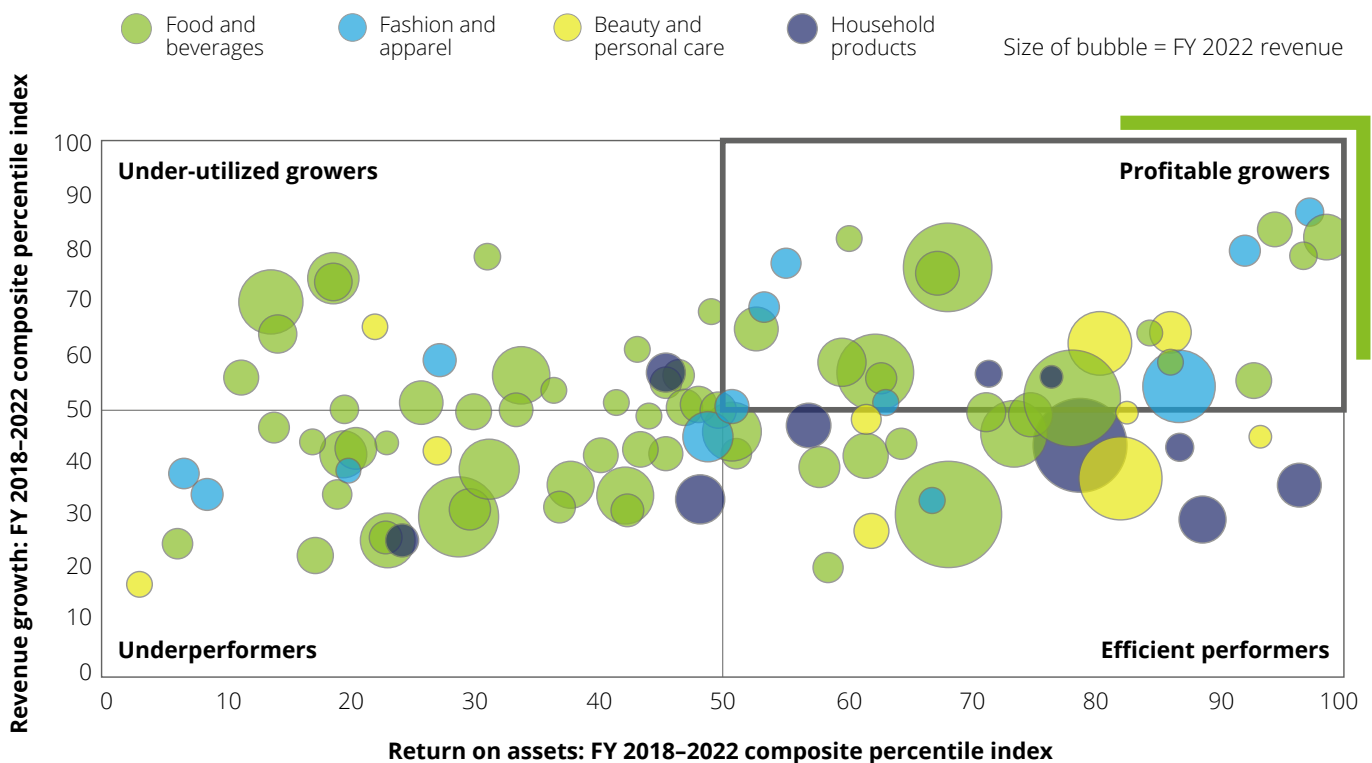


Note: One company was removed from subsequent analysis given recent (2022) listing and outsized growth. We analyzed a period of five years to get a good coverage of pre-pandemic, pandemic, and post-pandemic/high inflation periods.
 Source: Analysis of the top 100 consumer product companies based on FY22 revenue from S&P Capital IQ.

What set Profitable Growers apart

We analyzed 100 consumer products companies⁶ from around the globe to identify those that outperformed their peers on revenue growth and ROA across the five years through fiscal year 2022 (figure 2). The latter half of this period was characterized by price-taking, as pandemic-driven demand, supply chain woes, and high inflation across the economy set the conditions for higher prices.

Figure 2: Assessing companies on five years of revenue growth and return on assets



Note: One company was removed from subsequent analysis given recent (2022) listing and outsized growth. We analyzed a period of five years to get a good coverage of pre-pandemic, pandemic, and post-pandemic/high inflation periods.
Source: Analysis of the top 100 consumer product companies based on FY22 revenue from S&P Capital IQ.

Notably, the upper-right-quadrant companies—the Profitable Growers sought out by investors—come from a cross-section of categories, countries, and sizes, making their example applicable across the industry. They also outperformed on other important dimensions, including total shareholder return (TSR), price-to-equity ratio (P/E), and profit margin⁷ (figure 3).

Figure 3: By the numbers

Average revenue growth: FY2018–FY2022 6.9%	Under-utilized growers		Profitable growers	
	Number of companies	21	Number of companies	26
	Avg. annual revenue growth	11.6%	Avg. annual revenue growth	11.6%
	Avg. ROA	4.1%	Avg. ROA	9.6%
	Avg. EBITDA margin	12.3%	Avg. EBITDA margin	20%
	Avg. ROIC	3.6%	Avg. ROIC	8.6%
	Avg. forward P/E	16.5	Avg. forward P/E	21.2
	Avg. 5-yr. TSR	1%	Avg. 5-yr. TSR	10.3%
	Underperformers		Efficient performers	
	Number of companies	31	Number of companies	21
Avg. annual revenue growth	2.2%	Avg. annual revenue growth	3.2%	
Avg. ROA	3.7%	Avg. ROA	8.4%	
Avg. EBITDA margin	14.5%	Avg. EBITDA margin	20.2%	
Avg. ROIC	1.9%	Avg. ROIC	5.8%	
Avg. forward P/E	19.4	Avg. forward P/E	19.8	
Avg. 5-yr. TSR	-1.4%	Avg. 5-yr. TSR	0.9%	
6.3% Average return on assets: FY2018–FY2022				

Note: Average = average revenue growth or ROA for FY2018–2022 for the universe selected. One was removed from analysis as an outlier given recent (2022) listing and outsized growth. Latest date for TSR & Fwd. P/E: Dec 31, 2022. Source: Analysis of top 100 CPG companies based on FY22 revenue from S&P Capital IQ.

Profitable Growers’ keys to success

A close look at financial reports, call transcripts, analyst assessments, and survey data for companies most closely aligned to the profiles⁸ highlights several vital characteristics shared by Profitable Growers. While these strategies led Profitable Growers to success during the five years through 2022, several of them will likely remain powerful components of the profitable volume playbook going forward. In contrast, lower-performing companies in our financial analysis made different moves:

Profitable Growers

- **More pricing power.** Profitable Growers could raise prices as much as or more than other companies while better maintaining volume and increasing profits.⁹
- **More investment in their core brands** to gain pricing power. Profitable Growers’ five-year average percentage of revenue spent on sales and marketing was more than 110 basis points higher than others.¹⁰
- **Improved RGM systems.** In our survey, 66% of companies aligned to our Profitable Growers profile invested in RGM systems versus 49% of companies not growing both revenue and profit (i.e., all other companies). In addition to helping set pricing, these systems gave Profitable Growers the analytics to adjust their price-pack architecture (68% did so, compared to 51% of all other companies).
- **Embraced a product innovation-driven strategy** to support prices and margins.¹¹
- **Focused on supply chain stability** and enhanced data capabilities (73% versus 60%).
- **Perpetual portfolio transformation**, quickly divesting underperformers from entire business lines to individual SKUs.¹²

Other companies

- **Failed to respond to the consumer-demand pivot from goods to services spending.** They ended up with considerable excess inventory, with both retailers and in their warehouses, that they then had to discount.
- **Failed to invest appropriately in innovation**, with more market misses and less benefit from premiumization.
- **Poor procurement management and hedging strategies** left these companies relatively exposed to higher commodity prices.
- **Stuck in slower growth categories** with more private-label competition.
- **More difficulty incorporating acquisitions** than our Profitable Growers experienced.

The price-focused era is likely over

Surveyed consumer product companies are shifting away from price: Just 2% emphasize price for 2024, and half don't think they can count on price as a source of growth (figure 4). We see three reasons why significant price-taking is likely coming to an end:

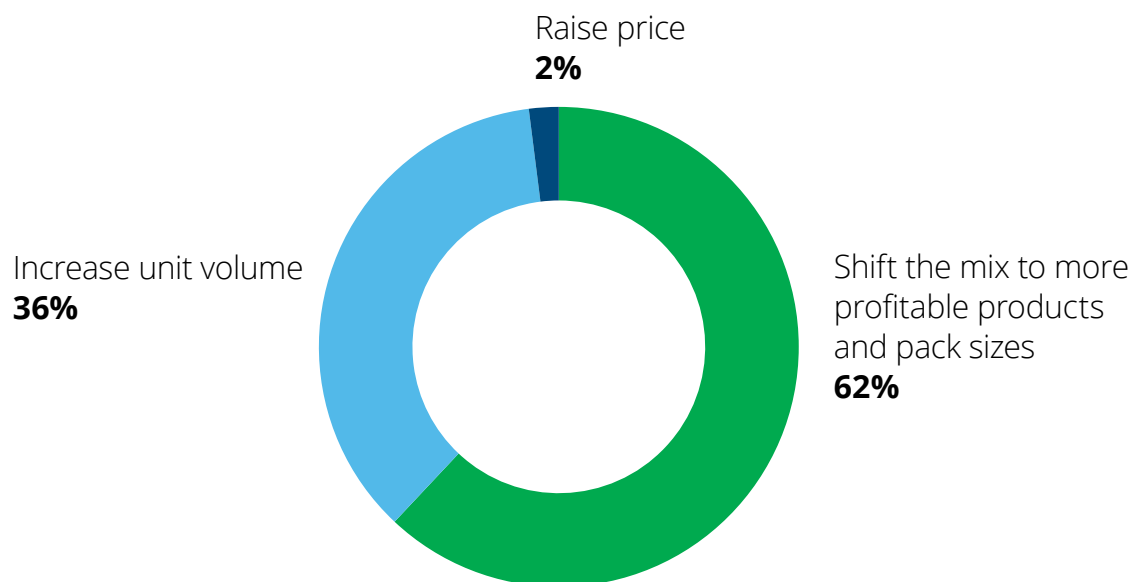
Consumers are less willing and able to pay.¹³ Some are forced to become more “choiceful” with their purchases.¹⁴ Industry executives in our survey called out consumer bifurcation into haves and have-nots (46%) and decreased willingness to pay higher prices (33%) as two of the top three most significant consumer challenges for 2024. Few executives thought they could continue to raise prices without materially decreasing consumer demand.

Retailers may have had enough of price raises. Through the heights of inflation, retailers let significant price increases pass through with some sympathy. But that leniency could have been a once-in-a-generation (relatively) free pass.¹⁵ Four in 10 executives in our survey agree that retailers would push back on any meaningful price increases in 2024.

Higher prices created new competition from unexpected substitutes. Price has increased so much on many items, especially in food and beverage, that consumers may be looking to fulfill old needs in new ways—creating unexpected competition for consumer product companies. For instance, if a delivered pizza from a restaurant is as cheap as or cheaper than one from the grocer's freezer aisle, spending may shift. Almost seven in 10 food and beverage executives (68%) expect increased competition from fast food and quick-serve restaurants. (For more subsector-specific findings, see [Dive 2](#).)

Figure 4: The industry shifts from price to profitable volume

Q. It takes a combination of price, volume, and product mix to drive profitable growth. Knowing that each component is important, which of the three will receive the most emphasis in your strategy for 2024?



Source: Based on Deloitte's analysis of executive surveys for the 2024 Consumer Products Industry Outlook (N = 250).

The profitable volume playbook

The profitable volume playbook is about carefully growing volume with an innovative and more profitable product mix while retaining as much pricing as practical.

Volume

In the past few years, volume suffered from higher prices and reduced advertising and promotion.¹⁶ Some companies faced supply and production constraints that made promotional spending unproductive. But now, seven in 10 (72%) executives said they must increase their unit volume to meet their 2024 performance goals.

Additionally, six in 10 executives in our survey recently made a significant expansion in their production capacity. Companies that expanded production capacity likely will have additional incentive to do what it takes to keep volumes high to spread that cost.

1. Targeted advertising and promotion

In 2024, we expect the pendulum to swing back to more spending on marketing. Over the coming year, 68% of the executives we surveyed said their companies will increase advertising and marketing spending as a percentage of revenue, while 64% will be doing more promotional spending. Two-thirds of executives (66%) plan to emphasize their company's existing core brands in their marketing over new brand introductions—a tool to maintain pricing power.

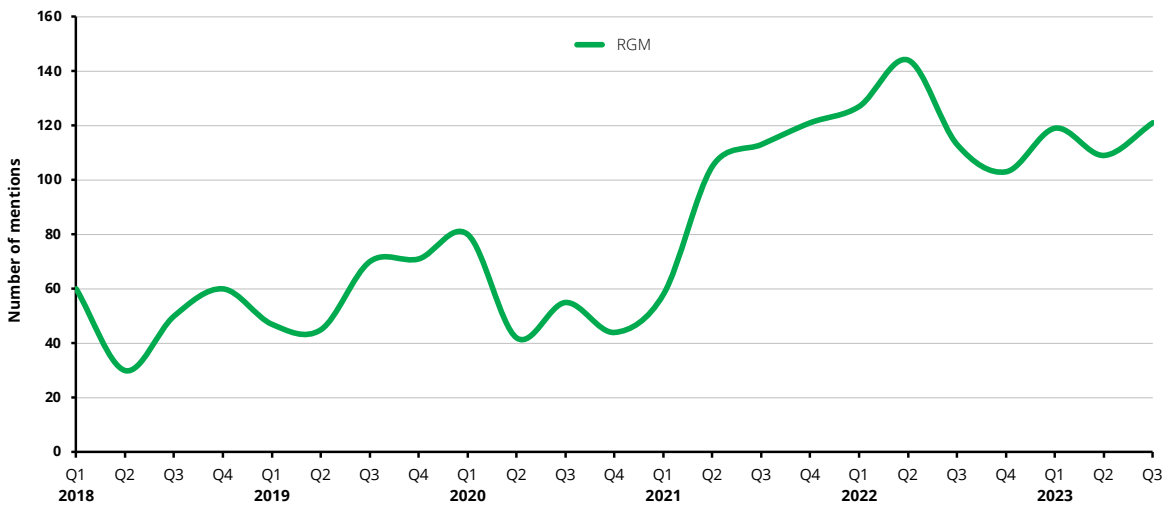
A majority also plan to increase the proportion of marketing dollars spent on digital mediums as part of their efforts to increase volume. Digital mediums also enable what our [“Future of the consumer industry”](#) research identifies as a shift from mass to micro—from a supply-driven approach to one driven by demand (for more information, see [Dive 3](#)). Highly personalized digital marketing and promotion should yield higher return on investment (ROI), a key consideration when some research suggests that return on ad spending is now harder to come by.¹⁷

It's worth noting that some analysts think companies may panic about volume and promote too much. We don't share that concern. Forward-thinking companies will show restraint and manage their volume goals with finesse.



Figure 5: Mentions of revenue growth management in earnings documents for the global top 100 consumer products companies by revenue have doubled.

Mention frequency among the top 100 consumer products companies by revenue



Source: Deloitte analysis of earnings call transcripts for the top 100 global consumer product companies from 2018 through Q3 2023. Frequency counts were obtained through AlphaSense queries.

2. Precision growth management

Many consumer product companies gained sharper realization of the need for RGM during the tumult of the past few years, during which time mention of RGM in earnings calls doubled¹⁸ (figure 5). The drive for volume will put RGM, part of the new age of algorithms and automation, more squarely under the spotlight.

RGM capabilities can include price setting in the context of competitors on the shelf, targeted promotion strategies, white-space expansion, changes to the price-pack architecture, retailer profitability management, and consumer perception shaping around categories, among others.¹⁹ Almost six in 10 executives surveyed have improved their company's RGM capabilities over the past three years. The same number says the capability will play a significant role in their success in 2024.

Generative AI may play a role in these efforts, as RGM was one of the top potential use cases for the technology, found in our survey, among those identified by the Deloitte AI Institute.²⁰ (See [Dive 4](#))

3. Opportunistic M&A

After a downturn in dealmaking, 2024 could see the return of M&A activity—especially by Profitable Growers. More than half (55%) of the executives we surveyed think there will be growth in the industry's total acquisitions in the year ahead. And 89% say expanding by acquisition is a priority for their company in 2024. In fact, more than a third (36%) of Profitable Growers say growth by acquisition is one of their very top priorities (relative to 28% of other companies).

There are good reasons why activity might be picking up, despite concern that US antitrust authorities appear to be taking a more aggressive approach.²¹ Economic uncertainty and higher interest rates have decreased valuations for potential acquisition targets, making them more attractive.²² According to our investor conversations, board directors increasingly accept their company's lower valuations and are more open to sales. High interest rates may also dissuade private equity investors, several of which use debt funding for acquisitions. That dynamic can give consumer product companies with strong corporate balance sheets an advantage when competing for deals—and 70% of executives in our survey feel their balance sheet would be a plus in an acquisition relative to private equity competition.

As for the type of acquisitions they'll pursue, "bolt-on" is usually one of the first phrases executives used in investor calls. However, companies we surveyed seem enticed by acquisitions that would bring them to a new, high-growth business or market (58%). Others are interested in acquisitions to support a vertical integration strategy (62%). We saw similar interest last year, especially from companies on track for profitable growth. Vertical integration may help companies gain greater control of their value chain, ensure supply, and protect margins from input cost increases.

Profitability

Of course, higher volume numbers need to have a positive impact on profit. While each additional unit sold helps to offset fixed costs, products that carry higher margins can do it more quickly. And if you can lower your fixed costs, too, all the better. That's especially important today, as we transition from investors and management teams pursuing revenue growth at almost any cost to more focus on profitable growth (two-thirds of our survey respondents agree the goal has changed to profitable growth).

1. A rebalanced mix

Consumer product companies may pull several levers to produce a more profitable product mix. For instance, they can shift their price-pack architecture to better address consumer needs, occasions, and value points while attempting to engineer better margins. This strategy is especially prevalent in the food and beverage space, and with some household goods and personal care products. Overall in our survey six in 10 plan to change their price-pack architecture in the year ahead.

Some companies are also improving the mix by discarding poor performers. In 2020 and 2021, consumer product companies did a fair amount of SKU rationalization to free production lines to meet demand for their most essential products.²³ But pruning away low-performing products and brands can also increase the average mix margin. Six in 10 (61%) executives surveyed say brand or SKU rationalization is a priority for 2024.

More radical changes can involve divesting entire brands or lines of business. Just over half (52%) of executives in our survey say their companies have made it a regular practice to divest low-performing lines of business.

In the long term, as we anticipate more radical industry upheaval from lower barriers to entry, companies can look to an improved mix that includes new products that take them beyond their traditional portfolio. More than half (57%) of the executives we surveyed agree that the growth of capability-as-a-service will break down traditional barriers to entry and drive the reconfiguration of the industry. For example, consider the highly profitable retail media ads some retailers have started selling in their digital storefronts.²⁴ Meanwhile, 64% of consumer product executives say hybrid models that combine goods, services, and digital experiences will increasingly drive industry growth.

2. Strategic innovation

Innovative products tend to command higher margins, driving eight in 10 executives surveyed to increase investments in product innovation in 2024.

But this isn't necessarily a simple story. New investments join a backlog of innovations that were developed but held back during the pandemic.²⁵ Gaining shelf space in an environment with lots of "new and improved" products could prove challenging. So, what kinds of innovation can succeed?

Premiumization, an essential strategy of the past few years, looks set to continue.²⁶ These superior products tend to command higher prices—along with higher margins. However, it remains to be seen if consumers still have the appetite to spend. Companies should consider leaving room in their portfolios so consumers can trade down to value offerings without leaving the brand.

Additionally, companies should seek net-new innovative products—not just superior versions of existing ones—to break through on sales. That's especially true when word-of-mouth recommendations via social media make product efficacy arguably more important than ads. This is something surveyed executives in the industry recognize, with 62% agreeing they will need to be innovative in finding newer sources of profits as who has money and what is value changes.

Sustainability is another area offering innovation opportunities. Three in four executives surveyed (76%) said their company embraces a "circular economy" model—encouraging the reuse, recycling, refurbishing, or repair of goods. Given that two-thirds (66%) in our survey agree that consumers will increasingly insist the industry becomes more responsible, this type of innovation could appeal to new buyers while potentially reducing costs.

Looking further ahead, new technology, across several types, is transforming consumer demand. Nearly two-thirds (60%) of the executives we surveyed say the rapid evolution of IT and biotech will change the traditional boundaries of the industry. For instance, if GLP-1 antagonist diet drugs do turn out to shift demand in food and beverage, traditional offerings could take a hit (see [Dive 5](#)). On the upside, product innovation may encompass new companion offerings—supplemental protein shakes, probiotic foods that calm nausea, portion-controlled offerings, etc.—that are part of the new lifestyle for patients on these drugs.²⁷ These products could be personalized, aligning with a significant industry shift from mass to micro. Indeed, 62% of executives in our survey agree that the industry will shift from mass production to personalized product offerings over time.

3. Enhanced operations and supply chain

Companies should procure inputs, produce products, and distribute them to retailers as efficiently as possible. Profit takes a hit if these fundamental tasks aren't managed well or are impacted by disruption and can't recover quickly. (See [Dive 6](#) for data on cost-cutting, labor, and more.)

It follows that operational resilience remains a key priority in the profitable volume playbook. Geopolitical disruption, natural disasters, labor strikes—consumer product companies can take nothing for granted in 2024 regarding their ability to operate. The

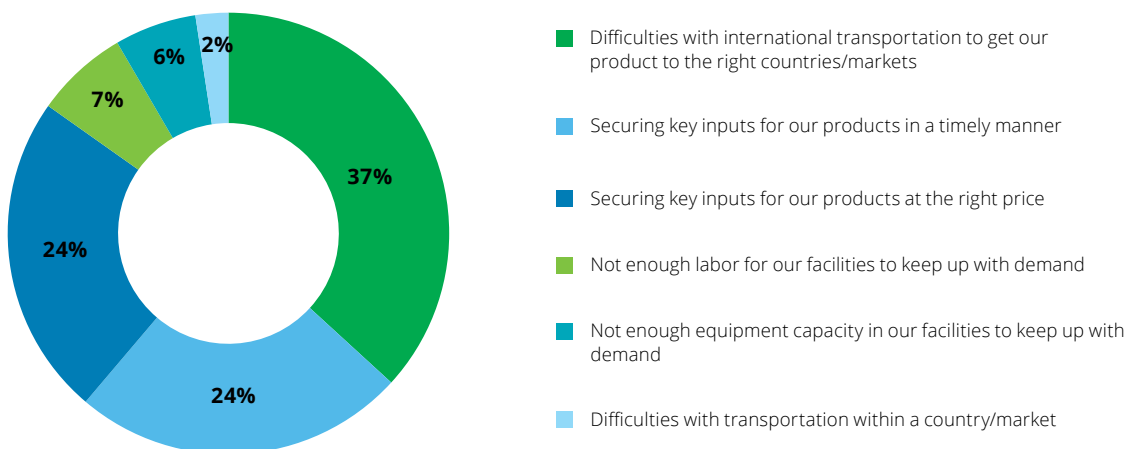
industry can hope for the best but should plan for the worst, taking steps to increase operational resilience and contingency plans. In the process, companies should consider taking a more flexible approach to management.

Perhaps unsurprisingly, improving supply chain performance is a top priority of surveyed executives when combining those who said it was a clear priority (50%) with those who identified it as one of their top priorities (48%). Companies across the industry may consider taking a cue from Profitable Growers, more of whom invested in the supply chain data capabilities necessary to support sustainable product claims—and the higher prices that sustainable products tend to demand. (See [Dive 7](#) for a look at how more supply chain data may be needed for regulatory compliance.)

While the industry has tried to address supply chain challenges over the past few years, more progress is needed. Surveyed executives reported many of the same problems, in the same proportions, as they did last year (figure 6). That said, six in 10 (61%) in our survey agree that how the industry creates and operates supply chains will change radically in the years ahead.

On the downstream side of the equation, 86% surveyed will invest in improving their distribution systems to ensure they can get products to market efficiently.

Figure 6: Most difficult supply chain challenge



Source: Based on Deloitte's analysis of executive surveys for the 2024 Consumer Products Industry Outlook (N=250). Q12. What is your most difficult supply chain challenge?

An agenda for action

Implementing a profitable volume strategy requires precision, balance, and coordination. To prompt conversations and decisions, we suggest consumer product companies use the following questions to help set their 2024 agenda and drive to specifics. While several items may cut across multiple areas, the questions are organized by the functional leadership role most likely to own the issue.

CEO and board agenda

- How do we facilitate the shift to profitable volume and allocate resources accordingly?
- Given the shift, are we in the right businesses with the right products? Have we considered value plays?
- What M&A opportunities exist that allow us to drive a step-function jump in profitable volume?
- How do we balance today's cost challenges with preparation for future consumer demands? How long can we wait for ROI while we make changes in decision-making, company culture, and talent acquisition and retention?
- How do we take full advantage of new Generative AI technologies to drive improvement in our decision-making around pricing, marketing investments, and supply chain optimization?
- How do we establish governance and disclosure systems for new cybersecurity and sustainability regulations?

Sales and marketing agenda

- How can sales and marketing teams work together to drive volume while building our core brand and supporting pricing power?
- How do we optimize our pricing to drive profitable volume growth and leverage our marketing investments to support it?
- Do we have the right RGM capabilities for price setting in the context of the shelf, promotion strategies, white-space expansion, customer profitability management, and shaping consumer perception? Do we have the correct data to feed these capabilities with enough granularity?
- For RGM, are the right stakeholders involved to act decisively on the analysis? Are we willing to deploy some elements with “hands off the wheel” automation?

R&D and innovation agenda

- What is the right investment mix to support premiumization versus white-space product innovation in the current climate?
- Are there opportunities to change price-pack architecture to hit new value points, including trade-downs, and tap into unique occasions? Can we use it to improve the profitability of the sales mix?
- Are there new product opportunities in areas like the circular economy or with GLP-1 diet drugs?

Finance agenda

- Are we continually identifying and divesting low-performing lines of business and SKUs as a lever for greater profitability? If not, what is getting in the way?
- How can we continue to cut costs through operational efficiency while funding more core brand marketing and R&D?

- Does this moment of high interest rates and potentially less private equity competition open new acquisition opportunities? Should we consider investing in adjacent areas, either due to increased antitrust enforcement or expanding our offering scope? Are there opportunities in our value chain for more vertical integration through acquisition?
- In a back-to-basics world where investors seek profitable growth over fast growth alone, do our investments in direct-to-consumer and omnichannel still measure up?
- Over the long term, what does capital stewardship look like in an era of high uncertainty and rapid change? Will we be able to achieve higher ROA as the world evolves?

Operations and supply chain agenda

- Have we built enough operational resiliency for our new geopolitical realities? How about climate, labor actions, or further economic tumult?
- What is next on the automation agenda?
- After years of cost-cutting, are there still “low-hanging fruit” opportunities? Do we need to do something more significant to unlock further efficiency gains?
- What role should nearshoring play in our reliance strategy?
- Are we investing enough in supply chain data systems to support sustainability and traceability reporting requirements?

Data and analytics agenda

- What is the first, the highest, and the best use(s) of Generative AI in our company?
- What is our funding philosophy for Generative AI—are we investing in learning, deploying, or racing ahead?
- Are we on track for our overall digital transformation?

Talent and capabilities agenda

- How do we win talent for important roles if labor market tightness remains?
- How do we create a frontline work experience to recruit, retain, and reward workers?
- Are we clear on the skills that are most in demand?
- Are we considering the right mix of talent equipped with the right AI and automation tools?
- What degree of automation supports improved productivity? Do we want tools to upskill workers to be more productive, or is the future about higher-skilled employees and fewer of them?
- How will our company attract new skill sets to build Generative AI capabilities? Will it be through acquisitions, partnerships, or ecosystems? How will we build and maintain consumer and employee trust in new Generative AI systems? Will our consumers trust our Generative AI intent? Will employees come to see it as augmentation or replacement?

Outlook deep dives

Our *2024 consumer products industry outlook* extends beyond the profitable volume playbook. We collected other highly topical analysis and findings in this repository.

- Dive 1 - The economic outlook from Deloitte's Chief Economist
- Dive 2 - Reports from across the industry subsectors
- Dive 3 - The future of the consumer products industry
- Dive 4 - The promise—and the current reality—of Generative AI
- Dive 5 - The outlook for GLP-1 antagonist weight loss drugs
- Dive 6 - Additional survey findings
- Dive 7 - An eye on the regulatory landscape



Dive 1:

The macroeconomic outlook for the consumer products industry

A letter from Ira Kalish, Chief Economist, Deloitte Global
November 2023

The global economy is closing out 2023 better than was expected. While many saw conditions that pointed to recession, we got something different. In the major advanced economies, inflation has receded, employment has continued to grow, labor markets remained tight, and risk spreads stayed low.

Nonetheless, expectations of 2024's economic outlook should be tempered. The International Monetary Fund (IMF) projects that world economic growth will slow to 2.9%, well below the historical average of the past two decades. IMF expects 2024 growth to be an even slower 1.4% in advanced economies.²⁸

How the economy of 2024 plays out against these expectations will be shaped by the following factors:

Inflation. Since mid-2022, inflation in Europe and North America has receded considerably. In part, this reflects the impact of tighter monetary policy. Yet mostly it reflects the reversal of trends. That is, consumer demand for goods, which soared in 2021 thereby fueling inflation for goods, has eased. Supply chain disruption has also eased as the pandemic ended. Plus, oil and food prices, which soared when the Russia-Ukraine war began, have eased considerably. Still, as of November 2023, inflation remains significantly above the 2.0% target of most central banks. And although inflation is moving in the right direction, central banks fear that bringing it to the 2.0% target will not be possible so long as labor markets remain tight.²⁹

Labor market. Despite various headwinds, labor market tightness remains.³⁰ In part this reflects demographics. In any event, the result has been significant wage increases, which is expected to contribute to inflation unless they are offset by productivity gains. From the perspective of the major central banks, the best potential way to bring inflation toward the target is to weaken the labor market, thereby reducing wage pressure.

Interest rates. The tight labor market and subsequent wage increases are why it is likely that short-term interest rates will remain elevated well into 2024. Only when central bankers are convinced that inflation is under control and labor markets have softened will they feel comfortable cutting interest rates.

Consumer demand:

- In the United States, demand has held up well, initially driven by the ability of households to dip into the vast pool of savings accumulated during the pandemic. Lately, however, spending was fueled by rising real wages. Yet significant headwinds will likely curtail spending growth in 2024. These include high interest rates, a weak housing market, renewed student debt payments, and a likely slowdown in employment growth.
- In Europe, however, spending has been weak for a while, largely due to declining real wages and the impact of high interest rates.³¹ Households took a big hit from the energy shock following the start of the Russia-Ukraine war. Central banks tightened to fight inflation. Although many governments provided households with subsidies to offset the higher cost of energy, those subsidies are ending. Meanwhile, the European economy has slowed, fueled in part by declining retail sales. Thus, the outlook for consumer spending is modest at best.
- In China, household spending has grown more slowly than expected. This partly reflects the impact of the disruption to the residential property market.³² Declining property prices have reduced consumer wealth, compelling many households to boost saving. Indeed, bank accounts are flush with cash. Meanwhile, consumer spending has been weakened, and the outlook for 2024 is for modest growth.

The year 2024 will likely be characterized by slower economic growth than in 2023 and slower consumer spending growth. Yet it will probably be the last year of monetary policy tightening by major central banks. It is reasonable to expect a rebound starting in 2025. For global consumer products companies, it may make sense to focus on the longer term.

Dive 2:

Reports from across the industry subsectors

The consumer products industry isn't a monolith. Here's an overview of the findings specific to each subsector.



Survey data from food and beverage (F&B) executives suggests we will see product emphasizing sustainable (52%), natural (47%), organic (36%), and healthy (35%) properties. All have ties to clean labeling and avoiding "ultra-processed" food. A surprising three in four companies are in favor of front-of-package nutritional labeling. How these companies go to market is also changing, with eight in 10 (83%) F&B respondents increasingly orienting their strategy around occasion-based selling.

A subset of our respondents are in the alcohol space. While direct-to-consumer alcohol sales isn't allowed in all markets, survey respondents in the subsector chose it as one of the most strategically important trends for 2024 (30%). In fact, 61% say they will soon work or are already working directly with delivery app companies. Though zero-alcohol products featured in several company earnings presentations, consumer interest in the zero-alcohol category was only selected as an important trend by a minority in the survey (22%). Executives in the sector also agree that in 2024 returnable/refillable bottle programs will be a place to invest in (83%), shelf re-facings will be more significant (74%), and travel retail will hopefully recover (61%).

Food and beverage n = 121 of which, 23 are alcohol companies



Executives from household goods companies are likewise focused on sustainable products (45%) and packaging (42%). They are also pursuing novel product innovation (29%). Though prominent in other subsectors, products with "natural ingredients" were selected by only one in five (18%) household goods executives.

Many in the sector (45%) believe retailer destocking in 2024 will be less of or no longer a headwind to sales, though most (55%) were still unsure.

Household goods n = 38



Environmental sustainability was also a big trend winner for personal care products (38%). About one in four executives (28%) responded that their company will also focus on creating products with clean labels. Expect those kinds of messages to win out over an emphasis on "cutting-edge science," which was selected by only 8% of respondents. Also, some companies (25%) are looking to devices and/or new beauty goals, which could include wellness over glamour, for growth. Almost seven in 10 (68%) agree that premiumization or valorization is a winning product strategy in the sector. Value/low cost offerings were the least selected trend (8%). A little more than half (55%) are looking for travel retail to recover in 2024.

Personal care and beauty n = 40



Finally, environmental sustainability is the top trend for apparel as well (41%), with seven in 10 (73%) saying circularity is a goal for their company. However, fast fashion—perhaps the opposite of sustainable—was the second most frequently selected topic (35%), while the more sustainable "slow fashion" was also near the top at 25%. As a trend, gender neutral/fluid was the least selected at 8%. About six in 10 executives are bullish on a return to normal growth in travel retail (61%).

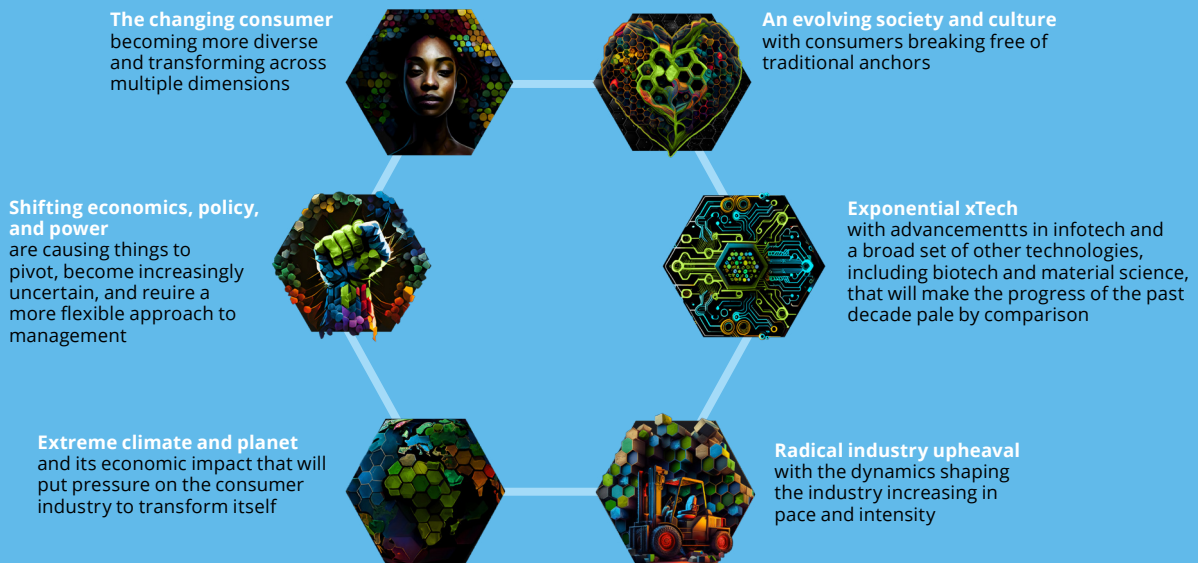
Fashion and apparel, including sporting goods n = 51

Dive 3: The future of the consumer products industry

Deloitte’s 2024 consumer product industry outlook explores the trends, topics, changes, and challenges the industry may experience over the next 12–18 months. But companies need the longer view as well.

The Deloitte personnel leading this effort engaged with more than 800 professionals, industry experts, clients, and consumer industry insiders to explore the future of the consumer. In search of the broader context, they also brought in economists, sociologists, policymakers, and others with unique perspectives and long-range vision. Those efforts yielded six forces we believe are important to understanding the next decade of change, including in the consumer products industry. (For more, see [The future of the consumer industry.](#))

Figure 7: The six forces shaping the consumer industry



Note: The icons representing the six forces were created using text prompts and generative AI imagining the output. Source: Kasey Lobaugh, Anthony Waelter, Alisa Locricchio, Cole Oman, The six forces: Navigating the world of consumer markets to help shape a better future, Deloitte, 2023.

Each of the six forces is quite powerful in its own right. But collectively, they amount to something more, something nonlinear, which can have major implications for the industry’s markets, models, and mechanics.

- **Markets:** What is sold, who it is being sold to, what products or services create value
- **Models:** How businesses organize and configure, how materials and capabilities are sourced, what new models create value
- **Mechanics:** How businesses execute work, employ labor, make strategic and operational decisions

Here are some top implications, by area, according to 250 surveyed consumer product executives as to what they most expect to factor into the industry’s development over the next three to five years:

Markets	Models	Mechanics
66% - Consumers will increasingly insist that the industry become more responsible (e.g., for environmental sustainability, societal issues, privacy)	61% - How the industry creates and operates supply chains will change radically in the years ahead	Record summarization Summarizing care encounters (for HCPs) with details about history, symptoms, procedures, diagnoses, etc.

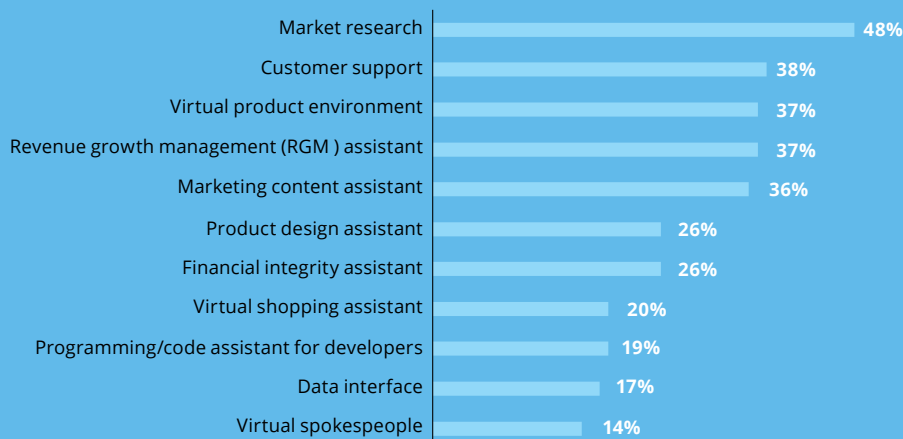
Dive 4: The promise—and the current reality— of Generative AI

In our survey, almost nine in 10 consumer product executives are at least somewhat familiar with Generative AI. In interviews, some industry specialists are skeptical or think the industry needs more investment in the technology basics first, others see Generative AI as an opportunity to remake business models. Still, others framed Generative AI as a threat, not for its lack of effectiveness nor due to prospects of a science fiction dystopia, but for its exponentially expanding utility. This last camp felt that companies not aggressively pursuing Generative AI risk being left in the dust, unable to catch up to those who win out.

Deploying Generative AI applications is one of the top 2024 priorities for half (50%) of surveyed executives. A similar percentage (52%) are optimistic it can make a significant financial contribution. Only one in five (18%) are pessimistic about its potential financial impact, while a little under a third (30%) withhold judgment.

They are moving fast. Seven in 10 (70%) surveyed executives will deploy Generative AI capabilities for a significant business application in the next year. What will be the first “killer application” of Generative AI? We asked executives about 11 potential use cases for the consumer industry, adapted from those identified by the Deloitte AI Institute³³ (figure 8).

Figure 8: Use cases with the highest potential for Generative AI



Source: Based on Deloitte’s analysis of executive surveys for the 2024 Consumer Products Industry Outlook (N = 250). Q15. Which of the following has the most potential to be a ‘killer application’ of Generative AI in your industry?

Perhaps surprisingly, Profitable Growers are more measured in their expectations for Generative AI. Three in four don’t think or are unsure that Generative AI will make a significant financial contribution to the industry in 2024 (versus only 32% from other companies). While this group is investing in the technology, it is doing so more experimentally than its less profitable peers: 55% of Profitable Growers are making a moderate or significant investment in Generative AI this year, relative to 85% of other companies.

Though cautious, Profitable Growers understand the direction the future is heading. Three-quarters of these executives (76%) think their industry’s operations and decision-making will transition from human-centric to machine intelligence-centric (versus 56% of executives surveyed from other companies).

Dive 5:

The outlook for GLP-1 antagonist weight-loss drugs

Consumer products CEOs and CFOs are starting to get peppered with earnings call questions about Glucagon-like peptide 1, better known as GLP-1. Some investors are concerned that these drugs could create a demand headwind for the industry's caloric snacks, treats, and the food and beverage industry overall. Some estimates project nearly 4 million patients will be on the drugs in 2025, with about 1.5 million each in the United States and Europe. In an extreme scenario, depending on patient penetration, those numbers could create a -1% impact on volumes in food and -3% in alcohol.³⁴

But even at these numbers, several of our interviewees thought the industry had more important things to worry about regarding volume. According to an analysis of US pharmacy claims, only about a third (32%) of patients prescribed a popular weight-loss drug were still taking it a year later. Dropouts seem to have resulted primarily from adverse side effects (e.g., nausea) rather than costs: All the patients had insurance coverage for GLP-1 drugs, and the results did not differ materially based on which medication was prescribed.³⁵ Dropouts at this level would likely diminish any GLP-1 drug impact on consumer products sales.

Respondents from various industry subsectors reflect this sense of calm. Among our food and beverage survey respondents, only one in 10 say their 2024 sales are likely to be hurt by GLP-1, and only about a fifth say they are adjusting their overall strategy because of the drugs. Concern was a little higher for alcohol specifically, with about one in three (35%) adjusting their approach. Perhaps surprisingly, apparel companies were the most likely to change tactics due to GLP-1 (57%). They may be sensing an opportunity as people who lose weight tend to refresh their wardrobes and try new styles.



Dive 6:

Additional survey insights

Other important datapoints from our global survey of 250 consumer products executives

Digital transformation – Even while managing costs, companies likely need to invest in technology to stay competitive. Most (92%) said accelerating the move to digital platforms/technologies was a priority. Two in three (67%) agreed digital transformation is necessary to compete successfully. Most (93%) companies are backing up that sentiment with investment, though only half of companies (52%) rated their 2024 investment in digital transformation as significant.

Labor – A still-tight job market and a high inflationary environment have put upward pressure on labor costs. However, there are signs that the labor market's strength is cooling, with job openings falling to their lowest level in more than two years.³⁶ The drop in job openings combined with more even hiring may indicate that the labor market is "rebalancing" to pre-pandemic levels. Our survey data shows that executives expect their hiring to be up in 2024 (55%), while layoffs are static or down (93%).

Social media – Companies are getting more cautious with their use of social media. More than half (56%) said they would decrease their use of social media and/or put new controls in place for social media influencers. Six in 10 executives said they will be much more cautious about taking strong stands on social, environmental, or politically contentious topics to avoid backlash that could dampen demand.

Cost-cutting – Management attention is also likely going to the cost curve. That's especially true for companies living at lower volumes. Most (84%) in our survey listed containing costs to increase margins as a priority. And almost two in three executives (64%) said they will focus more on decreasing costs in 2024 than in prior years.

Omnichannel – Though off their pandemic highs, omnichannel strategies continue to factor into company plans. For instance, developing or strengthening direct-to-consumer (DTC) channels is a key priority for more than six in 10 executives (64%). However, in our conversations with internal and external subject-matter specialists, several said traditional stores are still the most efficient way to acquire consumers. With the move to profitable growth, we expect less chasing of born-digital competition. In addition, companies will likely be more targeted in their efforts toward modes that have the potential to contribute to margins.

Loyalty – Of course, there are reasons to go direct-to-consumer other than efficiency. The difficulty of keeping up with the changing consumer is a challenge experienced by most companies in the industry. Six in 10 (63%) said integrating more consumer data is critical to their future success, and direct sales help generate that data. Many companies (62%) are also acquiring data and building relationships by investing in loyalty programs other than those owned by retailers.

Trading down – Almost two-thirds of executives (64%) expect more consumers to trade down. The rest are expecting current levels, with no one expecting a decrease. In addition to trading out to unexpected substitutes, six in 10 expect more private label/"owned brands" competition. As of October 2023, a year-over-year comparison had 78% of a broad set of consumer staples categories losing share to private labels on a rolling 12-week average.³⁷ Competing with private labels and managing consumers' ability to trade down while staying with the brand will likely be essential to success in the year ahead.

Dive 7:

An eye on the regulatory landscape

Price – Europe has seen regulatory concern around price gouging in consumer-packaged goods. In the United Kingdom, while acknowledging input costs as a significant factor in higher prices, the Competition and Markets Authority’s inquiries concluded some companies were raising prices to increase profits.³⁸ France moved its annual food price negotiations forward, hoping to achieve lower prices from companies sooner.³⁹ The government has also tried tactics to persuade producers to lower costs, and some retailers have taken their own actions.⁴⁰ However, the decline in consumer products price inflation in many countries could take the pressure off further government action in other markets.

Cybersecurity and privacy – 2024 could be a year of data localization. In Europe, the General Data Protection Regulation (GDPR) has already caused many companies to classify and store data differently,, including meeting requirements that specific data be maintained within certain geographic borders.⁴¹ Such requirements look to spread as new rules are created in countries including China and India.⁴² In the United States, the Securities and Exchange Commission (SEC) now requires companies to disclose material cybersecurity breaches within four days.⁴³ As cyberattacks ramp up, determining materiality and when and how to disclose it will be on the agenda for consumer products boards and IT teams.⁴⁴ Two-thirds of executives in our survey say that improving consumer data privacy and cybersecurity is critical to their digital strategy.

Sustainability – New disclosure and sustainability claims rules are also taking shape.⁴⁵ Some regulators, investors, and other stakeholders increasingly ask for comparability, consistency, and enhanced quality in environmental, social, and governance (ESG) reporting. Though on separate paths and timelines, the European Union and United States are expected to finalize new regulations under the CSRD and the SEC’s climate-related disclosures respectively.⁴⁶ With the first CSRD-related reports expected to be due January 1, 2025, companies will likely need to spend 2024 preparing. Authorities are also taking a tougher stance on greenwashing, introducing new rules to tackle ambiguous sustainability-linked claims in a firm’s communications, strategies, and targets.⁴⁷

Traceability – Specific to the food and beverage space, the Food Safety Modernization Act (FSMA) Rule 204 will require new levels of tracking and traceability in supply chains.⁴⁸ With a compliance deadline of January 20, 2026, we expect companies will spend 2024 assessing their current approach and preparing. Two-thirds (64%) of surveyed food and beverage executives said government regulatory requirements are causing their company to increase investment in traceability. In the EU, related rules will obligate companies to prove their goods have not been produced from recently deforested land. The rules are expected to come into force at the end of 2024, affecting commodities including palm oil, coffee, cocoa, beef, soy, and rubber.⁴⁹

M&A – Consumer products executives in our survey see the potential for deals being challenged, with two-thirds (65%) believing that the industry will face increased regulatory scrutiny of M&A activity relative to prior years. With antitrust scrutiny high, companies might also consider deals that bring them to adjacent spaces.

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