

1. Embracing the changing consumer

What consumers want has changed dramatically and frequently during the past several years, and profitable growers expect that trend to continue. Eight in 10 executives in our survey consider the changing consumer as one of their greatest challenges, and 93% say keeping up with changing consumer demands is a priority (+22 percentage points higher than all other companies).

But when it comes down to it, profitable growth companies are finding ways to get closer to consumers, mainly through more significant digital investments that help them engage and personalize. For example, some companies let consumers try on clothes virtually or provide AI-enabled product recommendations. Others are working behind the scenes to improve sales and customer lifetime value performance with predictive analytics models working in close to real time.

Investments in direct-to-consumer (DTC) channels and in protecting the consumer data that makes these systems function also rate highly in the plans of profitable growth companies. But be warned that DTC models at large incumbent brands have struggled for profitability and are not for the faint of heart.¹² A business-to-business wholesale model differs from direct retailing, and it can be hard to do both. New regulatory and technological changes to consumer tracking, for example, around cookies and opt-in requirements, are making it harder still by increasing customer acquisition and marketing costs.

Getting closer to the changing consumer	Profitable growers	All others	Percentage point (pp) difference
Investing in creating or improving a direct-to-consumer sales channel*	93%	42%	+51 pp
Agree improving consumer data privacy and cybersecurity is critical to digital strategy	89%	61%	+28 pp
Investing in technology to improve ability to engage with consumers and employees*	86%	50%	+36 pp
Investing in ability to personalize the consumer experience*	86%	54%	+32 pp
Agree the ability to personalize the consumer experience will be key to differentiating offerings	80%	65%	+15 pp

Based on Deloitte's analysis of executive interviews for the 2023 consumer products industry outlook. N = 150: Comparing responses of Agree and Strongly Agree; *N = 53: Comparing responses of Significant and Moderate investment.

Another way profitable growers embrace the changing consumer is by prioritizing new products and services created to meet evolving needs. They invest more in product innovation and use data from their digital engagement systems to quickly identify new opportunities. Successful companies in our financial analysis also pursued product premiumization. We saw this innovation strategy gain popularity over the past year, as premiumization helps to justify price increases to consumers by providing additional value.¹³

Improving product innovation	Profitable growers	All others	Percentage point (pp) difference
Prioritizing the introduction of new products/services*	86%	46%	+40 pp
Investing in product innovation	77%	42%	+35 pp
Using sophisticated analytics to identify opportunities for new brands and products	77%	56%	+21 pp
Investing in health and wellness trends	72%	53%	+19 pp

Based on Deloitte's analysis of executive interviews for the 2023 consumer products industry outlook.*N = 53: Comparing responses of One of our very top priorities and A clear priority. N = 150: Comparing responses of Increased Somewhat and Increased Significantly. N = 150: Comparing responses of Agree and Strongly Agree. N = 150: Comparing responses of Significant and Moderate investment.

Profitable growth companies are investing their attention and financial resources differently in five major ways:

