

A new model for the consumer-goods industry

After 40 years of outperformance, the consumer-goods industry struggled to grow profits over the past decade

Growth in average economic profit,¹ CAGR, %

1994–2009²



2010–18³

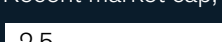


Investors expect a solution

Given historic and future market cap ...

Aggregate market cap, \$ trillion

Recent market cap, 2009–19



Market cap needed,⁶ 2020–30



What got us here won't get us there



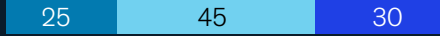
Leading brands in each consumer-goods category have generated only 25% of growth

Sales growth⁴ across US by type of brand⁵ (2016–20), % of total

2016 sales



2016–20 sales growth

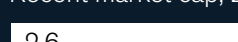


Leading Small/medium size Private label

... investors expect 35% more growth than the industry has delivered

Organic revenue growth, %

Recent market cap, 2009–19



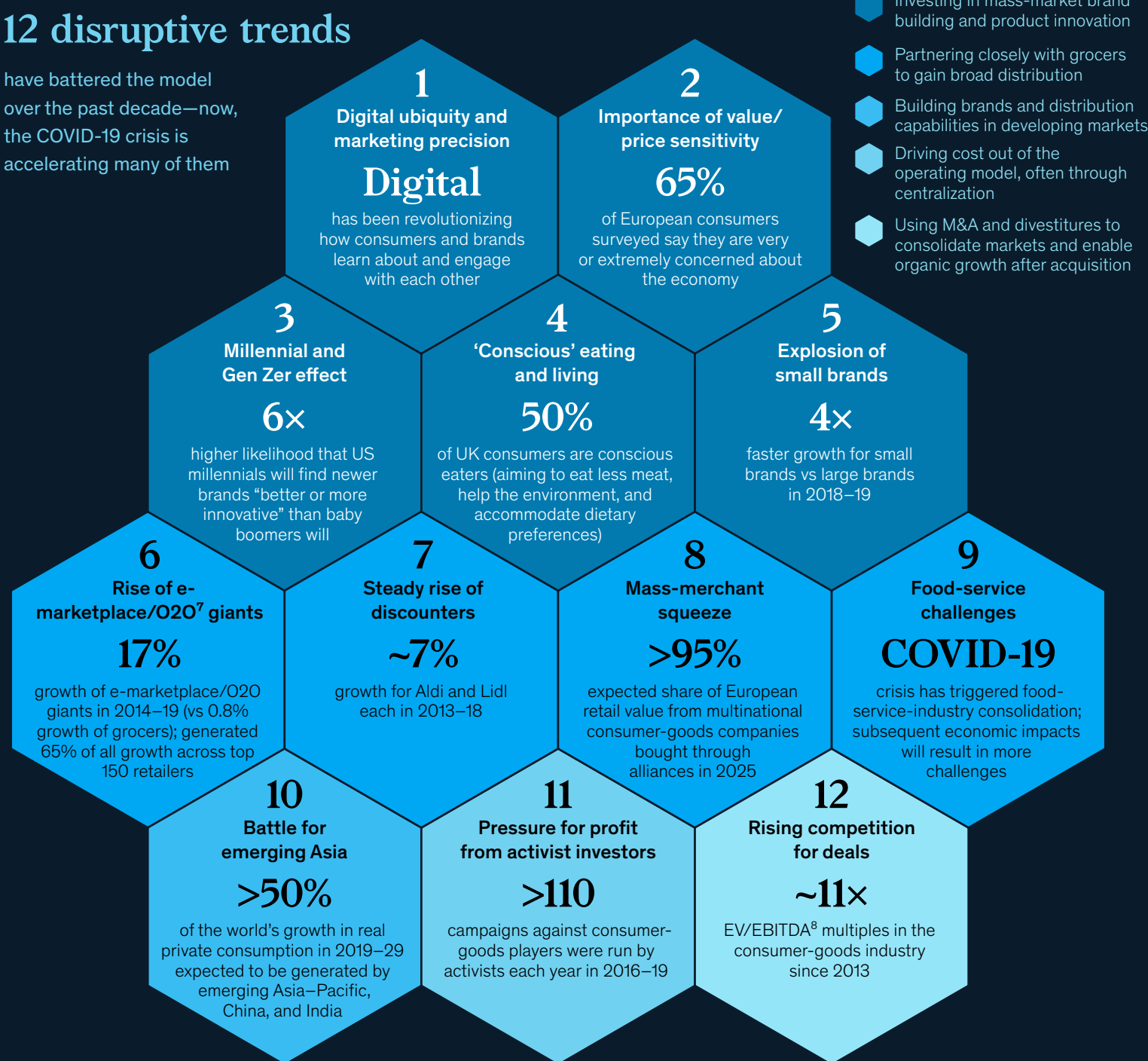
Market cap needed,⁶ 2020–30



Why has the old model stopped generating growth?

12 disruptive trends

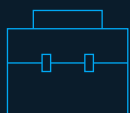
have battered the model over the past decade—now, the COVID-19 crisis is accelerating many of them



Get on the right side of trends

Where to play

Portfolio strategy



Category priorities
M&A
and divestiture

Category strategy



How consumers, markets, and channels are changing
Competitive advantages
Subcategory, market, and channel priorities
Big moves (eg, new segments, new business models)

Brand strategy



Brand promise and positioning
Subcategory, market, and channel priorities

How to win: Use 16 capabilities across 5 main dimensions

Consumer-goods companies need to go on a capability-building spree—and most are only just getting started

Consumer-packaged-goods companies building capabilities across dimensions, %

Evolving the operating model to excel at local-consumer closeness and ever-greater productivity



Building of brands and distribution in developing markets

These shifts will help industry leaders unlock growth with brands and business models—both old and new

¹Survey of 167 global consumer-goods players. ²First year for which data are available. ³FY 2019 data were not available for most of sample (ie, those ending between July 2019 and June 2020). ⁴Measured by trailing 12 months ending in Apr of year listed (eg, 2016 = 12 months from May 2015 to Apr 2016). Includes food/grocery stores, drugstores, mass merchandisers, Walmart, club stores, and dollar stores for Nielsen-covered, stationary channels. ⁵Leading brands defined as top 3 brands in sales (by trailing 12 months) by subcategory (eg, dog food, whiskey, hair care), with small/medium-size brands defined as those remaining outside of private-label brands. ⁶Assuming constant earnings before interest, taxes, and amortization (EBITA) divided by revenues (EBITA margins) of 13%. ⁷Online to offline. ⁸Enterprise value divided by earnings before interest, taxes, depreciation, and amortization.

Source: Company reports; Nielsen; S&P Capital IQ; Corporate Performance Analytics by McKinsey; McKinsey analysis