

Will CPG Continue to “Boom” Through 2021 and Beyond?



Labor economist Julia Pollack [recently commented](#) on the pandemic-driven economic downturn, saying that, “This was the deepest, swiftest recession ever, but it’s also turning into the fastest recovery.” Not only is it a speedy recovery, but for consumer-packaged goods companies, 2021 is positioning the sector for an unexpected boom.

How CPG Fared in 2020

Many CPG companies became cornerstones of pandemic life for consumers as COVID-19 quickly shut down their everyday lives. This reality put a heavy strain on CPG supply chains in the first few weeks and months, but as most companies corrected course, they were able to respond to the skyrocketing demand and heightened uncertainty with care and innovation. As a result, there was a [19% jump](#) in U.S. CPG spending in 2020.

Food and beverage became the [largest segment of online CPG](#), with 44% of dollar sales over the course of 2020—a 125% increase from the previous year. “Something unusual happened to the industry with the impact of COVID-19,” comments NielsenIQ’s Elizabeth Buchanan. It’s unusual, but in the context of the pandemic, it isn’t all that surprising.

With people confined to their homes and anxious about virus transmission, turning to online options for groceries and restaurant deliveries seemed to be the natural choice.

While food and beverage dominated online CPG sales, [the entire industry saw](#) an increase of \$63 billion in 2020 over 2019. Additionally, while 2016 through 2019 saw [a meager growth of 1.8%](#), the entire CPG industry grew a massive 10.4% in 2020. Incredibly, small companies saw even greater growth, at 15.4%, and extra-small companies at 18.3%. These numbers are a direct reflection of demand as the pandemic added an extra layer of complexity to the landscape. The question, of course, becomes how will these numbers be impacted going forward?

Customer Behavior Going Forward

2021 looks promising for CPG, but its full success depends on a variety of factors, including vaccine rollout, the persistence of remote work and school environments, continuing safety regulations and restrictions, and the evolution of consumer habits and expectations.

[A key trend](#) impacting the food and beverage sector is the fact that more people were forced to cook at home during the pandemic. This shift had a ripple effect; they were suddenly much more interested in the ingredients they were consuming. As a result, there has been a surge in plant-based alternatives and “better-for-you” foods, snacks, and ingredients. Not only has this made an impact on sales, it has also created an environment ripe for mergers and acquisitions. Food brands ranging from Cholula hot sauce to KIND Bars have been acquired by Big Food companies, and the opportunity for future investments remains strong.

More than a year into the pandemic, online food and beverage sales remain elevated. And that isn’t the only thing people are now buying online. [2020 saw](#) 20 million new online CPG buyers, as people were forced to get comfortable with the process of online shopping. Interestingly, but perhaps not altogether surprising, Baby Boomers became the fastest-growing demographic category in eCommerce—they were one of the last groups of people holding onto traditional shopping habits until they were no longer available. It’s unlikely these online shopping habits will fall off entirely even after the pandemic is declared over, spurring CPG companies to consider their long-term business models and strategies.

Finally, across all sectors, [the pandemic sparked](#) more than a third of people globally to purchase a new brand—and 83% of those people say they will keep buying those products in the future. CPG companies are exiting this crisis financially

stronger than they started it, and often thanks to an entirely new subset of customers.

Welcome to the Roaring '20s

The pandemic changed the way people shop and what they shop for—sparking significant profits for the CPG industry—but pandemic *aid* is a key factor in continued growth. As of January 2021, with two rounds of stimulus payments as well as increased unemployment benefits, [household income](#) had risen 13% since February 2020—and that's before the third and largest relief payments in March, which brought the grand total of relief to more than \$800 billion.

Some of that money has gone to paying down debt or cushioning savings accounts. Those activities in combination with the influx of disposable income have primed Americans for a new wave of spending ahead. [Some companies](#) are dubbing this predicted boom the “roaring '20s,” in reference to the 1920s, which boomed after WWI and the 1918 flu pandemic.

Cosmetic companies and similar CPG companies, including luxury brands, saw a considerable drop in sales in 2020 and are eagerly anticipating this “return to life.” L'Oréal, for example, looks to their profits in China, where sales recovered swiftly after lockdown, with an increase of 27% in 2020. Historically, [luxury brands](#) are some of the first stocks to rebound after a crisis, and it's likely that the 2020s will be no exception. That includes brands across CPG, travel, hospitality, and entertainment.

Leading Through a Boom

Leaders of CPG companies have been faced with volatile demand and uncertain market conditions, and despite the clear growth and increased profits 2020 afforded this sector, they must be realistic about the continued challenges ahead. There are exciting predictions for the decade, but it's still a time of change and evolution for the CPG industry.

First, for many companies, leadership and management teams are still working in a remote environment. [A McKinsey and Co. report](#) revealed that a significant amount of the workforce could effectively work from home three to five days a week without any negative impact to performance. But successfully maintaining a continuity of leadership in this environment requires careful strategy, structure, process, and technical infrastructure. Trust, collaboration, and innovation may prove harder to achieve without in-person interaction, and CPG leaders must acknowledge and overcome this challenge.

Another key consideration for CPG leadership in the coming months and years is diversity and inclusion (D&I). Consumers want to buy from companies who are committed to social responsibility and who prioritize diversity within their workforce. A diverse leadership more accurately represents the demographic makeup of their customer base while also bringing together a broader range of perspectives and experiences to help leverage innovation and greater performance. D&I can no longer be an afterthought; it's a critical strategy in leadership development, talent acquisition, and workforce retention.

Finally, there is the challenge of retiring Baby Boomers. This generation has been instrumental in the c-suite for years, but the pandemic posed a curious dilemma. [Across the U.S. labor force](#), there was a massive spike in Boomer retirements in 2020. Meanwhile, a full 20% plan on delaying retirement beyond their previous expectations. The reasons behind this data are complex and often, but not always, financially driven. Either way, leadership must be proactive, with effective succession plans and leadership development programs. As the CPG industry continues to respond to the long-term impacts of COVID-19 and makes plans to move forward into a hopeful decade ahead, a strong executive team is critical.

This is surely a complex time for companies and leaders to navigate, but most indications are that the underlying economy and consumer demand will provide a strong base of financial performance for the industry.