

Lessons from and for the “New Normal”

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MISSISSIPPI STATE UNIVERSITY

FACTS VIRTUAL CONFERENCE



Our Mission

The Consumer Brands Association unites the \$2 trillion consumer packaged goods industry to shape the landscape for growth across three areas:

Supply Chain, Packaging, and Product Regulation.



PORTRAIT OF AN AMERICAN SUPPLY CHAIN

The coronavirus pandemic put supply chains front and center for Americans who never had to think about it before.

Though many high-demand items are back in stock, the pressure on the supply chain has not let up. Across the consumer packaged goods (CPG) industry, supply chain leaders continue to work overtime to ensure Americans have access to the essential goods they rely on to keep them safe and keep them home.

These efforts didn't just keep products on the shelf – they renewed Americans' trust in the industry.



COVID-19 CHALLENGES

- **Worker Health & Safety**
- **Absenteeism & Labor Availability**
- **PPE Scarcity & Sourcing**
- **Rising Transportation Costs & Capacity Crunch**
- **Essential Worker Definitions & Business Continuity**
- **Radical Demand Shifts & Elevated Purchasing Levels**
- **Retailer Collaboration & Shift to E-Commerce**
- **Global Pandemic = Global Supply Chain Disruptions**

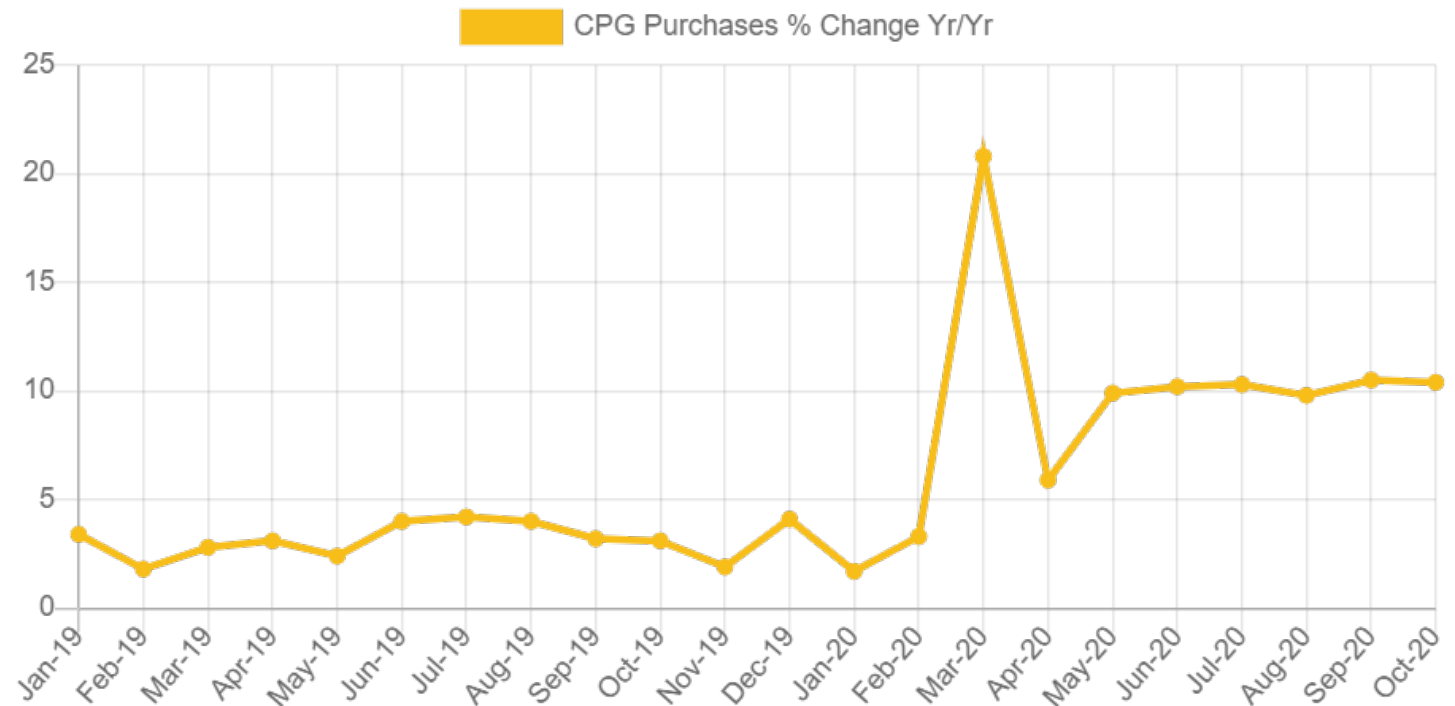


BY THE NUMBERS

Continued at-home consumption keeps demand high, with certain categories still at record levels.

CPG posted strong growth rates going into the holiday, with year-over-year growth of 10.4% in October, putting four of the last five months above 10% annual growth.

The trend suggests that, as people continue to stay at home, spending on food, beverage, household and personal care products will keep pace over the holidays. Consumer Brands anticipates that CPG purchases will be up between 9.5-11.5% for the 2020 holiday season.

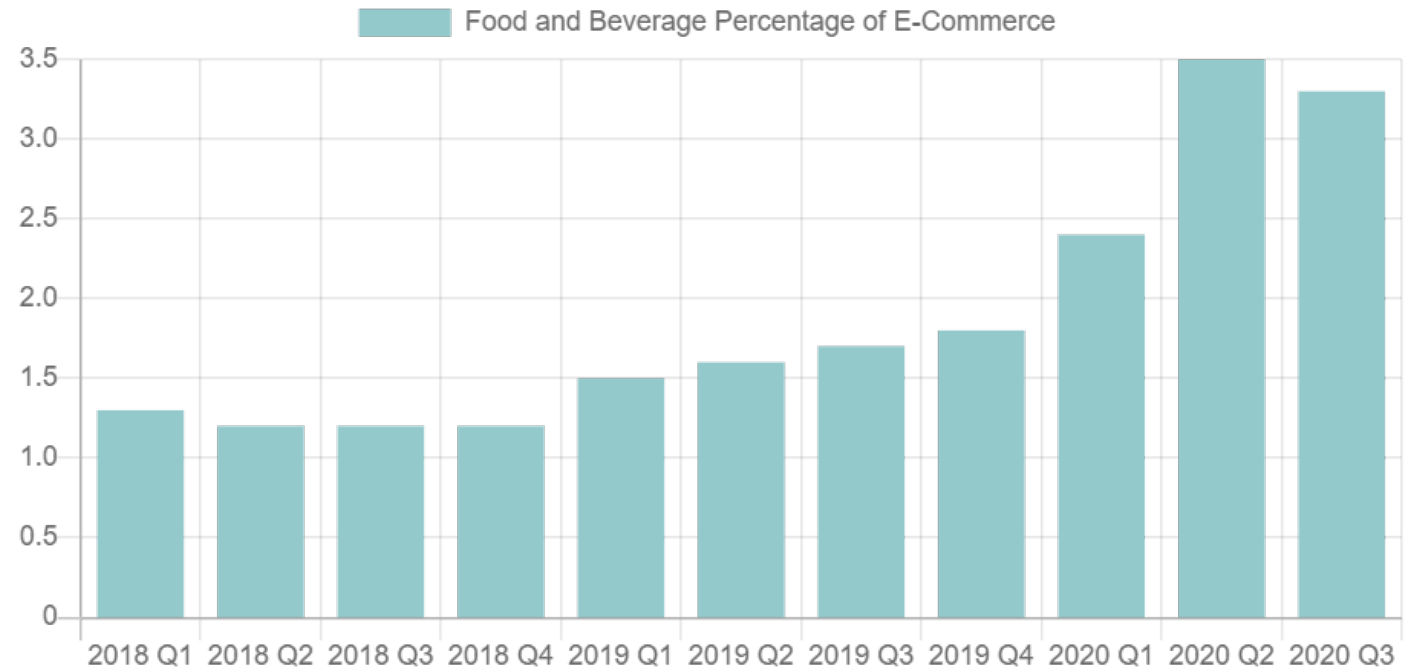


BY THE NUMBERS

E-commerce exploded for food and beverage products.

Changed circumstances have led to new habits, pushing more grocery shopping online.

The Census Bureau's e-commerce release in November showed third quarter online spending for food and beverages totaled \$6.5 billion, an increase of 162% over the same quarter a year earlier.



In 2019, the food and beverage portion of e-commerce averaged a sleepy 1.6% share of all e-commerce purchases; in 2020, that share has doubled to 3.3% of all e-commerce measured in the third quarter.

BY THE NUMBERS

The dramatic rise reveals a growing confidence in shopping online for grocery products that is expected to develop into a lasting behavior for the majority of consumers.

Nearly 80 percent of consumers surveyed in a recent Consumer Brands poll indicated that they would continue to use online ordering for at least some grocery purchases.

Did you use online ordering before the COVID-19 pandemic hit?

	Total
Yes, frequently	16%
Yes, occasionally	45%
No, I started using it frequently after the pandemic hit	16%
No, I started using it occasionally after the pandemic hit	22%
<i>Yes (net)</i>	<i>61%</i>
<i>No (net)</i>	<i>38%</i>

Do you plan to use online ordering after the pandemic is over?

	Total
Yes, frequently	30%
Yes, occasionally	48%
No, probably not	15%
No, definitely not	3%
I don't know	5%
<i>Yes (net)</i>	<i>77%</i>
<i>No (net)</i>	<i>17%</i>

BY THE NUMBERS

The rise of e-commerce stands to fundamentally reshape how consumers purchase products, with deep implications for supply chain management – not to mention policymaking.

Consumer decisions also do not occur in a vacuum – consider these statistics in conjunction with broader e-commerce expansion as well as declining personal automobile ownership, rideshare, alternative mobility options, etc.

The sum total is a permanently changed landscape, which will demand new approaches from both the private and public sectors.

Before the pandemic

	Total
Frequent small trips to the grocery store (more than once a week)	52%
Infrequent larger trips to the grocery store (a week or more's supply)	47%

During the pandemic

	Total
Frequent small trips to the grocery store (more than once a week)	27%
Infrequent larger trips to the grocery store (a week or more's supply)	72%

After the pandemic

	Total
Frequent small trips to the grocery store (more than once a week)	38%
Infrequent larger trips to the grocery store (a week or more's supply)	61%

IN PRACTICAL TERMS

- **Demands Unprecedented CPG Response & Around-the-Clock Action**
- **Forces Conversation on Network Redesign and Corporate Transformation**
- **Amplifies Importance of Visibility / Control Tower Tools and Other Technologies**
- **Accelerates E-Commerce Strategies by 5-10 Years**
- **Creates New Replenishment, Ordering and Inventory Dynamics**
- **Highlights Need for CPG-Retailer Collaboration**
- **Puts Onus on Retailers, Delivery Companies and Platform Providers to Figure Out the Last-Mile and Click-and-Collect Margin Issues**
- **Poses New Questions About How to Manage Curbside, Facilitate Efficient Urban Deliveries and Take Holistic Approach to Improving Performance**



WHAT COMES NEXT

- “The CPG Post-Pandemic Outlook” – *report from Consumer Brands*
- While COVID-19 is not yet in the rearview, the arrival of vaccines that prevent its spread brought with it hope for brighter days ahead.
- There will not, however, be a return to what was considered normal in February 2020.
- America has been fundamentally changed by the pandemic and “normal” will be redefined.
- The question for the CPG industry is how this redefined normal will translate to its business and the consumers it serves.



WHAT COMES NEXT

- Americans' slow emergence from pandemic life will keep CPG demand elevated long after the vaccine is widely accessible.
- Supply chain concerns will fade from consumers' view as shelves stay stocked but will still drive big changes in CPG operations.
- There will be new urgency to fix the broken recycling system after the consequences of an increase in plastic usage and waste during COVID-19 are realized.



WHAT COMES NEXT

- **Transparency demands will accelerate on consumer expectations, government requirements and new digital fluency after a year of virtual living.**
- **The trust in companies that grew during COVID-19 will evolve into businesses assuming the role of societal change agents and forces for good.**
- **The arrival of the vaccine heralded a future where American life would not be run by COVID-19. Now is the time to stop asking what the future will hold and start deciding what the future will be.**



LESSONS LEARNED

- **Acknowledge Forever Change**
- **Seize Upon ‘Silver Linings’**
- **Recognize Opportunities > Challenges**
- **Leverage Supply Chain as Differentiator and Growth Function**
- **Assume Public and Private Sector Responsibility to Reduce Frictions and Ensure Availability, Accessibility and Affordability**



LESSONS LEARNED

- **“U.S. Supply Chain Policy Priorities”** – *report from Consumer Brands, CSCMP and Iowa State University – what steps can government take to enhance resiliency and competitiveness?*
- **“Breaking the Chain”** – *report from Consumer Brands, Accenture and Coyote Logistics – what steps will CPG companies take to enhance resiliency and competitiveness?*



Q&A

