



**REPORT**

**MARCH 2024**

# Consumer goods industry trends 2024



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# Introduction

Coca-Cola Spiced. Heinz Pickle Ketchup. Cheerios Veggie Blends. Consumer goods companies excel at product innovation to win consumer hearts and minds.

But in the perennial three-way dance between consumer goods companies, retailers and the consumers they both serve, 2024 will bring more than Reese's Peanut Butter & Chocolate Cones. It'll bring new consumer goods industry trends, competing priorities -- and tough decisions.

- An empowered consumer will look to balance prices and priorities.
- Retailers will push for new revenue streams while pushing back on prices.
- And after a period of realizing higher prices at retail, consumer goods companies will focus on revenue growth management and fundamentals around pricing.

In 2024, consumers will continue evolving their shopping habits, from the search for a "good deal" to when and where they choose to buy, after three years of fulfilling their pent-up demand for experiences. Consumer goods companies will navigate ongoing shifts in what people buy, from whom they buy it and how much they're willing to spend.



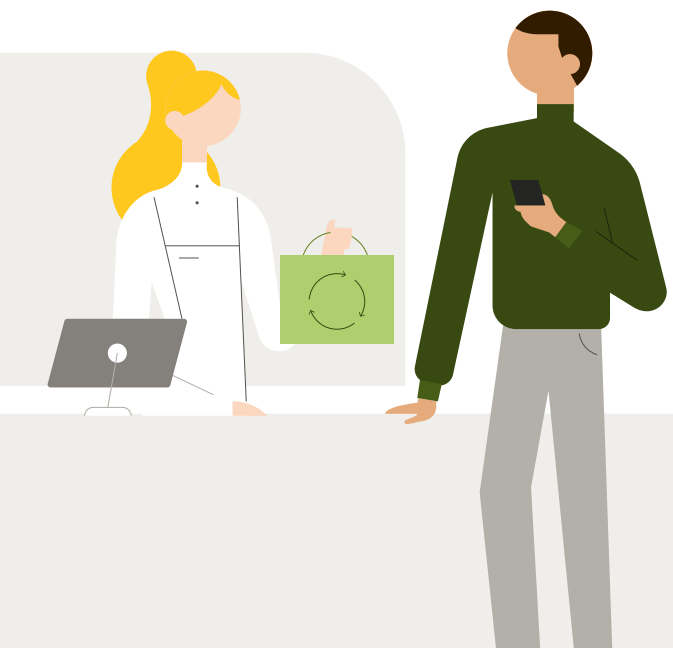
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# Here are the 2024 trends that will shape the consumer goods industry:



## Trend #1

Increased focus on analyzing consumer sentiment and behavior



## Trend #2

Consistency and personalization across digital and in-store shopping



## Trend #3

Focus on the retail media network space



## Trend #4

Investment in digital transformation

Before diving into what we see in the industry, let's look at how the economy and consumer choices are changing globally.



## 2024 economic outlook

"In 2024, the backdrop remains one of consumer empowerment with moderating inflation across most economies."

Consumer goods companies (also known as consumer packaged goods companies, CPGs, or fast-moving consumer goods companies) saw prices and volumes slowly normalize in 2023 after the inflation shock of previous years. While the global economy will feel more "normal" in 2024, it's still in the process of rebalancing.

The Mastercard Economic Institute's Economic Outlook 2024 describes consumers and corporations prioritizing their spending and investment in an environment of shifting relative price differentials and higher borrowing costs. In 2024, the backdrop remains one of consumer empowerment with moderating inflation across most economies.

Mastercard Economic Institute (MEI) expects:

- **Inflation globally (consumer price index) to moderate to 4.9% year over year (YOY) in 2024** from 6.0% in 2023.
- While inflation will be lower, it is expected to remain above the pre-pandemic trend of 2.7%.
- Removing inflation, "real" growth in 2024 is likely to feel like 2023. MEI expects **real global GDP growth of 2.9% YOY in 2024**, compared to 3.0% in 2023.

Along with higher interest rates and inflation, supply chain volatility has disrupted consumer goods companies. Geopolitical and climate crises continue to disrupt the supply chain, making real-time data a requirement for a harmonious supply chain across operations. As 2024 opened, the costs of shipping were being impacted by geopolitical events in the Middle East and drought in the Panama Canal region, adding pressure to the supply chain and operational margins. Margins have also taken a downward turn with higher inflation, pushing consumer goods companies to both explore additional revenue streams and raise prices in the past 12-18 months.







## Trend #1: Increased focus on analyzing consumer sentiment and behavior

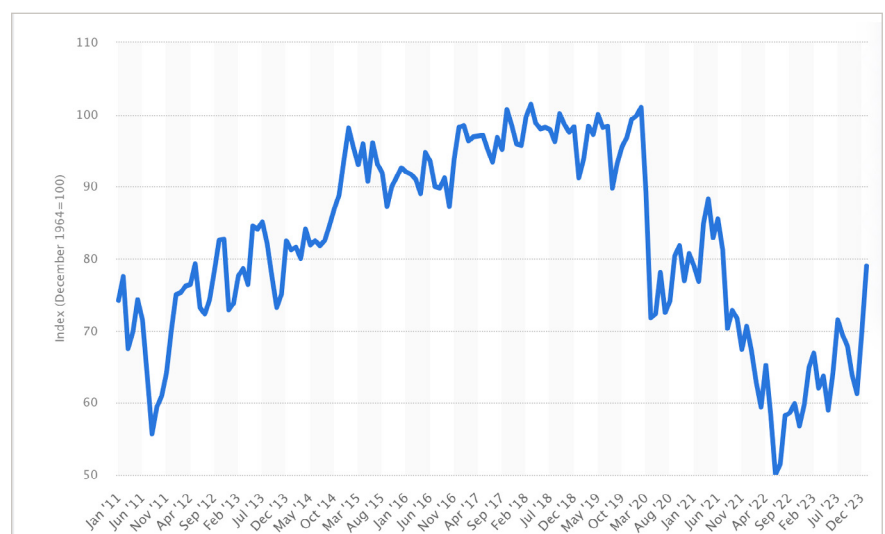
Tracking consumer sentiment and behavior will prove essential to building loyalty in an era of inflation. Price increases over the past two years have diminished the impact of flat-to-declining consumption for many companies. To deliver volume and unit growth in 2024, consumer goods companies will return their focus to loyalty.

Consumer goods companies are becoming increasingly savvy about how they interact with consumers. Understanding the financial situation of the consumer is essential in predicting rapidly evolving consumer needs. When a consumer sees a 20% increase in price in their grocery basket, or if they see a reduction in pack size for the same price, they start asking tough questions about what they can live without. Consumer goods companies will be navigating difficult waters as they try to understand how price sensitive their customers are and how consumer perception of their products is evolving.

The relationship consumer goods companies create with their customer will be a source of good insights into how to differentiate in the marketplace – an “aha” that will help them drive value beyond competitors by tracking perception to optimize price and pack size. They'll ask:

- How do we maintain our position in the consumer mind?
- What are consumers' attitudes toward the economy and how is that impacting spending patterns?
- How can we differentiate ourselves in a crowded market to drive growth?
- How can we best defend our wallet share?

### Consumer Sentiment Index in the United States from January 2011 to January 2024



Source: [Consumer Sentiment Index U.S. 2024 | Statista](#)

## CASE STUDY

### How **Hershey** used new tools to understand nationwide trends

The Hershey Company was interested in better understanding consumer spending patterns across various industries and channels.

**Goal:** The Hershey Company expressed interest in broader macroeconomic insights to help them get a stronger sense of consumer spending trends across multiple industries and how sales channel spend is fluctuating. The need for these types of insights were heightened with the pandemic as it highlighted volatility around consumer spending.

**Strategy:** Mastercard worked with the Hershey team to implement several new capabilities leveraging the SpendingPulse™ platform. SpendingPulse™, which measures in-store and online retail sales across all forms of payment, derives total and sector-level retail sales by aggregating anonymized sales activity in the Mastercard payments network and survey-based estimates for other payment types (including cash).

- Weekly Reporting and insights were distributed to 40+ business leaders within the Hershey business. It has become their go-to source for broader consumer spending insights.
- SpendingPulse™ data has been integrated into the Test & Learn platform which can be used to further enhance the quality of analyses.
- SpendingPulse™ data can also be used to answer questions related to tests that do not have defined controls (e.g., nationwide rollouts) by leveraging market transaction data to build baseline expectations.

**Result:** Hershey is able to make more informed business decisions with SpendingPulse™ insights. By embedding this data into Test & Learn®, Hershey will be able to analyze nationwide initiatives, which are typically difficult to evaluate due to the lack of a holdout group.



## Building loyalty in an era of inflation

"Like direct-to-consumer platforms, loyalty programs offer that desired direct connection that helps build out customer data and a better customer relationship."

As it turns out, loyalty isn't always forever. In years past, a consumer might refuse a momentarily better option in favor of her favorite brand. But the economy changes. Even though the consumer prefers a brand, it can become so financially difficult to stay loyal to their brand of preference that she switches for a cheaper option.

Retailers are becoming more attuned to the value of the consumer-permissioned data from their loyalty programs. They're monetizing it by turning around and selling it back to consumer goods companies.

Walmart Luminate is a suite of data products that gives consumer goods companies access to sales and performance data and customer insights such as consumer panel surveys. How do consumers shop online versus in store? How do consumers with various incomes shop? Which consumers buy premium price products and how loyal are they? In the U.S., about 139 million customers visit Walmart stores and its website or app each week and some consumer goods companies might use this data as a proxy for the entire population.

According to research and advisory firm Forrester, while most U.S. customers are signed up for grocery store loyalty programs, only about 7% of U.S. online shoppers are members of a consumer goods company's loyalty program. That's in part because most consumer goods companies do not have robust loyalty programs -- but some are looking to close that gap.

Direct-to-consumer strategies and loyalty are closely linked. Like direct-to-consumer platforms, loyalty programs offer that desired direct connection that helps build out first-party customer data and a better customer relationship. While the consumer goods industry is lagging other industries in loyalty efforts, some are building programs that bridge that gap.

General Mills' Good Rewards program creates a central place for its most loyal customers and most value-conscious customers to access deals. Using a rewards app, customers can upload receipts from any online or physical retailer and the app scans any General Mills purchases to give credit for them. App users receive 1% of purchases back in points, as well as other exclusive offers only available to Good Rewards members. What's more, full receipt scans enable General Mills to see what other products and ingredients customers are buying and to target relevant offers.



[Pepsico Tasty Rewards](#) gives loyalty members access to special coupons and sweepstakes. By completing activities like completing a profile, logging in multiples times and submitting receipts to an app, consumers earn entries to submit for a chance to win sweepstakes prizes including themed gift boxes for game day or self-care. [Pampers Club](#) members can download the loyalty app, scan the code from their Pampers pack and receive rewards. Loyalty members get \$0.20 Pampers Cash for every diaper code they enter and \$0.05 Pampers Cash for every wipes code.

### **Understand and engage your consumers**

Consumers today have more choices than ever and economic dynamics globally will continue to boost their spending power. To maintain a competitive edge, consumer goods companies need to better understand and engage their consumers. But faced with tough choices of where to invest their resources, they need the right tools to inform decision-making and drive growth.

Mastercard's dedicated consumer goods team's industry expertise supports consumer goods stakeholders across category management, brand marketing, shopper/customer marketing, sales, finance, supply chain and sustainability. We can serve as "consumer experts" and offer information and insights about consumer spending to enable better decision making.

[Read more](#) about the services we offer or [contact us](#).





## Trend #2: Consistency and personalization across digital and in-store shopping

"Winning shoppers online along with the more traditional brick and mortar retail channels and grappling with the need to create a coherent omnichannel shopping experience are paramount."

Long gone are the days when consumer goods companies' sole focus was products on the shelves at retail stores. Today, shoppers are shopping everywhere, whether that's online, via app or social media or in store. In 2024, consumer goods companies will be creating a consistent shopping experience across digital and in-store environments to engage an empowered consumer.

The empowered consumer of 2024 wants the best products at the best prices. Some are willing to buy online and wait for delivery if the price is right. Others will search online for a nearby store to get their item sooner.

Consumer goods companies are investing in omnichannel, customer-level marketing that puts their products front and center wherever the consumer shops, from a retailer's app to a delivery service app. They'll think through touchpoints, how they leverage multiple ways to engage with customers and how to personalize the experience in a meaningful way.

Winning shoppers online along with the more traditional brick and mortar retail channels and grappling with the need to create a coherent omnichannel shopping experience are paramount.

One measure of omnichannel development is digital ad spending. Social remains the leading digital channel at 12.2% of the marketing budget, with digital display (12.1%) and digital video (11.7%) rounding out the top three, according to Gartner. After two years of below-average digital ad spending growth, it's projected that the consumer goods industry will increase spending by 12.9% in 2024, which will exceed the overall US digital ad spending pace (11.2%). With significant funds going to digital media advertising, consumer goods companies are measuring the success.

### Explore more

[Retail trends to watch in 2024 | Mastercard Data & Services](#)

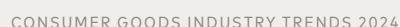
[Economic Outlook 2024 | Mastercard Data & Services](#)

# Manufacturer optimizes digital ads using Test & Learn®

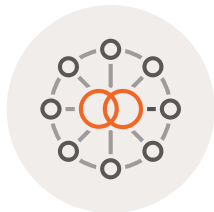
**Goal:** The manufacturer was interested in using a ROI-driven approach to understand the online and in-store impact of its digital ad spend by product and by market, as well as how to optimize digital ads for the best outcomes.

**Result:** Test & Learn® found that the digital ads generated a 1.4% lift in in-store sales per week compared to the control group. Test & Learn® also found that promoted categories primarily drove the lift and other categories did not experience cannibalization. The software automatically identified store attributes that drove performance, enabling the manufacturer to predict which stores would respond best to the ads. By targeting future digital ads to a select set of stores using Test & Learn® recommendations, the manufacturer could drive \$4.5 million in incremental profit.

Start testing new ways to engage consumers.







## Trend #3: Focus on the retail media network space

Retailers are leveraging and monetizing their retail media networks, where growth continues to soar. Instead of relying on third-party data, consumer goods companies will increasingly play in the retail media network space to gain proximity to the consumer. That vital first-party data enables personalization and allows the brand to advertise closer to the moment of purchase.

"Of the \$875.4 billion global advertising spending estimated in 2023, retail media accounted for 11%, a small but not insignificant portion."

Instead of relying on third-party data, consumer goods companies can leverage first-party data from a grocery or retail store's retail media network, the advertising platform on their website, app, or other digital platforms. Over 70% of advertisers believe retail media networks could increase customer engagement and sales, according to a December 2023 Gartner report.

Of the \$875.4 billion global advertising spending estimated in 2023, retail media accounted for 11% (\$96 billion), a small but not insignificant portion. It's projected to grow to a dollar value of \$160 billion by 2027, according to a 2022 report by Group M. That strong estimated growth is echoed in data from omnichannel marketing platform Skai, which suggested that retail media spending in the third quarter of 2023 grew 10% over the second quarter.

As part of a larger negotiation, some retailers have begun mandating that consumer goods companies participate in certain programs. That shift is squeezing budgets. Consumer goods companies are using testing related to digital media and e-commerce to assess which retail media network investments drive the most growth. For example, what is the best way to leverage data from retail media networks to target customers on a variety of digital channels?

As retailers look to monetize high-margin parts of their business and use their market power, we can expect that more and more network and platform-related tools start to follow the path of retail networks. In the third quarter of 2023, Walmart reported 26% growth in its Walmart Connect advertising platform. For their part, consumer goods companies will analyze their routes to promotion -- and retail media network advertising will be one part of a larger negotiation.

### A consumer relationship without the retail filter

Ever since the Butterball Turkey Talk-Line launched in 1981 to answer turkey-cooking questions, consumer goods companies have sought to connect directly with consumers. Getting a first-hand sense of the consumer and building a relationship where you can attract new consumers is valuable. And e-commerce is bringing opportunity for consumer goods companies to interact directly with consumers.

**It's a tempting proposition:** Why can't a consumer goods company make a subscription for its popular laundry detergent? The product could ship from the warehouse and go to the consumer. In truth, unless companies go to a DTC model, they can only connect with a small fraction of their audience. But to succeed, in addition to overcoming the supply chain and production complexities, the company would need to build an environment where it's sharing knowledge, caring for the consumer and creating something indispensable – like the Butterball Turkey Talk-Line at Thanksgiving.



## CASE STUDY

### How a CPG company measured the \$1.3 million impact of game-day ads

For a major U.S. football game, a leading U.S. consumer goods company purchased an ad segment.

**Goal:** The company wanted to understand the incremental impact of their investment, but the ad's nationwide scope meant they could not find a valid benchmark for performance.

The most accurate way to measure an initiative's impact is with a designed test and control group. However, large-scale initiatives like football game day television ads are rolled out to everyone. Every person watching the game sees the same ads and therefore there is no control group.

**Strategy:** To understand the impact of their nationwide ad, the company worked Mastercard Test & Learn™, an analytics platform. [Test & Learn® with Causal Inference](#) uses machine learning that capitalizes on proprietary, anonymized and aggregated Mastercard data and correlated market datasets to accurately quantify the performance impact of these large-scale initiatives.

**Result:** The company was able to quantify the true impact of the ad by using this new Test & Learn® capability to create a relevant performance benchmark. The company found that the ad drove \$1.3 million in incremental sales across several products.







## Trend #4: Investment in digital transformation

In this era of fast-evolving trends and deep learning algorithms, consumer goods companies must embrace technology and invest in their digital transformation journey. In 2024, consumer goods companies will enable digital transformation by building analytical capacity in people and systems.

"Consumer goods companies will be seeking out ways AI can be used to enhance the omnichannel shopping experience."

According to the Harvard Business Review, the industry was the only one to land in the lowest digital transformation evolutionary state with both the lowest rating in tech capability as well as tech architecture. One tailwind for consumer goods companies looking to invest in the right talent to scale analytics is the recent increase in available computer science talent due to tech industry disruption.

Some 24% of consumer goods marketing technology leaders are already investing in Generative AI while another 60% plan on investing within two years, according to Gartner. Whether it's a tool for streamlining order fulfillment or personalized marketing strategies based on customer data and behavior, consumer goods companies will be seeking out ways AI can be used to enhance the omnichannel shopping experience.

For their part, retailers are already testing myriad ways to deploy AI. More than one in four retailers are currently using generative AI solutions, with another 13% planning to adopt them in 2024.

Gen AI can play a role in rapid cycle innovation concept testing across areas including:



New product concept prototyping



Packaging design



Marketing



Personalization

Companies' product pages on retail media networks will evolve with this new generation of AI-driven contextual search. In January 2024, [Walmart rolled out a new Gen AI contextual search tool](#) using Walmart proprietary data and technology and large language models. The new search function for online shoppers is designed to understand the context of a customer's query ("help me plan a football-themed birthday party") and serve up a curated list of personalized items. For their part, consumer goods companies can test and optimize enhanced page content as search evolves by building more test permutations leveraging Gen AI.

**"AI enables consumer goods companies to understand out-of-stocks and ensure product displays are correctly implemented."**

## dynamic yield

by 

[Dynamic Yield by Mastercard](#) is an operating system for personalization. Consumer goods companies can implement personalization for discovery browsing, stock and inventory, checkout and repurchasing. Custom experiences for every customer help engage new or returning customers and strengthen the relationship with new users based on consumer-permissioned information in their user affinity profile

(such as dietary restrictions and preferences), previous behavior, location, weather or any first or third-party data. Consumer goods companies can drive incremental revenue by analyzing which shelving arrangements are most effective. Information could then be used to analyze the most optimal shelving layouts correlated with better sales performance.

### Shoppers get a helping hand from AI

Consumers searching for just the right item is one activity getting a helping hand with AI. [Dynamic Yield's Shopping Muse](#) is a consumer-permissioned advanced generative AI tool that changes how consumers search for and discover products in a retailer's digital catalog.

In further blending the online and in-store shopping experience, [Shopping Muse](#) recreates the in-store human experience by translating consumers' colloquial language into tailored product recommendations. In addition, the tool provides suggestions for coordinating products and accessories.

Some consumer goods companies will implement AI to make at-shelf retail decisions. Rather than using a traditional broker network, they're leveraging AI to get automated and data-based pictures of what the macaroni and cheese assortment looks like at

Albertson's, for example. AI automates that process and shows how products are positioned in store. This enables consumer goods companies to understand out-of-stocks and ensure product displays are correctly implemented.

[Procter & Gamble \(P&G\) is focused on becoming an AI-first business](#) and the Pampers MyPerfectFit mobile app is one leading example. Parents can access the app to provide the date of birth, the baby weight and height, diaper fit details and the algorithm will recommend the right diaper size with a 90% accuracy rate.

While the gathering of pictures of the shelf is manual, AI can identify out of stock items, where products are positioned on the shelf and even the prices listed. It enables consumer goods companies to drive incremental revenue by analyzing which shelving arrangements are most effective. Information could then be used to analyze the most optimal shelving layouts correlated with better sales performance.

# Conclusion

Consumer goods companies are exceptional at innovating new products that are attuned to consumer preferences. In the ever-evolving landscape of the consumer goods industry, 2024 will demand innovation in all aspects of the business. Companies vying for consumer attention will maneuver through the nuanced relationship between themselves, consumers and retailers. Challenges and opportunities abound, but these trends serve as guideposts as companies navigate the evolving expectations of consumers and the strategies needed to stay ahead in a dynamic market.

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To learn how Mastercard empowers consumer packaged goods (CPG) companies to navigate the changing landscape with solutions across analytics, experimentation and customer engagement, reach out to your Mastercard representative or contact us [here](#).

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