State of Consumer Products Report: reclaiming relevance

Thriving in a changing world by restoring belief in the power of brands

The better the question. The better the answer. The better the world works.

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Shape the future with confidence

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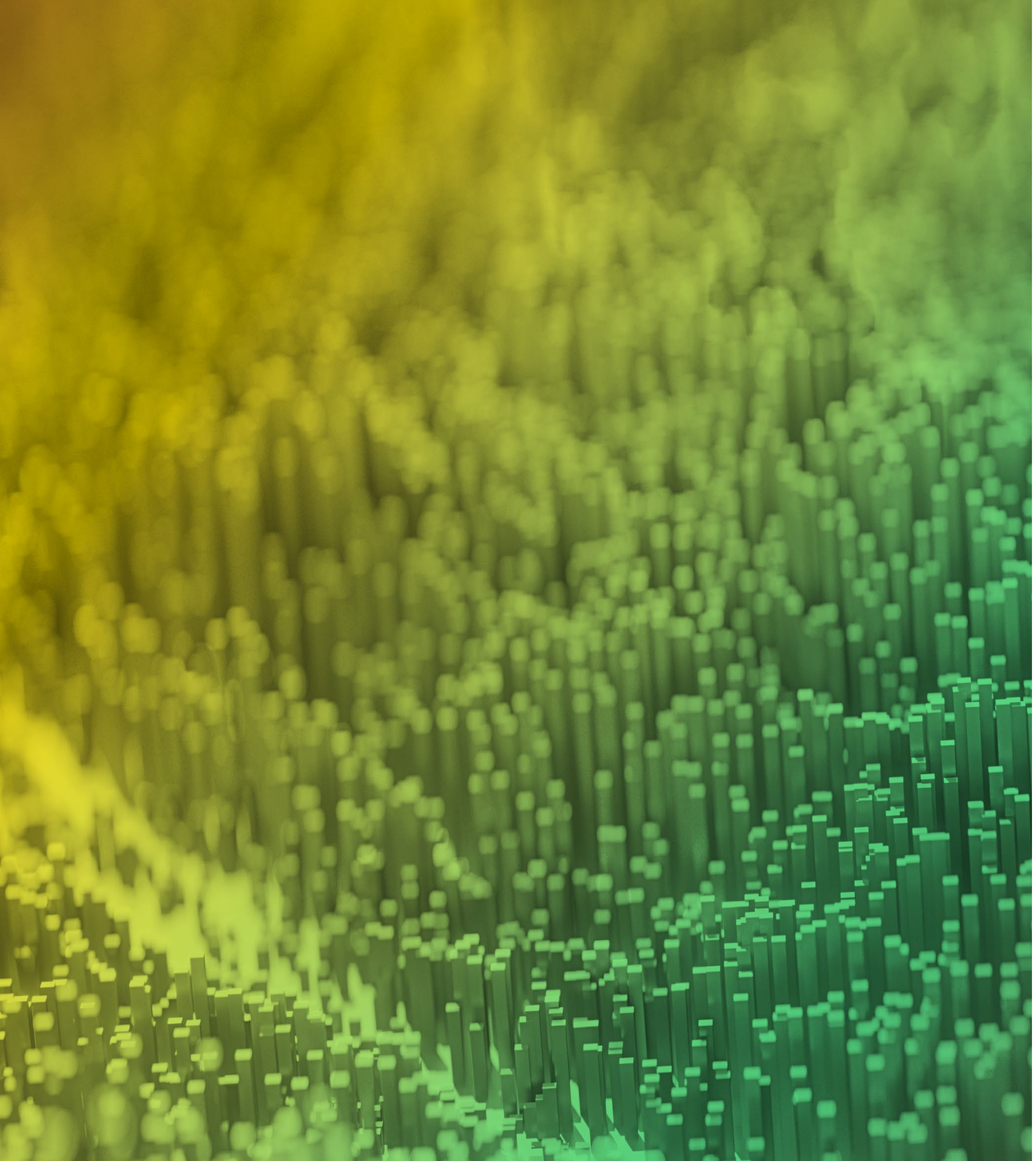

INTRODUCTION

For decades, scale brought success to Consumer Products (CP) companies. They built mass-market brands that people trusted, believed in and even loved. They became part of the fabric of our daily lives, and they did it globally. But the rules have changed — and many big CP companies are facing a relentless drift toward irrelevance.

We believe they can thrive again, and this report explores what that will take. At its heart is a simple but urgent choice: continue defending what's slipping away, or act boldly to rebuild relevance with the three audiences that matter — consumers, customers (retailers) and capital markets. That means restoring belief in your brands, your strategy and your ability to lead, so you can shape your future with confidence. Because in this environment, an optimistic belief in the continuing value of mega-brands is not a by-product of success; it's the starting point.

EXECUTIVE SUMMARY

The Consumer Products industry is at a critical juncture. For decades, scale was the engine of growth — and big CP firms led the way. But the forces that once guaranteed success have weakened. In their place, a tougher landscape has emerged: one where size matters less, and where success lies in reestablishing relevance to consumers, customers and capital markets.

In this report, we explore the risks and opportunities facing CP companies as they navigate this new terrain. We begin by examining the industry's Negative Drift — a gradual but relentless erosion of confidence, both internally and externally. For many firms, decision-making is slowing, innovation is stalling, and belief in the brand's ability to lead is fading.

We then look at the way many companies are responding: by falling back on what we call Defensive Scale. This includes portfolio stretching, investment in owned channels and cost efficiency — moves that aim to preserve position rather than create new value. But the traditional levers of scale and control no longer offer protection. So while understandable, this posture risks reinforcing or even accelerating the slide toward irrelevance.

But not all companies are retreating and assuming a defensive posture. Some are acting with what we call Disruptive Optimism — a shift in mindset and business practice that powers bold, focused investment. These companies are simplifying their portfolios; accelerating their investment in technology, so they can modernize their enterprise and make it fit for the future; focusing on growth and productivity; and engaging differently with consumers, their customers (retailers) and the capital markets. They are forging a new path forward — what we call their Route to Relevance.

The core of this report focuses on how relevance is shifting in **the three relationships that matter most.**

1. **Consumers** who expect sharper value from brands, clearer differentiation and real innovation. In the era of personalized marketing, they want to feel seen, heard and appreciated.

2. **Customers (retailers)** who value collaborative partners that can grow categories across their retail channels. They want those partners to bring executional excellence and the ability to use new and expanding data assets to drive growth at a granular level.

3. **Capital markets** comprised of an investor community that wants CP companies to show strategic focus and operational discipline, so they can deliver the performance and cash flow that makes them a desired asset class.

In each case, we show how confidence is returning – but only to the companies willing to act with urgency and clarity. Across the industry, there is reason to believe. But it will take more than legacy to lead.

Rob Holston
EY Global and EY Americas Consumer Products Sector Leader

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Our sector is going through significant structural shifts that we have to account for as we think about the business, our strategies and our performance expectations. The consumer is going through a generational transition.

Head of Strategy of Global CP company

Section 1

Negative Drift and the risk of irrelevance

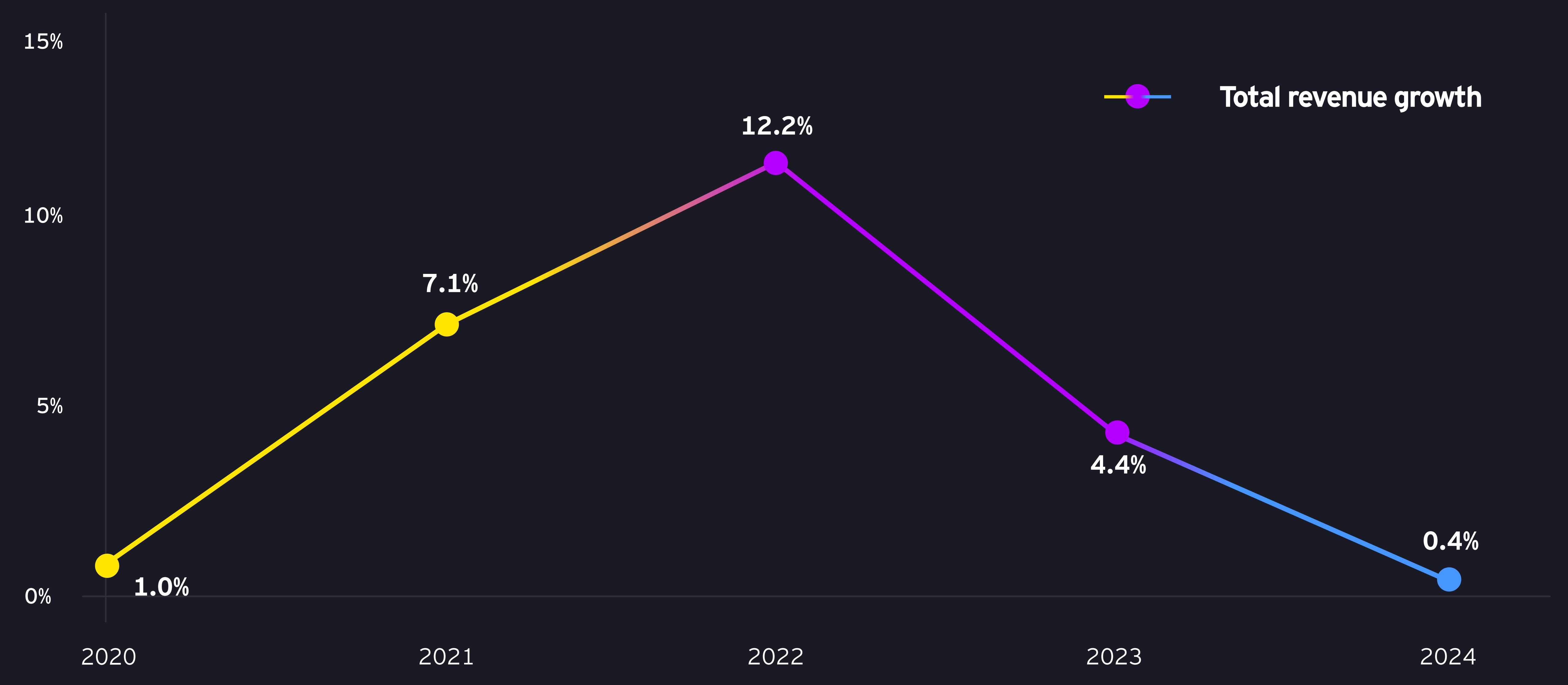
The growth model that powered big consumer products companies for decades is breaking down. In its place, a tougher reality has emerged: in many categories soon, there may be room for just one major national brand on the shelf. The rest will be private-label or niche challengers. Relevance in this new context can't be assumed. It must be re-earned.

The scale and reach of big CP companies historically conferred a clear advantage. With strong distribution, familiar brands, adjacent innovation, well-placed marketing investment and finely tuned pricing strategies, their performance was steady and predictable.

Even through periods of disruption, including the COVID-19 pandemic, that model largely held. But its foundations have gradually been eroding. Revenue growth, whether organic or supplemented through an acquisition, has been stalling in recent years. Despite efforts to grow sales through incremental initiatives like product line extensions and pricing optimization, large players have generally begun to stall as an array of macroeconomic challenges has emerged.

The latest CP growth cycle has come to an end

Figure 1. Year-over-year revenue growth of largest CP companies



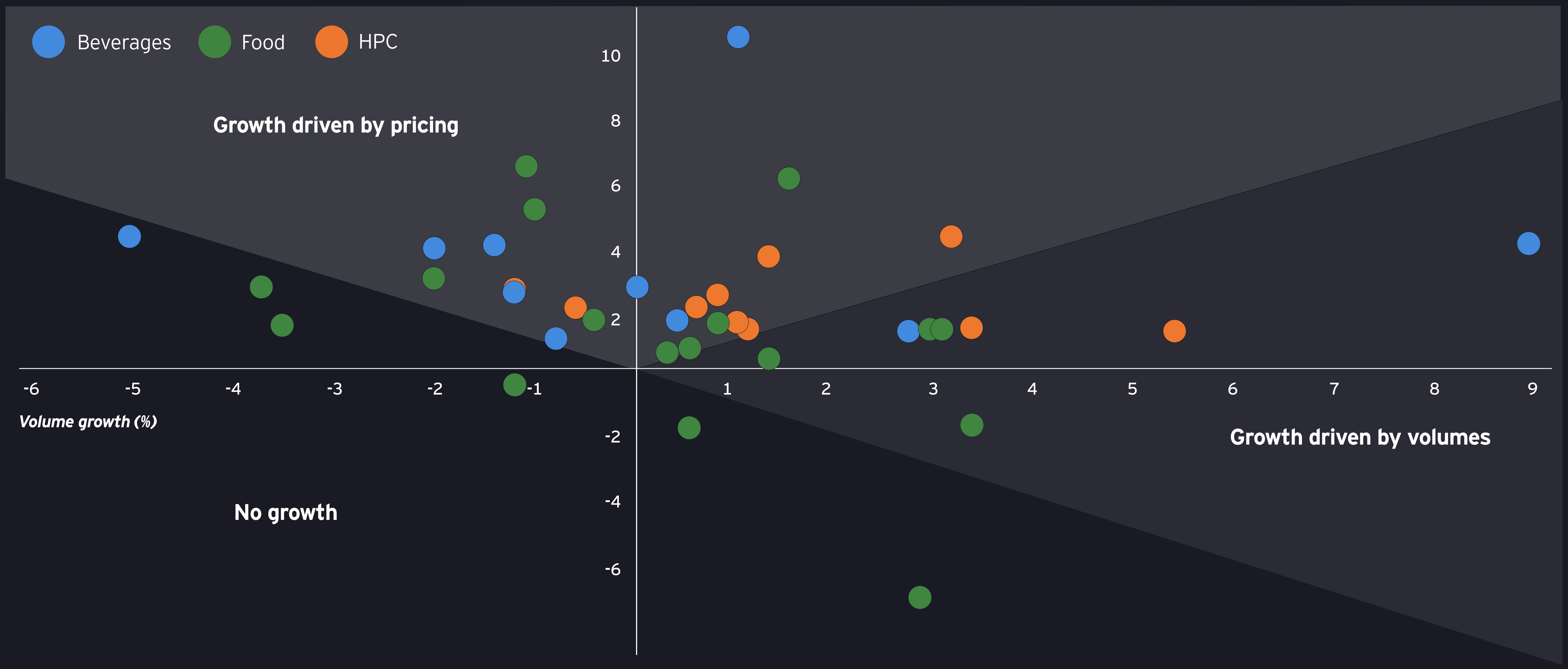
Note: Chart shows weighted average growth rates based on revenues in reported currencies of the 322 largest CP companies

Source: EY Insights analysis, Capital IQ Pro

> For the longest time we could run our business by focusing on near-term imperatives. That peaked during COVID, when the near term was all that mattered, because the near term was in so much jeopardy. Now it's different. The medium term and longer term have significant challenges and opportunities. That means, suddenly, it's strategies that matter again.
>
> **CEO of global food company**

Volume growth remains a challenge with most CP companies growing top-line revenue through pricing

Figure 2. Volume and pricing growth for 12 months per December 2024, for largest CP companies



Note: Chart shows organic growth split by volume growth and pricing growth of largest public CP companies

Source: EY Insights analysis, Company Publications (press releases, results presentations, SEC 10Ks)

> “Volume growth will clearly be challenged in a world where 70% of our business is in a demographic change environment. We’re focused on innovation to drive more occasions and premiumization.
>
> **Claus Aagaard**
> Mars, Incorporated, CFO

What we’re seeing in the sector now is not just another contraction cycle; it’s a structural shift. Plus, when consumers are buying for better value and also buying less, it’s a structural shift that suggests volume may no longer be the right growth metric in the future.

Across categories, private label is expanding its share of shelf and improving in terms of quality and appeal. Retailers are stocking more private-label goods and consumers are noticing: 64% say they’ve seen more private-label options where they shop, and 63% say these products offer better quality – up from 57% in mid-2024. The more high-quality private-label alternatives that consumers see, the more likely they are to try to eventually switch to them. We expect this trend away from big brands to accelerate unless large CP firms address it as a structural change in the market.

There is also growing competition from challenger brands that have been driving a lot of the innovation in the sector in recent years. These brands are typically created by smaller, more agile companies that operate outside the mainstream norms of the CP industry. They are adept at using new technologies to innovate, activate new ideas fast and get closer to consumers. Indeed, there seems to be a new rule of the game to succeed in Consumer Products if you are a challenger brand – secure distribution for your new product faster than your larger competitors are able to mount a response and innovate.

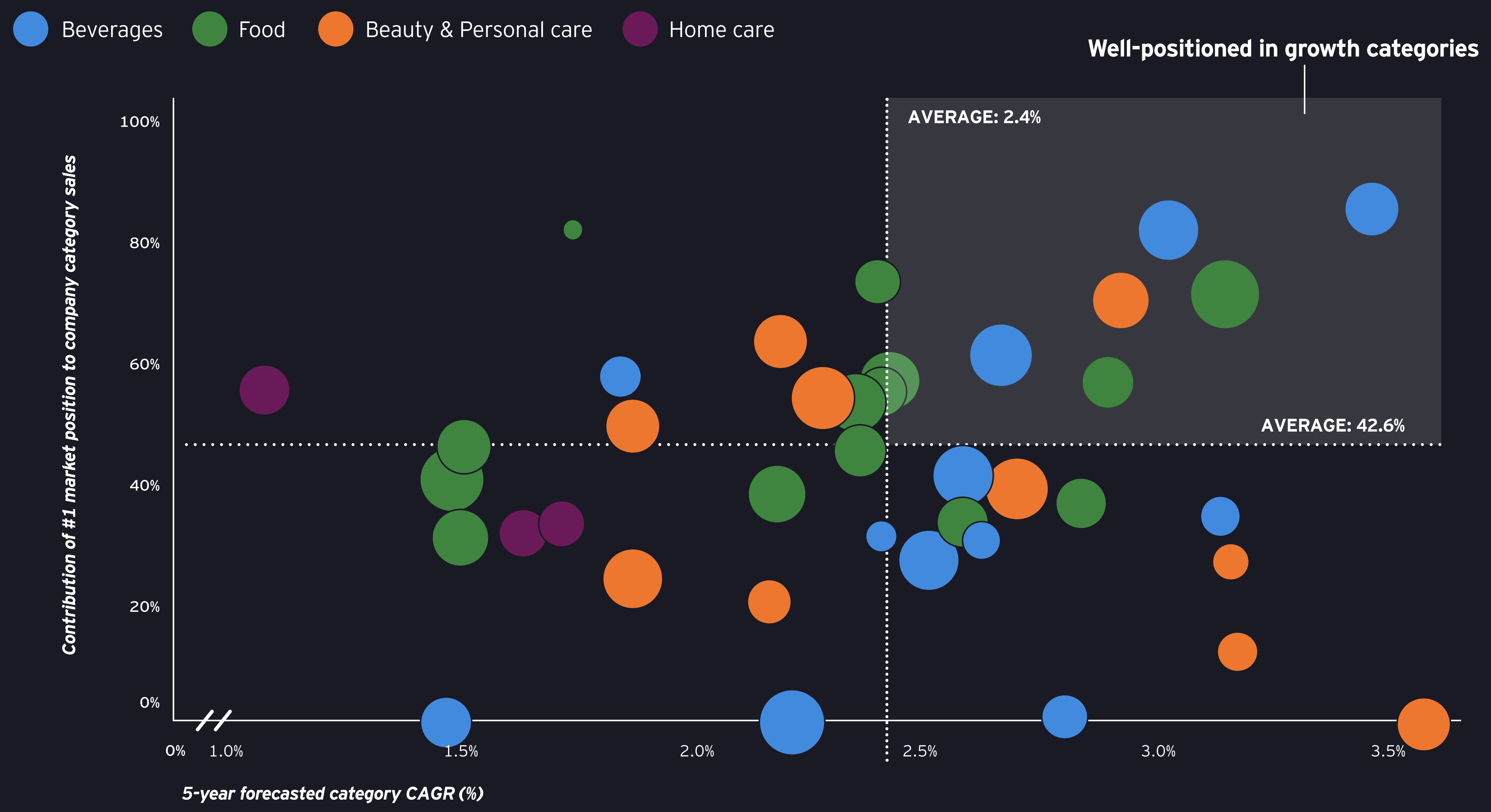
An uncomfortable reality calls for new strategies.

For established players, the convergence of these two trends is creating an uncomfortable reality. Their distribution power no longer gives them the protection it once did; they need more sophisticated go-to-market capabilities to compete. And their approach to brand development is slow and outdated; they need to make significant investments in creativity and innovation.

But time is not on their side. In many categories, most CP firms and retailers believe there will only be space on the shelf for just one mass-market brand, the "category captain." The rest will be taken by private-label and niche challengers. If your brand is not that category captain — the last brand standing, as it were — **how is it relevant?** And what will it take to hold that position and make sure it's profitable?

Category Captaincy: In a world where only one mass brand remains on shelf, only a few companies are well positioned to maintain category captaincy. Those with strong brand recognition, wide distribution and effective marketing will have the edge, but the majority are at risk of being pushed off the shelf.

Figure 3. Companies that are best positioned to dominate shelf space in the future based on market share and volume contribution analysis



Note: x-axis shows forecasted 5-year CAGR of the categories a company is in (calculated at sub-category and country level); y-axis shows percentage of sales coming from #1 brand positions at a sub-category and country level; bubble size represents relative operating margin compared to other companies in same sub-categories

Source: EY Insights analysis, Euromonitor, Capital IQ Pro

78%

of retailers believe that in the long run, only one mass-market brand will remain on shelves, with the rest made up of private labels, premium or niche brands. While **65% of CP companies** share this view, the stronger retailer consensus suggests they are likely to drive this shift.

Avoiding the slow descent into irrelevance

Most CP leaders recognize there's work to be done: 68% say the challenges they face require new strategies. Those most confident about their future are the mega-brand owners that have made investments to shake off the weight of their legacies, and the nimble challenger brands that are too new to have a legacy to worry about.

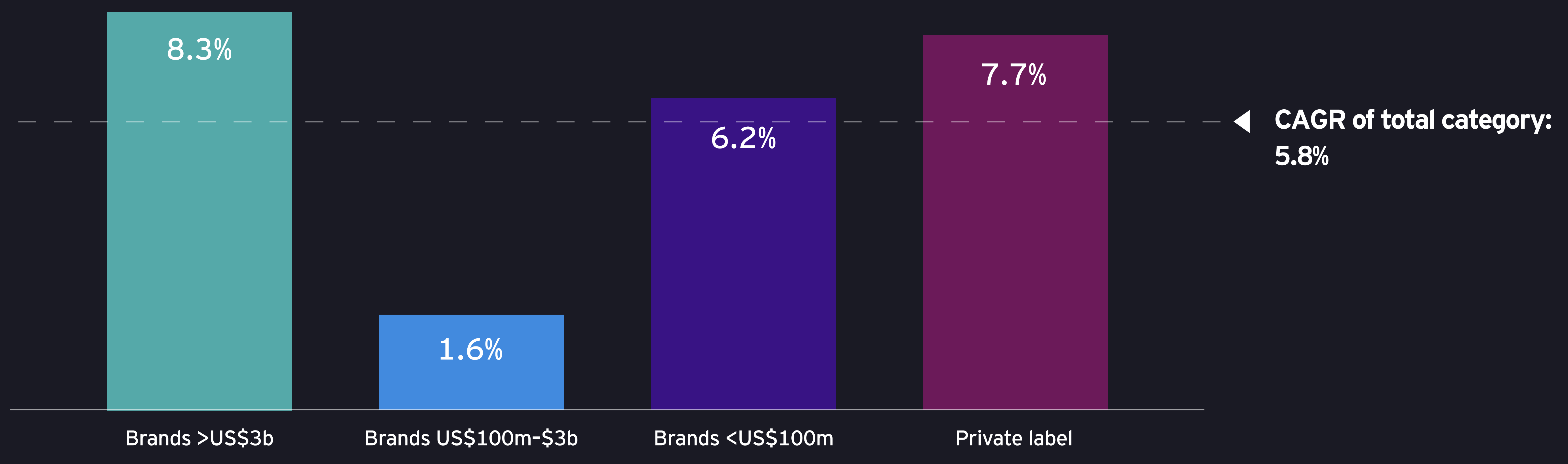
Then there are those stuck in the middle: they're weighed down by complexity, uncertain of their direction, and losing confidence in their ability to lead. They limit themselves to introducing product extensions that generally lack creativity. They settle for experimenting with new pack sizes and formats in a desperate attempt to capture new occasions. And they obsess over squeezing out as much cost per unit as possible. This vulnerability is playing out in full view of retailers, who are more confident than ever in their own prospects and only expect their negotiating power to grow.

The reality is that much of the industry is no longer in control of its own narrative. Many CP leaders feel this. Their companies are managing rising complexity, declining margins and weakening investor confidence. Their internal decision-making is getting slower, and their so-called "innovations" are harder to sell. Tolerance for risk is shrinking. And gradually, belief – in the organization and its ability to turn things around – starts to fade.

We call this condition **Negative Drift**. It's not a crisis. It's something quieter, and harder to spot: a slow erosion of confidence. It affects how companies see themselves, how others see them and what they believe is possible. And left unchecked, it leads to irrelevance.

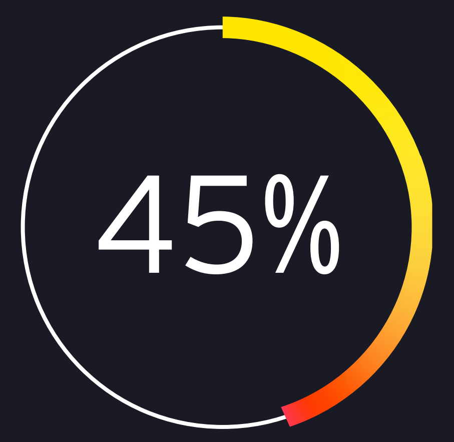
Brands in the "struggling middle" are the highest risk of Negative Drift

Figure 4. Compound Annual Growth Rate (CAGR) 2019-2024 by brand revenue size

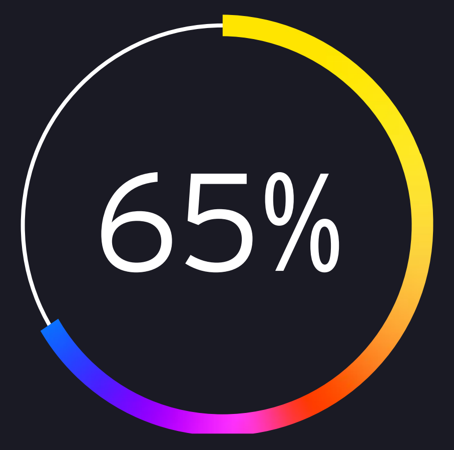


Note: Brands <US$100m include "Artisanal" and "Other" brands from Euromonitor

Source: EY Insights analysis, Euromonitor, EY Consumer Products Dynamics Research - March 2025



of midsized firms lack confidence that their revenue and profit growth over the next two years will meet or exceed past performance, **compared to 33% of large firms and 43% of small firms.**



of midsized firms believe they need to rethink how to leverage their scale for competitive advantage, compared to j**ust 50% of large firms and 62% of small firms**, highlighting a stronger sense of urgency among midsized players.

Section 2

Defensive Scale is not the answer

Faced with growing complexity and declining relevance, many CP leaders are doubling down on what once made them strong: reach, efficiency and control. But the strategies of the past are no match for the challenges of today. What's needed now is something bolder – a different kind of optimism entirely.

How do you avoid a drift into irrelevance? Many CP companies are turning to the same levers that sustained them for decades. They are expanding portfolios, stretching price points, pushing into new channels and automating internal processes – all in the name of staying competitive. These are familiar responses – but in today's environment, they risk becoming more reactive than strategic.

We call this posture **Defensive Scale**. It's a way of acting that made sense in the past: When growth slows, scale up; when margins tighten, cut cost; when shelf space shrinks, pay for distribution. These moves aren't irrational, but they don't guarantee the outcomes they used to. "You can't constantly play the lower cost game," says Jens Weng, EY-Parthenon EMEIA Head of Consumer Goods and Retail. "That's not where the consumer is. Defensive moves may preserve position, but they rarely create it."

When we asked CP executives about their strategic priorities, the biggest players showed a clear pattern: While they are investing in more areas, they are often doing so through a lens of control and protection, rather than growth and ambition. Many are trying to regain control in a world that has shifted. And in doing so, they risk reinforcing the very conditions they're trying to escape. As one leader put it: "Companies need to innovate beyond incrementalism."

"

Questions about how to win are relatively easy to answer; it's where to play that matters. We're looking at the big megatrends, the winds of change that are blowing through this sector. They can either knock you off course or give you momentum. It's all about where you seek to play.

Chief Growth Officer of Global CP Company

5 symptoms of Defensive Scale

1 You view the world as a zero-sum game.

Only 33% of large CP companies see "growing the market" as a priority vs. 45% of smaller firms. Capturing existing market share is the priority for 67% of the largest companies in the sector. The instinct is to hold ground, not create new value.

Large CP companies are prioritizing taking share from competitors, not growing the category

Figure 5. CP leaders' primary strategic direction on market share over next three years by company size

2 Your innovation isn't valued by the consumer.

Large firms lean toward product innovation (60% prioritize "creating new value"), yet consumer trust in that innovation is waning. Innovation may be frequent, but not focused or convincing. Forty-two percent of consumers view "innovation" as a cost-taking effort.

Value created from innovation is short-term

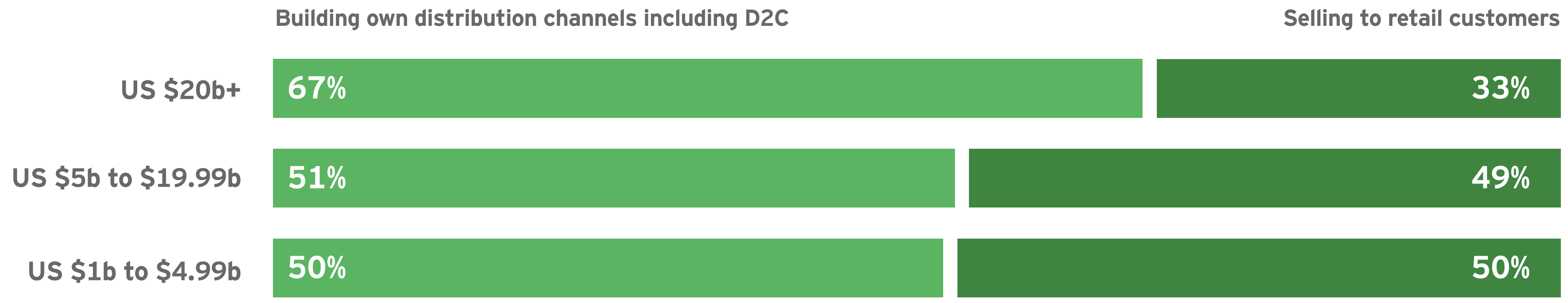
Figure 6. CP leaders' primary strategic direction on their products and services over next three years by company size

3 You prioritize control over partnership.

Only a third of large companies prioritize selling through retailers; 67% want to build their own distribution channels. This signals an attempt to recapture power – not necessarily to strengthen partnerships.

Large CP companies are investing in their distribution to create a new competitive advantage

Figure 7. CP leaders' primary strategic direction on their distribution over next three years by company size

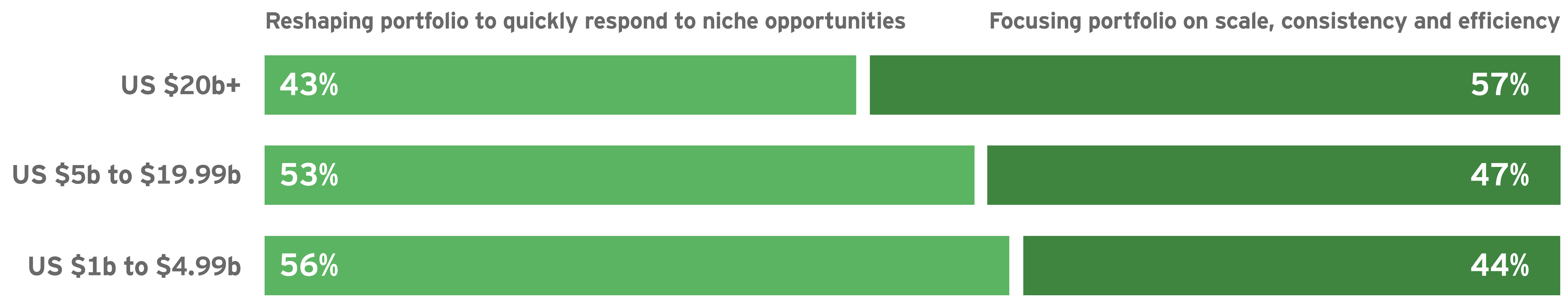


4 You're clinging to your legacy.

Mid-sized and smaller firms are ahead on digital marketing, portfolio focus and targeting niche demand. Bold, confident action is visible – particularly among smaller and midsized players. But among the largest firms, that same energy is often harder to find.

Protecting the core remains the focus for large CP firms

Figure 8. CP leaders' primary strategic direction on their portfolio over next three years by company size



5 You offer investors short-term fixes when they want long-term stability.

Most investors don't come to CP for rapid growth or short-term efficiency gains – they come for reliability. But many CP companies are leaning into strategies and near-term fixes that miss that expectation. Bold claims matter less than execution that delivers sustained performance.

1 out of 2

CP companies say they still can't forecast demand reliably

64%

of retail customers will prioritize relationships based on supply chain capabilities of their manufacturing partners

Note: Respondents had to choose between two given options to describe their strategic direction for the next three years

Figure 5, 6, 7, 8. Source: EY Insights analysis: EY Consumer Products Dynamics Research – March 2025

Disruptive Optimism: belief backed by action

Some companies – including several large, established ones – are still using the tools of scale, but they're doing so with a different intention: one that starts not with revitalizing what's been (or being) lost, but with going after what's still possible.

"We're asking ourselves what's our longer-term view on where to play," says one Chief Growth Officer. "You'll see us rebalance our portfolio, you'll see us rebalance our geographies and then you'll also see us stand up strategic adjacencies that we think we have a right to win."

We call this **Disruptive Optimism**. It's a belief that relevance can and must be rebuilt every day; that scale can enable agility and responsiveness; that strong brands can still earn loyalty – but only if they evolve. It's the mindset we see in many successful challenger brands, and increasingly, in confident retailers.

Disruptive Optimism isn't a strategy; it's the energy that powers one. It's a refusal to manage slow decline. It's a choice to act with clarity, confidence and urgency. But it's more than an attitude – it's also a function of the capabilities you invest in and the decisions you make. It's something leaders can cultivate and grow within themselves and at their organizations. And it's beginning to surface again in some parts of big CP.

As Claus Aagaard, Mars, Incorporated, CFO says, "We've learned from some of our acquisitions that manufacturing partners can provide faster access to get innovation in market. Something we intend to continue to leverage."

What's needed now is a reset. In the next three sections we look at why relevance is eroding with each of the three audiences that matter: consumers, retail customers and capital markets. We also identify some of the ways that Disruptive Optimism can help leaders stop any further drift and start to rebuild lost relevance. These are the actions and attitudes in which every consumer product company can find its **Route to Relevance** and can thereby thrive – creating more value now, and into the future.

"

Many CP companies are now taking seriously a shift from Defensive Scale to Disruptive Optimism. They're operating in a significantly different market, one that demands new ways of working and a reset on their approach to consumers, customers and capital markets.

Jason Lester
EY Global Beverage Leader

Section 3

Consumer reset:

what people want – and how big brands can deliver it

Consumers still value brands – but they expect more than ever: better quality, sharper value and a sense of connection to brands they buy from. Most big CP companies know this. But many continue struggling to respond. The challenge is not so much knowing what's needed – it's being able to deliver it with speed and credibility.

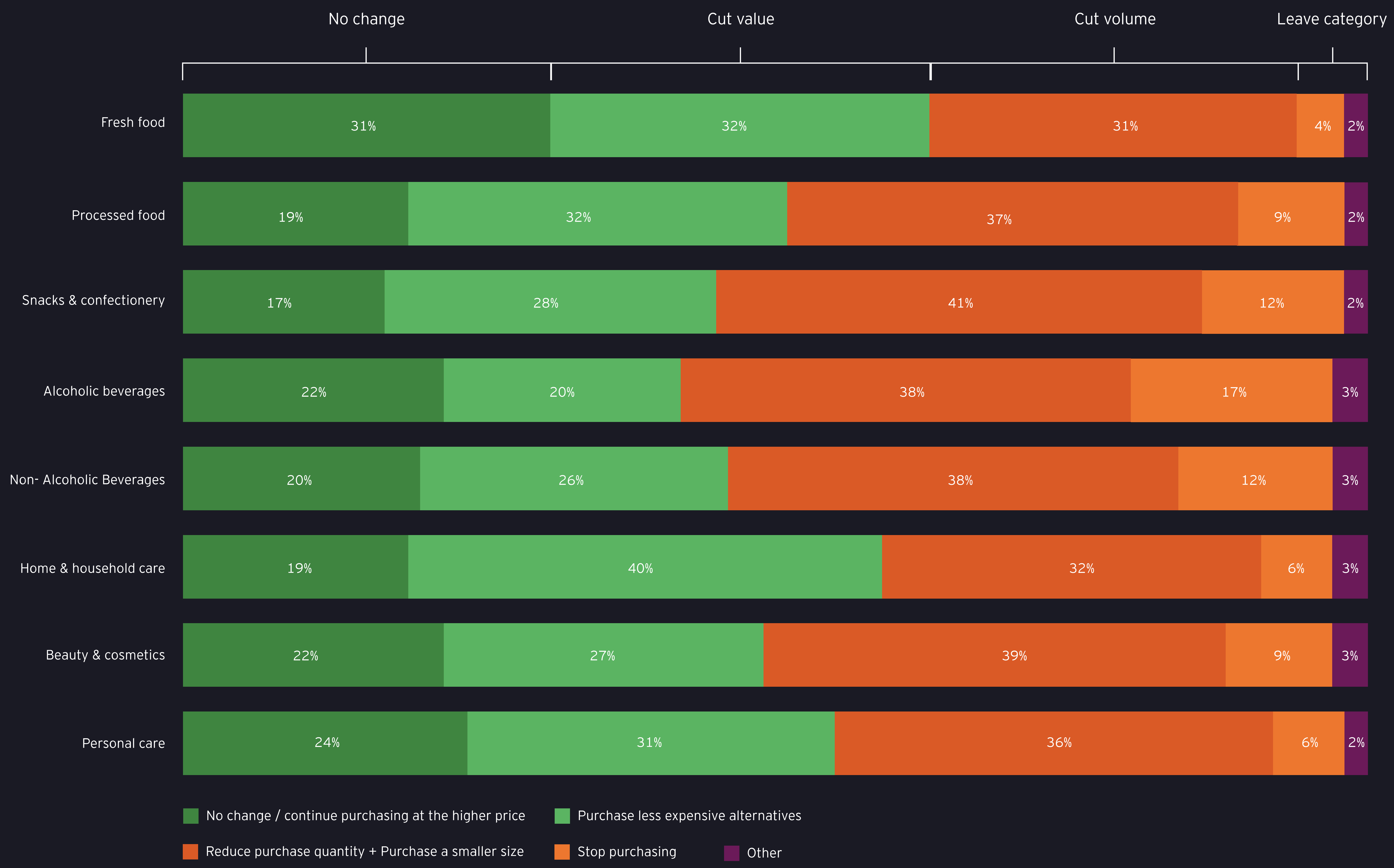
Most consumers don't want a shelf full of generics – they want brands they recognize, trust and enjoy. But the bar for what counts as relevant is much higher than it used to be.

Today, 83% of consumers say they want better quality from brands. Seventy-eight percent prioritize better value. And 67% say they expect brands to "offer something new." The majority still believe brands have a role to play – but only if they can deliver meaningful benefits, not just familiar packaging.

This is not a rejection of brands, but a reset of expectations. In the past, brand familiarity was often enough to sustain loyalty. Now loyalty is more fluid. Consumers are increasingly willing to try something new – and more confident in switching. Trust still matters. But it needs to be earned more often, and in more ways.

Ongoing pricing actions are testing consumer loyalty to brands with most choosing to buy less from brands (cut value), seek out less expensive alternatives (cut volume) or leave the category entirely

Figure 9. Consumers' response to price increases by category

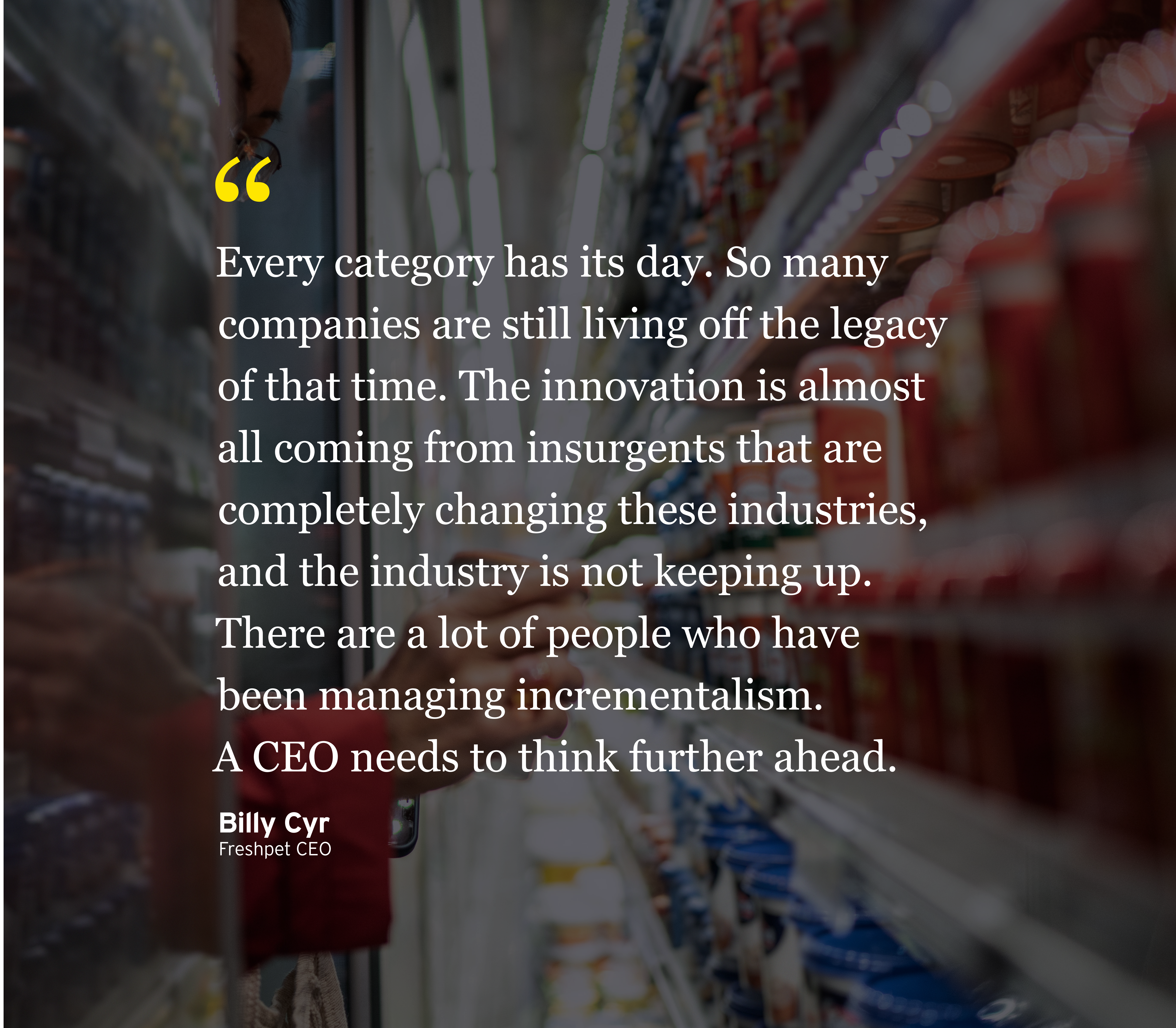


Source: EY Insights analysis, Future Consumer Index – February 2025

In higher-income segments, we see a stronger appetite for distinctiveness: Consumers are willing to pay more, but only when there's a clear reason to do so – whether in performance, convenience, health or identity.

In lower-income segments, the demand for value is rising fast: 77% of consumers say they plan to be more value-focused in the year ahead.

As Freshpet CEO Billy Cyr put it: "You can't constantly play the lower cost game. That's not where the consumer is." And another noted: "You can only make more money by selling less if what you're offering is meaningful." These leaders are responding to consumer demands not with tweaks, but with belief. And it's changing how they innovate, price and position their brands.



"Every category has its day. So many companies are still living off the legacy of that time. The innovation is almost all coming from insurgents that are completely changing these industries, and the industry is not keeping up. There are a lot of people who have been managing incrementalism. A CEO needs to think further ahead.

Billy Cyr
Freshpet CEO

Delivering what consumers value

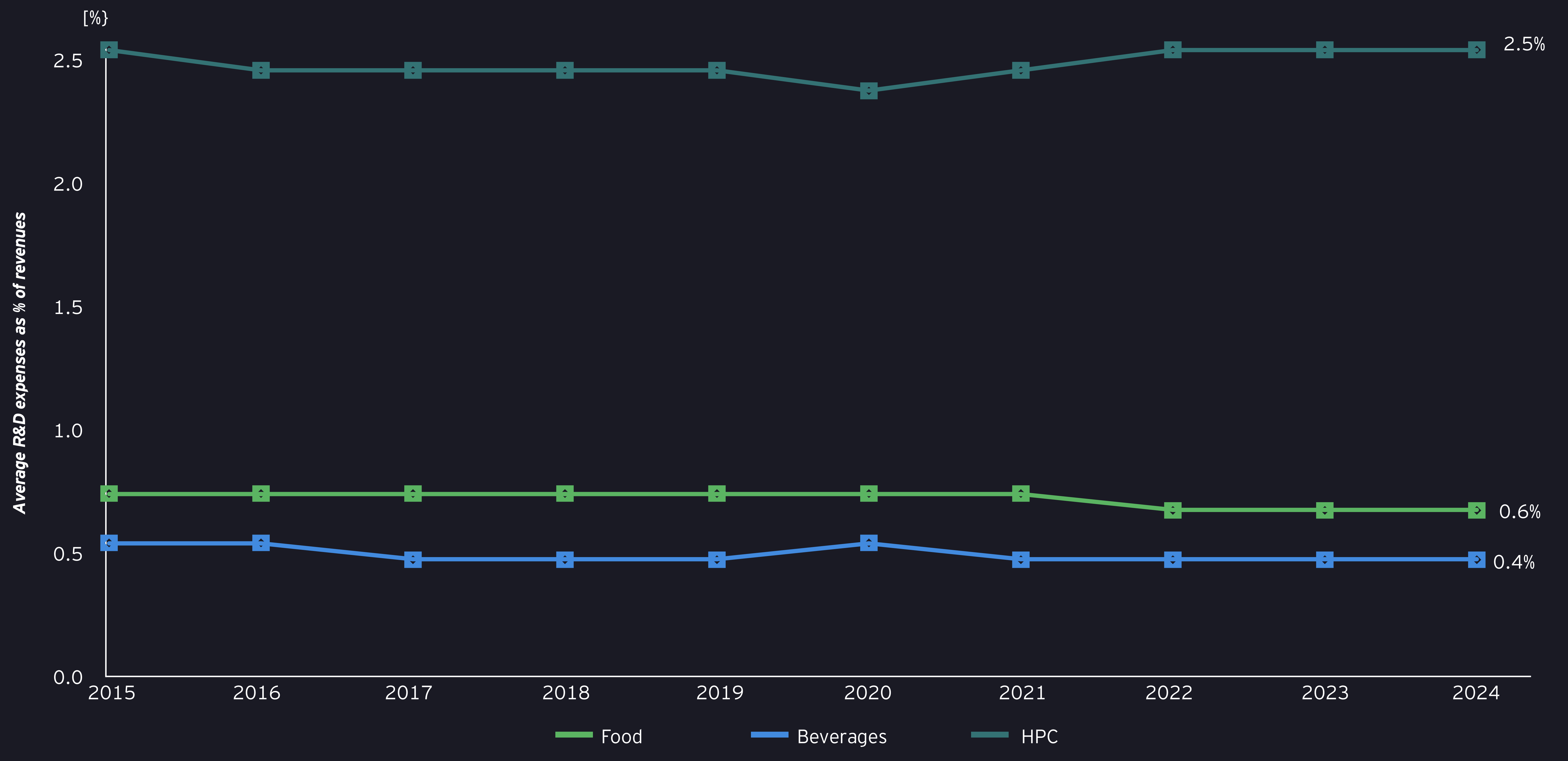
Most CP leaders know what consumers want. But many struggle to deliver it – at the speed, quality and clarity the market now demands. "We can't win the future by just dropping 20 grams of protein in here and 5 grams of fiber there," says a Chief Growth Officer. "We need to step back and have cohesive clarity on how to make food aligned with the health and wellbeing principles of this changing demographic. It's a very real thing."

A reset on innovation is critical. Seventy-six percent of CP leaders agree that innovation is becoming more complex and increasingly requires analytics and artificial intelligence (AI) – but fewer than a third believe their AI, data and analytics capabilities give them a competitive edge. Many companies have chased efficiency in ways that have undermined their ability to innovate and negatively impacted their brands' value proposition. For large CP companies with complex systems and risk-averse processes, it's hard to move quickly – and even harder to make innovation visible and meaningful to the people it's meant to serve.

"When we look at low-growth companies, less than half are investing in innovation at all," says Thomas Pyschny, EY Global Product Lifecycle Management/Innovation Excellence Leader. "The gap between their ambition and the capabilities they need to deliver is widening."

Consumers are innovation skeptics as defensive scale strategies are negatively impacting consumer perceptions of innovation

Figure 10. R&D investment has remained mostly flat across CP sectors over the past decade



Source: EY Insights analysis, Capital IQ Pro

Brand value propositions have declined

78% of consumers have noticed that brands have reduced pack sizes, but the price is the same or more

55% of consumers say they only buy branded products when on promotion

Impacting views on innovation

42% of consumers believe product "improvements" are just cost-cutting exercises

23% of consumers are not willing to pay a premium for any product feature or innovation

Source: EY Insights analysis, EY Future Consumer Index February 2025

Portfolio simplification is another opportunity. Many companies are still managing portfolios designed for broad reach. Those that focus on relevance instead will be better positioned to meet and shape category-specific trends. They can also target investment when and where it will build the deepest connection with the most desirable consumer segments. The alternative is continued fragmentation – too many products, not enough clarity and limited impact.

Success here is about creating the "organizational muscles" to achieve strategic and tactical plays that are both responsive and powerful. Fewer than one-third of CP leaders see themselves as highly effective at accelerating new product innovation and scaling it rapidly. Nearly half say their governance and controls are an excessive are a barrier to pace. And despite growing investments in consumer data, only 43% of low-growth companies say they use that data to inform product strategy – compared with 61% of high-growth firms.

Companies that gain an edge over their rivals in these key areas can empower their executives to act decisively – and with confidence. The contrast between enterprises that can do this and those that can't, will only become more apparent. The brands that are gaining ground aren't necessarily louder – they're clearer, faster and more focused. That's Disruptive Optimism in practice. It shows up in companies that simplify portfolios, clarify purpose and back fewer bets more boldly – because they believe their brands still matter.

As David Naim, EY Europe West Managing Partner, Consumer & Health Industries, put it: "The companies finding growth today are the ones that act like their brands are still powerful – and make decisions that prove it."

The table below illustrates what this mindset shift looks like in action – and why the route to relevance demands more than just efficiency or presence.

Two routes to consumer relevance

Defensive Scale	Disruptive Optimism
Protects existing portfolio breadth	Expanding into new areas with permissibility
Leans on price, pack size and promotion	Leads with zeal to reinvent and innovate entire categories
Tries to defend share across all channels	Finds growth where the brand adds most value

> "We need to step back and have a very cohesive clarity on how to make food aligned with the health and wellbeing principles of this changing demographic. In the prior generations, taste and indulgence were a very major part of their lives and lots of companies thrived on that basis. Companies just didn't change enough around the meta trend of health and wellbeing, which some of the new generations are seeking.
>
> **Chief Strategy Officer of global CP company**

4 reasons to be optimistic

1 New consumer groups offer CP leaders new occasion opportunities.

While populations in many markets are in long-term decline, there are new consumer groups taking shape that are attractive to CP leaders, for those who are meaningfully innovating. For example, more than one in 10 consumers globally are now either taking GLP-1 weight loss medications or actively considering it, creating a significant opportunity for companies that are reformulating their products. Another group worthy of serving is high-income, single-person households. These younger, more affluent consumer groups are attractive to CP companies because they are highly targetable, have disposable income and present new occasion opportunities outside of traditional consumption patterns.

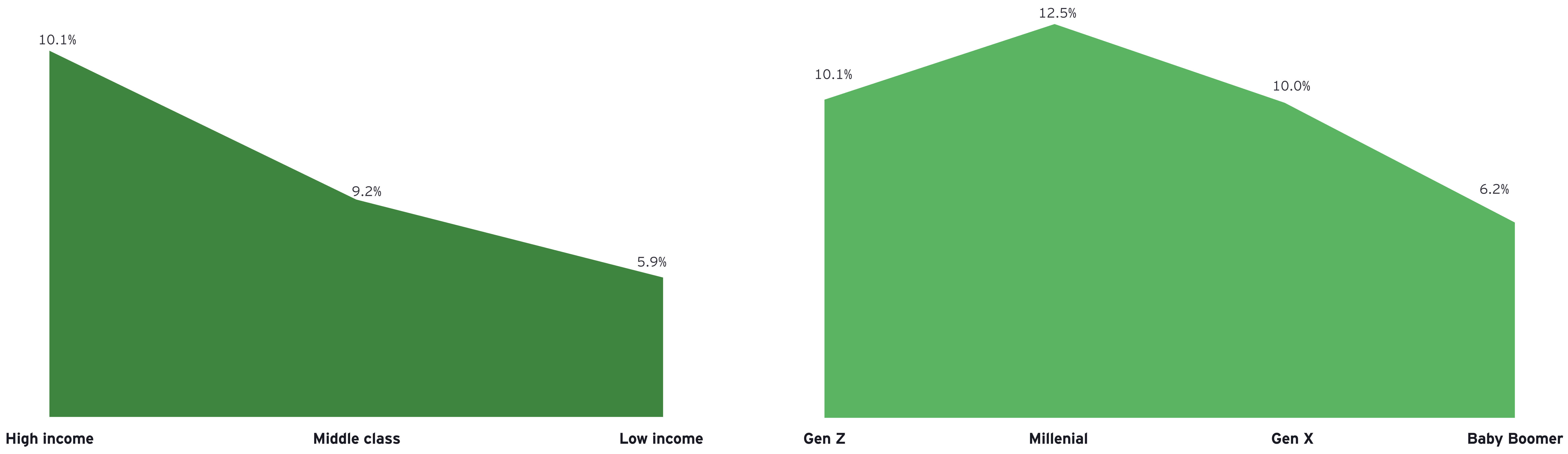
For CP companies, willing to adapt and assess their portfolios, the opportunity is clear: Stay ahead of demand and shape consumer behavior to be the brand of choice for these high-value consumer groups.

2 Quality still matters – and consumers will pay for it.

Even in mature, price-sensitive markets, many consumers are still choosing healthier or more natural options over cheaper alternatives. That includes 58% in processed foods, and more than half in beauty, personal care and fresh food. These categories aren't fully commoditized – far from it. Consumers still believe in quality and are willing to pay for it. For CP companies, that's not just a margin opportunity – it's a brand one.

The GLP-1 consumer's attractive demographic profile will motivate CP companies to innovate in ways that shape future consumption

Figure 11. Share of consumers that are taking or considering taking weight loss medications (GLP-1)



Source: EY Insights analysis, EY Future Consumer Index – February 2025

3 Emerging markets offer brands a runway to grow and shape categories

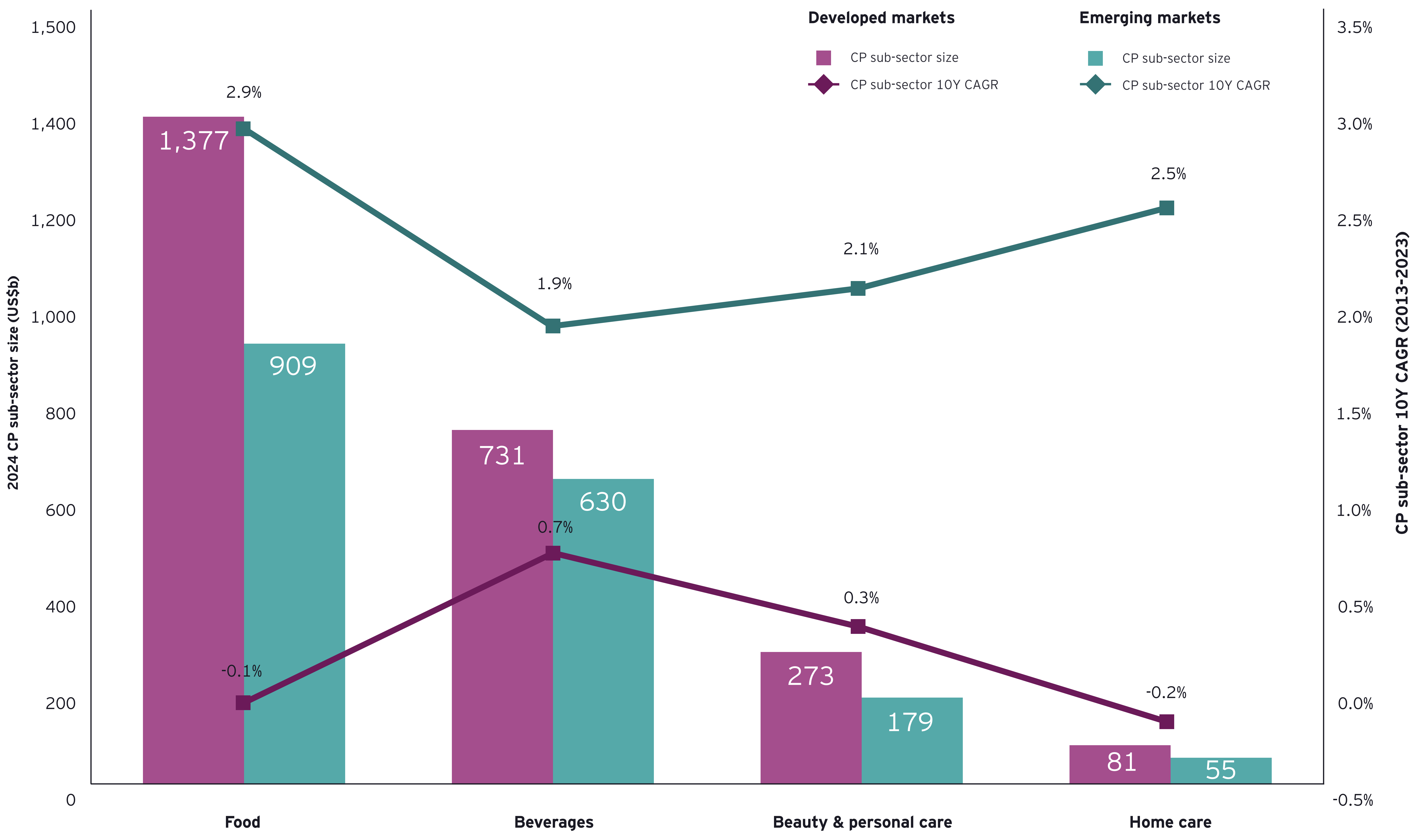
Every sub-sector is growing at a faster rate in emerging markets than in mature markets, but the value is significantly smaller, providing industry leaders multiple growth opportunities for their brands. They can introduce new categories, grow existing ones, define consumption and take share from competitors. With 74% of consumers in emerging markets saying brand messaging resonates with their needs and values (vs. 47% in developed markets), the opportunity isn't just to shape demand in these markets, it's to build brands that are relevant to consumers. If CP leaders and their brands can find success in emerging markets, it will translate to meaningful volume growth and margin expansion in the long-term.

> "Emerging markets have growing populations who are eager to try global brands. This presents CP companies with new, long runways for growth, either driving category growth or developing new categories that have yet to be launched in these markets.

Cristiane Amaral
EY Latin America Consumer Products & Retail Leader

Sub-sectors in emerging markets present CP leaders a significant opportunity for growth

Figure 12. Top 10 developed markets vs. top 10 emerging markets – comparison by CP sub-sector size and 10-Year CAGR



Note: Top 10 developed markets include: USA, Japan, Germany, United Kingdom, France, Italy, Canada, Spain, Australia, South Korea and top 10 emerging markets include: China, Brazil, Mexico, India, Russia, Indonesia, Poland, Turkey, Argentina, South Africa

Source: EY Insights analysis, Euromonitor

4 Brands must play where younger consumers live, learn and shop.

Younger consumers are discovering, buying and shaping brands through digital and social channels – and they are doing it at scale. Nearly four in 10 have bought a product based on an influencer recommendation and a third have made a purchase through a live stream shopping event. Almost half say they get excited when brands collaborate with influencers they follow. For CP companies, these channels offer new ways to reach consumers, build deeper brand connection and stay relevant in a rapidly evolving market.

Digital and social media channels offer unique opportunities for brands to engage with their future consumer, Gen Z

Figure 13. Where consumers shop by generation

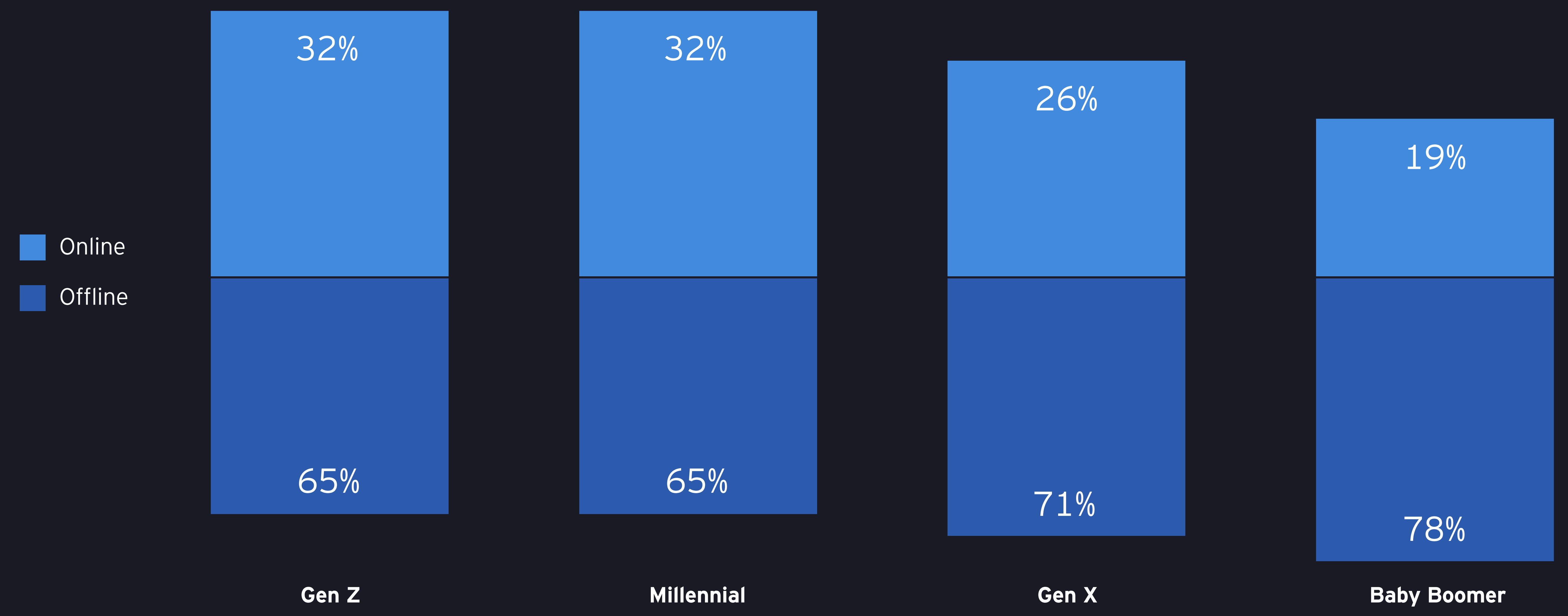


Figure 14. How consumers learn about new brands by generation

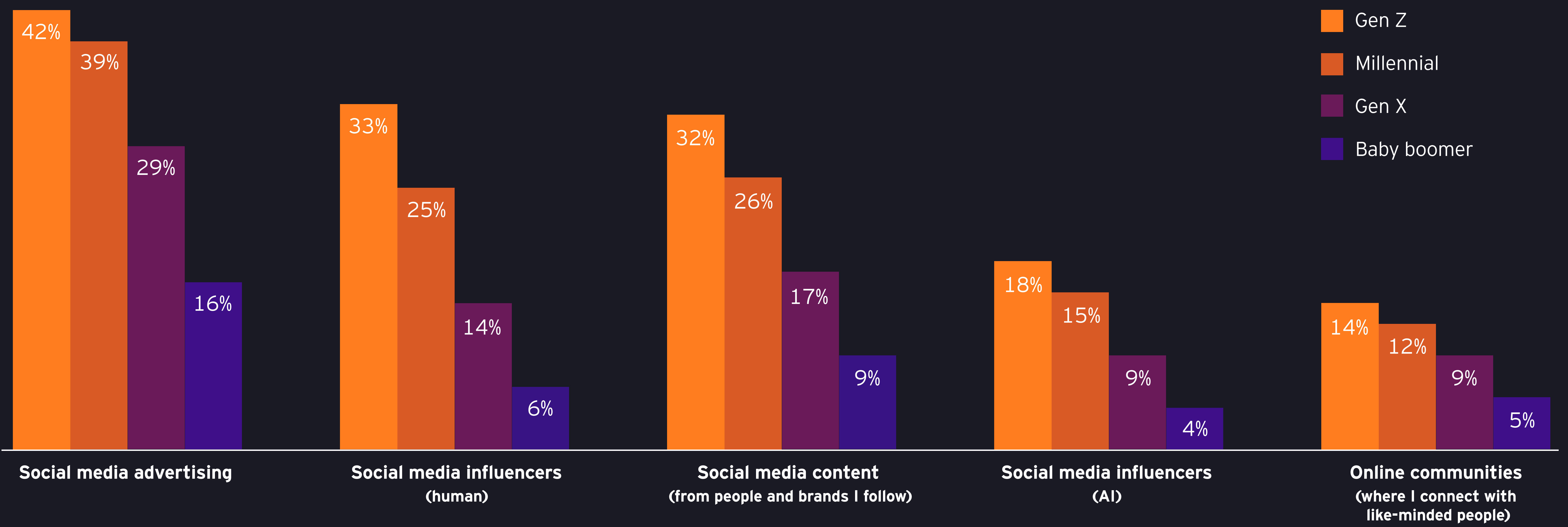


Figure 13, 14. Source: EY Insights analysis, Future Consumer Index – February 2025

How can you increase your value to the consumer through innovation?

Key actions for the chief innovation officer

1. Identify future paths and untapped opportunities to disrupt commoditized categories and take brands into new spaces where they have permissibility to play.

2. Build and bring new products to market along with the right organizational design of capabilities, people and processes to generate revenue on day one.

3. Make innovation a developed organizational muscle through constant iteration and technology support to maximize product profitability and lifecycle.

Thomas Pyschny
EY Global Product Lifecycle Management/Innovation Excellence Leader

Changing consumer behaviors and market dynamics have made CP leaders reactive in how they manage their brands. Their defensive scale tactics of shrinkflation, pricing and reformulation have negatively impacted their brands' value propositions to consumers. To stabilize this decline, CP leaders need to pivot and prioritize investing in innovation that proactively disrupts categories and reshapes consumer behavior to drive growth and create long-term value.

The challenge remains for CP leaders to decide exactly where to innovate and invest. They need to have the capabilities to see the industry's future and identify the unseen growth opportunities that will reignite their brands' relevance. Without the right insights, CP leaders risk making the wrong strategic bets on their portfolio, resulting in wasted resources, impacts to performance and other opportunity costs.

The EY Innovation and Design Consulting practice works with CP clients to identify the right future paths for their portfolio and conceptualize a suite of new products and services that will drive growth. Our end-to-end innovation capabilities and services go further than identifying where to play and how to win for CP clients. We help take greenlit concepts and business plans to build and launch next-generation products with optimal usability, design, performance and economics, so they meet performance and revenue targets quickly. We've developed streamlined methods to help marketeers and innovators to discern the optimal times and locations for launching new products, globally. And by significantly increasing transparency and visibility across the product pipeline and portfolio, we're able to improve our clients' management and data monitoring, driving better decision-making for future product planning. EY consultants also help CP companies transform their organizations to have the people, processes and technology to quickly scale new products to promote success. Additionally, we offer services to continuously improve internal innovation capabilities that enable CP leaders to capitalize on opportunities that keep their brands leading category growth and taking them into places where they have permissibility.

“

Snacking is a tailwind category that has grown north of 4% consistently for many, many years driven by fluid lifestyles across the world. We don’t see the category slowing. We continue to expand our portfolio and geographic footprint to participate in this growth.

Claus Aagaard
Mars, Incorporated, CFO

How can you reshape your portfolio through divestments and M&A for your relevance strategy?

DIVESTMENTS

Key actions for every chief financial officer

1. Define clear financial criteria for growth, margin and market share to challenge portfolio assumptions and prioritize where to lead, follow or exit.
2. Scrutinize divestment plans for feasibility, cost impact and execution risk to ensure they unlock real value.
3. Redirect capital toward categories with stronger growth and return potential and exit those that no longer justify the investment.
4. Evaluate external market factors contributing to CP companies' portfolio review and assessment such as the push for de-conglomeration, activists' push for simplification and geographical considerations driving regional separations.

Katie Johnson
EY-Parthenon Americas Consumer and Health Industry Leader

While companies regularly evaluate their portfolios, there is an observed influence of change in valuation on triggering a decision to separate. Companies that decide to separate from a perceived position of strength see a higher outperformance for the combined company post-close than separating from a position of defense.

With changing market conditions and new external factors, taking an active approach to portfolio management can help enable business transformation, create opportunities, manage risk and create shareholder value. We work with CP leaders to run structured portfolio assessments that cut through legacy assumptions. Together, we define meaningful criteria – typically three- to five-year targets for growth, margin and market share – and map the portfolio against them.

Once a candidate for divestiture is identified, we help leaders prepare for action. We bring our market leading experience to drive a well-planned separation anticipating road blocks before they happen. That includes analyzing carve-out feasibility, managing timeline considerations, mitigating costs to drive value, stranded costs, tax and transition risks, and operational separation requirements. Our platforms accelerate the process and increase confidence. With the right buyer, these transactions can unlock value for both sides.

On the growth side, we help clients evaluate adjacencies, consumer trends and competitive intent to find spaces where the company has real permission to grow. That might mean investing in manufacturing or brand, acquiring new capabilities, or stepping back from categories that no longer fit. The key is to focus: putting time, talent and capital where the business can win.

Portfolio reshaping isn't a one-off event. It's an **ongoing capability** – and one that can only thrive with the right data, tools and decision discipline. We help clients embed that capability so they can move faster, decide with confidence and act from strength.

How can you reshape your portfolio through divestments and M&A for your relevance strategy?

M&A

Key actions for every chief financial officer

1. Focus expansion on categories with real margin potential and a clear fit with your capabilities.
2. Build integration plans that turn projected synergies into measurable outcomes.
3. Track value delivery post-close and intervene early if targets start to slip.

Silvia Rindone
EY UK&I Strategy and Transactions Managing Partner

M&A is often the fastest way to reshape the portfolio – especially when you are shifting into new categories or consumer segments. But too many deals fall short of expectations, yielding mixed results. The problem usually isn't the target. It's the lack of a clear integration strategy.

Success starts with focus. That means identifying adjacencies where your brand has the right to play – categories with momentum, margin potential and a strategic fit with your existing capabilities. We help clients assess these spaces through outside-in landscape scans that consider both current market dynamics and where competitors are heading.

Once potential targets are identified, we run a **deeper analysis** – looking at how the acquisition could create value, what synergies exist and how those synergies will be realized. That's what makes the difference between a strategic deal and a "checkbook strategy." You're not just buying potential – you're planning how to unlock it.

But even the best acquisition strategy fails without **disciplined execution**. That's why we support clients with integration planning well before close – assessing day one readiness, aligning operating models, and designing a post-close approach that tracks value and adapts to performance.

That support doesn't end at the deal close. We run structured **post-integration assessments** to recalibrate plans and reduce risk. This work validates synergies, tracks value delivery and addresses any integration gaps. In our research, 51% of CP deals underdeliver because of missed integration opportunities, such as misaligned innovation pipelines or inconsistent systems.

Using frameworks like our **Integration Management Office** (IMO) and proprietary EY platforms, we help clients align timelines, streamline systems and close execution gaps early – before they become value leaks.

“

The value of end consumer interactions and knowledge is going to be increasingly more important. For over 100 years, this sector has thrived on building relationships with customers or distributors. While that is valuable, in this world of networked humanity, our brands will have to find ways to build a more transactive and deeper relationship with end consumers.

Head of Strategy of Global CP company

How can you tell the brand story in an authentic way?

Key actions for every chief marketing officer

1. Use artificial intelligence (AI) to bring marketing in-house, speed up content creation and sharpen campaign targeting.
2. Build internal capabilities for personalized content, dynamic testing and real-time optimization.
3. Use data and AI to design loyalty programs that flex with consumer needs and prove their value.

Olivier Gergele
EY-Parthenon Asia-Pacific Consumer Leader and EY Asean Consumer Products & Retail Leader

Steven Bailey
EY Americas Commercial Excellence Leader

Many CP leaders are discovering they can connect with consumers more authentically by taking greater ownership of their data, their story and the technology capabilities they rely on. AI is making that possible – helping brands personalize at scale, respond with speed and create the kinds of experiences that drive loyalty in an increasingly noisy, skeptical marketplace.

Generative AI (GenAI) is central to this shift. CP companies are using it to bring more marketing processes in-house – creating content and product descriptions across multiple channels, almost instantly. AI systems are also driving sharper consumer targeting through better segmentation, dynamic testing and rapid optimization. Demand for these capabilities is growing fast, because consumers expect tailored recommendations – and marketers need to deliver more with less.

But very few in-house teams have the required capabilities and knowledge of regulatory compliance needed to deliver on consumer expectations. **Personalized content** creation, real-time campaign testing and closed-loop measurement all depend on integrated data, compliant systems and fit-for-purpose tooling. Building that from scratch isn't easy.

Our **digital marketing services** are helping CP leaders transform legacy models. We align platform design to business goals, define the right workflows and build the architecture to support personalized activations at scale. We embed analytics at every stage, helping teams track performance and improve decision-making in real time.

We also offer broader access to EY **strategic alliances** with marketing technology solution providers, alongside proprietary platforms built to accelerate AI and automation maturity. One example is our **Consumer Products & Retail AI Assessment and Blueprinting Platform**, which assesses marketing processes across the value chain to identify high-impact AI use cases and performance improvement opportunities.

We support loyalty modernization, too – integrating data and AI to create a full-funnel view of the consumer journey, test competitor strategies and design new loyalty models that are flexible and personalized, delivering stronger results and real ROI.

Section 4

Retail customer reset:

how to stay relevant when you're no longer in charge

Retailers are not just customers. They're collaborators and competitors – and increasingly, the ones calling the shots. As power shifts, so do expectations. For CP companies, relevance now means more than having brands on the shelf. It means being seen as a category leader, a strategic partner and a source of shared value.

The brands holding their position – or gaining ground – are not just negotiating well. They're showing up differently: with belief in their brands, insight into consumers and a clear idea of how they can grow the total category. That's what Disruptive Optimism looks like in the retail relationship.

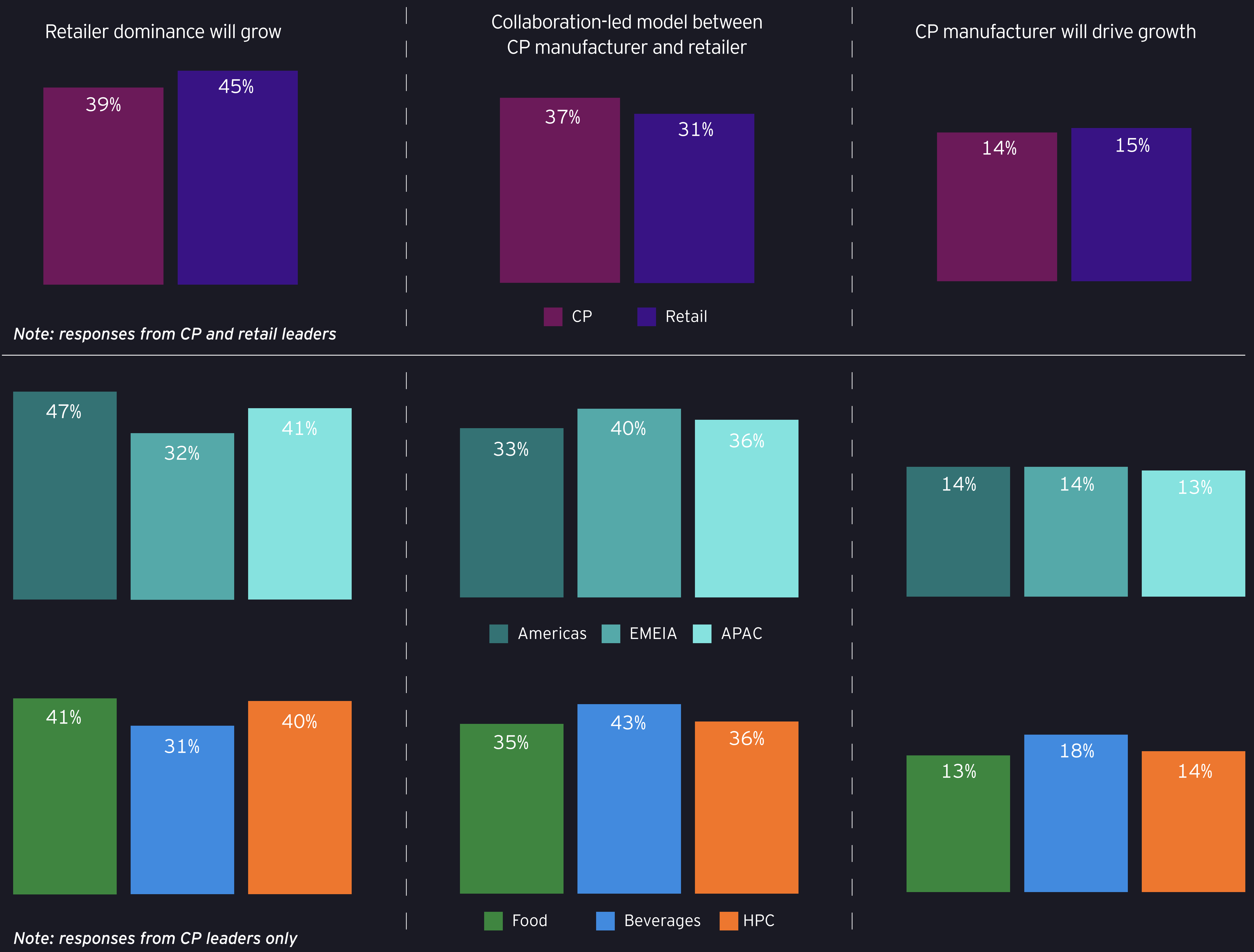
Retailers are not waiting for CP companies to lead. They are investing in their own brands, building data capabilities and tightening control over the shelf. And CP leaders know it. Two-thirds say retailers now have the upper hand in negotiations. Just 14% believe the future of their category will be CP-led.

But this shift is not only a challenge – it's an opening. As Silvia Rindone, EY UK&I Strategy and Transactions Managing Partner, put it: "Retailers don't just want partners who can deliver. They want partners who believe in the category and show up ready to help lead it."

"The retailer, our customer, is now in the driver's seat of the overall business economics of the sector," says one Head of Strategy. "They are friends, they are foes, because they compete, and they are partners, because they provide us with many of the tools we need – like retail media networks, retail data and real-time consumer buying data and purchase data and so on and so forth. And they're also between us and our end consumers."

Retailer dominance is expected to grow, driving CP leaders to bring new value to these relationships to stay relevant

Figure 15. Future views on CP-manufacturer vs. retailer relationship by sector, CP sub-sector and region



Source: EY Insights analysis, EY Consumer Products Dynamics Research – March 2025

90%

of CP and retail leaders believe there will be a dominant relationship model in the future

This trend isn't new, but it's become more visible, more widely accepted and more difficult to ignore. Private-label expansion is only part of the story. The bigger change is how retailers see themselves: not just as distributors of product, but as architects of the category. They are managing the mix more actively, investing in consumer insight, and increasingly defining the rules of engagement. As Saksena adds: "Unless something is thought through very strategically, this increasingly unequal balance of power is not sustainable."

We see this most clearly in how shelf space is allocated. Seventy-six percent of retailers say shelf space is becoming a more significant tool in negotiations with CP firms. It's not just about volume anymore – it's about value. Companies that cannot justify their place risk being squeezed out.

This power shift is not uniform across the marketer geographies. Most CP companies believe that retailers will dominate in the future, especially in priority markets like the Americas, but there is more optimism around collaboration-led models in EMEIA and APAC over the next five years. CP companies will need to carefully watch differences in collaboration across geographies given variations in the legal landscape and retailer strength, and a retailer's willingness to invest in collaborative vs. transactional relationships.

But the direction of travel is clear. In more categories, the retailer's role is no longer passive. **It's strategic.**

> "
>
> When it comes to private label, should we make private label a friend? Should we actually start becoming a manufacturer of private label rather than just letting the entire economics go away? Unless something is thought through very strategically, this increasingly unequal balance of power is not sustainable.
>
> **Head of Strategy of Global Food company**

In this context, CP brands face a tough question:

If you're not leading the category, are you at risk of being left out of it?

It's the middle that's under the most pressure. Retailers still want strong anchor brands, but they have less patience for "me-too" propositions or marginal performers. For brands that are neither distinctive nor dominant, the risk of delisting is real.

Retailers want partners who create value

Category captaincy remains the goal — but the criteria have changed. It's no longer enough to have share or heritage. Retailers want partners who can demonstrate consumer insight, drive footfall, sustain innovation and improve service quality. Being a category leader now means helping to grow the total category — not just your slice of it.

As one CEO noted: "We focused on consumer demand, and the retailers followed." That's what confidence looks like: showing up with belief in your brand's ability to lead and giving retailers a reason to build with you.

That means playing differently. Pricing conversations are getting tougher. Promotional efficiency is under scrutiny. And as private label expands into more premium and niche spaces, the expectation for CP firms to add value is rising.

Despite rising tensions, collaboration is still essential and increasingly recognized as such. Seventy-five percent of retailers say working effectively with manufacturers is essential to their success. CP companies largely agree: 77% say the same of retailers. The opportunity is there, but it depends on how collaboration is defined, and what's being shared.

While trade collaboration remains critical, the platforms for that collaboration are evolving. Revenue growth management (RGM) still matters — and when implemented well, it continues to help optimize price, pack architecture and promotions. But in many companies, the full benefits have yet to be realized because they have not yet built the operational muscle that drives efficiency.

Meanwhile, retail media is creating new spaces for collaboration. Retailers are investing heavily in monetizing first-party data from loyalty programs, ecommerce sites and apps. CP companies are responding: 62% say emerging digital channels are now a marketing priority, driven by the promise of better targeting, personalization and advertising ROI.

Retail media is a platform where both sides have something to gain. Seventy percent of retail leaders say collaboration with CP companies is vital to their retail media ambitions, and 63% of CP leaders say retail media is becoming a more important part of commercial negotiations. For brands, retail media is not just an advertising channel — it is an opportunity to co-create value, reach new audiences and deepen brand relevance at the point of decision.

Earning your right to be on the shelf

We see retailers looking for different kinds of partnership. That includes strengthening digital capabilities, joint category planning, faster innovation cycles and more targeted promotions – with all of this supported by a more transparent exchange of data. These are not transactional asks. They are bids to create shared value.

For some CP companies, the route to relevance with customers is operational in nature. They need to co-invest in supply chain efficiency, co-packing capabilities or customer service improvements that reduce friction and cost. For others, the opportunity lies in insight: they need to use consumer and operational data to plan promotions more effectively, reduce waste or align better to demand.

In both cases, optimism matters. The CP companies creating momentum here are the ones that believe they still have something distinct to offer – and can prove it.

Data-enabled collaboration to improve digital capabilities, operations and innovation will be essential to generating the most future shared value

Figure 16. Top areas CP leaders feel collaboration is essential to drive mutual value fall into three groups

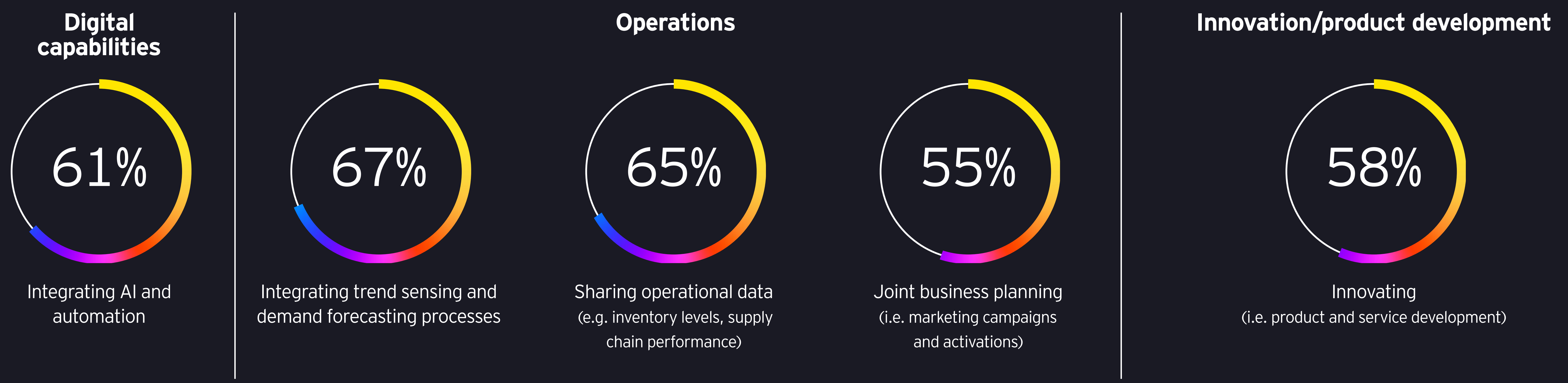


Figure 17. Top collaboration drivers CP and retail leaders believe will have greatest impact over next three years

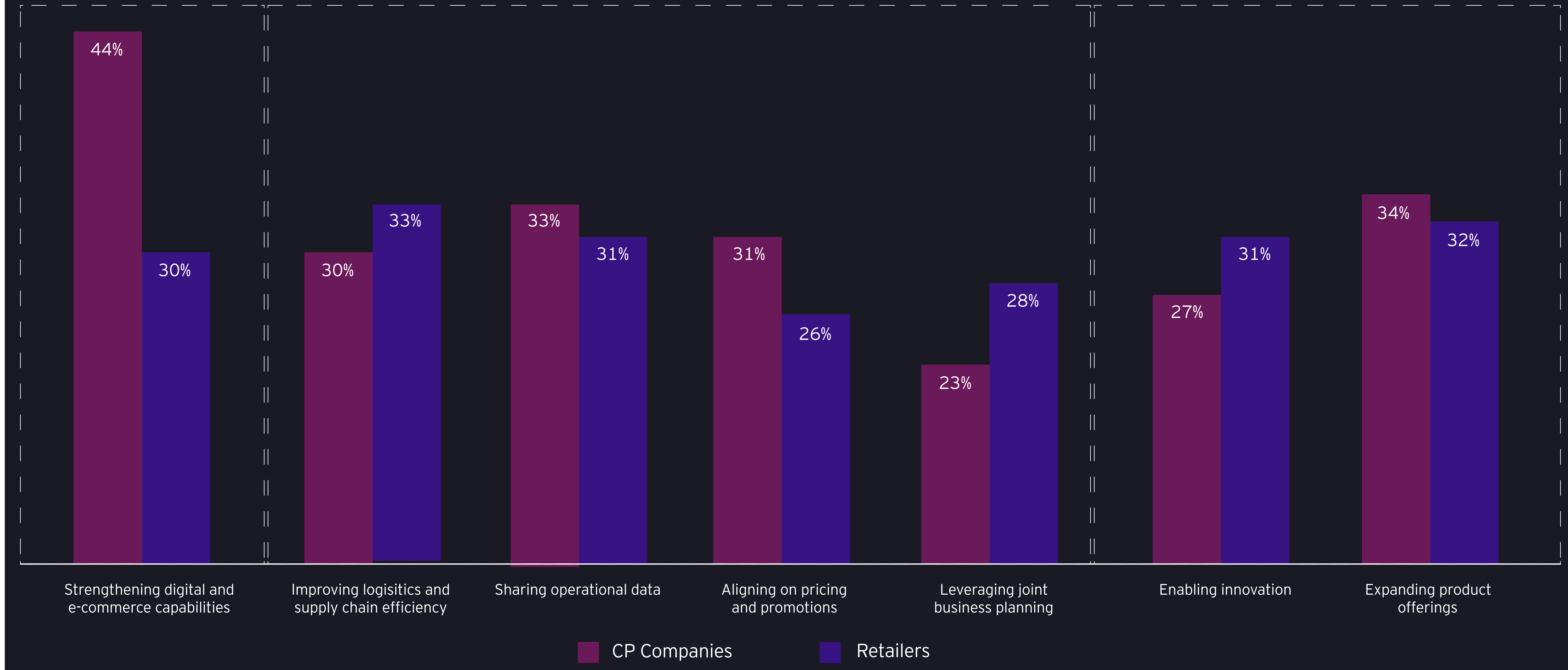


Figure 16, 17. Source: EY Insights analysis, EY Consumer Products Dynamics Research – March 2025

Relevance with retailers, then, is no longer about dominance or deference.

It's about clarity: knowing what you bring to the partnership, and how you help both sides win. That's your route to relevance with customers — and your right to be on the shelf.

3 reasons to be optimistic

1 Innovation still builds traffic and loyalty.

Despite the growing strength of private label, retailers continue to rely on big brands to bring excitement to the shelf. Sixty-five percent of retail leaders say they depend on manufacturers to deliver new and interesting products that drive footfall and engagement. For CP companies, innovation remains a powerful lever – not just for capturing consumer attention, but for reinforcing their importance as partners to the retailer. Brands that can consistently deliver meaningful, differentiated innovation will stay in demand.

2 AI can help brands innovate smarter and faster.

Long product development cycles have historically limited CP companies' ability to respond to consumer shifts quickly. That is changing. Seventy-six percent of CP leaders say they are increasingly relying on AI and analytics to overcome innovation complexity and make smarter investment decisions. Forty-five percent are investing directly to enhance these capabilities. As technology transforms innovation processes, CP companies have a new opportunity: to combine the scale and credibility of established brands with the speed and focus of a startup.

3 Codeveloping products with retailers creates deeper bonds.

A new model of collaboration is emerging – one where CP companies and retailers codevelop products to better meet consumer needs. Already, 24% of CP leaders say they are actively partnering with retailers on joint product innovation, with the goal of strengthening differentiation and creating mutual value. In an environment where loyalty is earned through shared success, these early collaborations signal an important shift: one that repositions CP companies not just as suppliers, but as strategic partners helping retailers shape the future of their categories.

How do you turn commercial tools into real business value?

Key actions for every chief commercial officer

1. Map how decisions are made today to expose tool gaps, process friction and missed value.
2. Integrate tools into day-to-day workflows by aligning commercial, finance and supply chain targets.
3. Standardize data and strengthen governance to improve quality, consistency and trust.

Gerrit Iwanovski
EY-Parthenon Global Consumer Commercial Excellence Leader

Sarah Gibbon
EU UK&I Consumer Commercial Excellence Leader

CP companies have invested heavily in commercial tools, such as advanced forecasting, trade promotion platforms, inventory planners and analytics engines. But the expected gains – from better demand visibility to improved ROI – often fail to materialize.

The problem isn't necessarily the tools themselves, it can be how they're deployed. Too often, tools are added on top of legacy systems and siloed teams, without the structure and incentives required to unlock full value. We see the same pattern again and again: misaligned goals, disconnected workflows and data models that don't support real-time decision-making.

We help CP leaders close that gap. The starting point is **operational mapping** – looking at how tools are used, how decisions are made and where disconnects lie. This often reveals process gaps or overlaps that technology alone can't solve.

Next, we help integrate these tools into **business workflows** – not just technically, but operationally. That means aligning commercial, finance and supply chain objectives, standardizing data inputs, and building governance around shared performance metrics.

We also address the **human side**: designing the right incentives, improving user experience and building adoption. In parallel, we improve the underlying data spine – applying automation and data cleansing tools to improve quality and consistency across the ecosystem.

Finally, we support broader process redesign – so that performance conversations are built around reliable insight, not instinct.

Done well, this isn't just about getting more from existing tools. It's about building a commercial system that's coherent, adaptive and performance-led – one that delivers measurable value in-market and helps strengthen relationships with retail partners.

How do you become the indispensable CP partner of choice for retailers?

Key actions for every chief growth officer

1. Enhance shared planning with retailers - expanding into co-innovation and co-investments, planning & assortment, integrating forecasts with pricing and promotions, and integrated information flows.
2. Upgrade internal operations to meet retail partner needs with coordinated processes and joint KPIs.
3. Use Digital & AI to reduce waste, improve availability and deepen retailer, and consumer, trust.

Spencer Farr
EY Global and Americas SAP GTM Leader

Ashutosh Dekhne
EY Americas Strategic Enterprise Transformations Leader

Commercial excellence today means more than hitting your own targets. It's about helping your retail partners hit theirs – and having the systems, data and agility to back that up. That's what defines the most effective CP-retailer partnerships we see in market.

The shared ambition – and the shared challenge – is achieving what many refer to as "the perfect shelf": full availability, at the right price, with the right promotional support and supply resilience to sustain it. But too few CP companies are equipped to deliver it in a consistent, scalable and profitable way.

EY helps bridge that gap by building the **data and process** foundations for tighter integration with retail partners. That starts with shared planning between retailer and CP teams – joint forecasting including pricing and promotions, co-innovation and co-investment strategies, and common service-level expectations – and extends into technology: aligning systems and data flows to make those **partnerships work in practice**.

We help clients understand what their retail partners need from them operationally – and build and/or upgrade internal capabilities to deliver against those expectations. That includes harmonizing commercial and supply chain processes, insights sharing, defining shared KPIs, and reducing time-to-decision across teams.

Our **Supply Chain Vault platform** accelerates this journey. It diagnoses gaps in supply chain and commercial, tech and decision-making, then supports the build-out of a more responsive, integrated operating model - doing this through unified data model across commercial and supply chain, simulating scenarios and providing recommendations across the functions, and providing auto-execution capabilities of cross-functional decisions. Our alliance with **SAP** adds another layer – helping CP leaders embed analytics, reduce waste, and optimize how they respond to retailer and market demands with the most advanced technology available to the market. Another key alliance that seeks to drive commercial excellence is our **partnership with P&G**, which combines Integrated Work Systems and Supply Network Operations capabilities to help clients make improvements to their manufacturing and warehousing, elevating productivity and performance. This distinctive relationship is helping transform supply chains across procurement, manufacturing, planning, distribution, logistics and customer service business functions. The result is not just improved availability and cost-efficiency, but provides for a stronger, more strategic position in the CP-retailer relationship – one that earns trust, unlocks value and makes your brand harder to replace.

Section 5

Capital markets reset:

markets want consistent performance

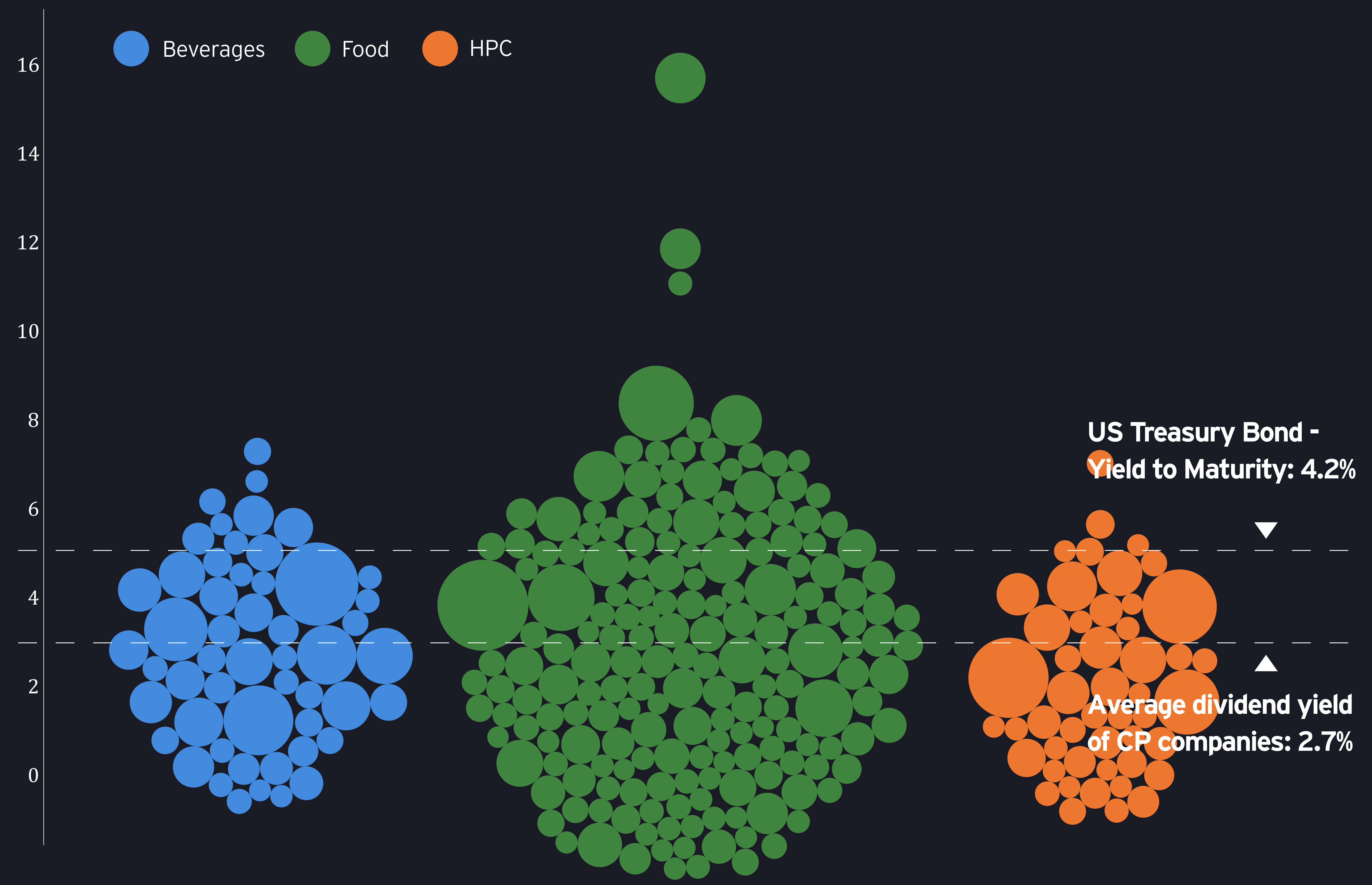
Investors don't expect consumer products companies to be exciting. They expect them to be steady, reliable and quietly successful. But that contract is under strain. As some CP companies drift away from what made them investable in the first place, others are finding ways to stay relevant – and restore confidence.

The advantages that once made large CP companies reliably successful at cash generation – strong brands, pricing power, predictable margins – are being eroded. Innovation cycles are slower. Brand loyalty is less secure. Retailers are harder to negotiate with. And the complexity built up over decades of global expansion is proving difficult to unwind.

These pressures have been translating into weaker performance. Margin erosion is a growing concern, with gross margins down 100 basis points in 2024 compared with pre-pandemic levels. Total shareholder return (TSR) is also lagging many broader indices. EY analysis shows that the share of top 50 CP companies achieving annualized returns at or above the S&P 500 Index's has declined dramatically over the past 10 years. A decade ago, approximately 60% of top CP companies outperformed the S&P 500's annualized returns, driven by pricing power and stable demand for essentials. By 2020, only approximately 35% of top CP companies matched or exceeded the S&P 500's performance, with much of the issue pertaining to rising supply chain costs and insufficient attempts to digitalize legacy operating models. The story becomes even more concerning for investors when we compare sector TSR against US Treasury Bill (T-Bill) yields. CP sector annualized returns have fallen by more than half since 2020. Somewhere between 40% to 50% of top CP companies generate annualized returns that exceed T-Bill yields today, whereas more than 80% of the top companies achieved returns above T-Bill yields 10 years ago. The margin of safety that traditionally accompanied investing in the sector has narrowed significantly during this period.

Investors are losing confidence as 10-year U.S. Treasury yields surpass CP sector returns

Figure 18. Dividend yield, 1 year per 31 March 2025, companies with revenues > US$1b [%]



Note: each bubble shows dividend yield of on CP company, bubble size indicates company revenues

Source: EY Insights analysis, Capital IQ Pro, ~300 largest Consumer Products companies considered

“Management teams get excited by, and sometimes even rewarded for driving growth. Except our investor base is seeking stability and reliability. The P&L is not where the sector’s strength lies because it’s low-margin businesses. But our balance sheets are very strong because we have very strong and steady cash flows. The companies that use their balance sheet wisely are going to be able to manage change better.

Head of Investor Relations of global CP company

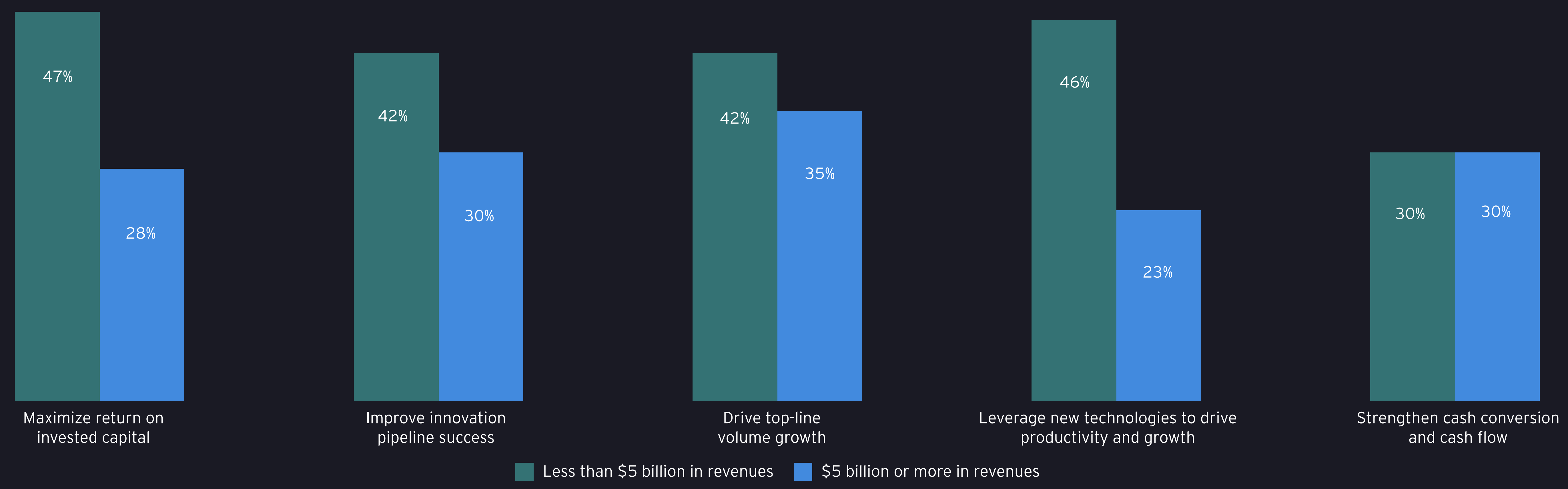
When relevance fades, confidence falls

Investors don't expect CP companies to deliver rapid growth – but they do expect them to deliver on their fundamentals. For some, especially larger companies, that belief is starting to slip. This is where the risk of irrelevance becomes real.

The divide separating leaders and laggards is becoming clearer. A subset of CP companies is adapting to new realities by reshaping their portfolios, improving capital allocation and making their operations future-forward. Others remain encumbered by legacy models, unable or unwilling to shift pace and focus. As one CEO put it: "There's a whole lot of companies that are slowly becoming less relevant. The market is separating those with performance and purpose from those that are just average."

Declining relevance with consumers and customers is driving leaders at large CP firms to have less confidence in their ability to perform

Figure 19. CP leader confidence about their company's ability to do the following in the next 12 months by company size



Leaders of smaller companies exhibit disruptive optimism in their business outlook – while large firms are retreating to Defensive Scale by investing in their existing operations

Figure 20. CP leader confidence in their company's outlook over the next 12 months by company size

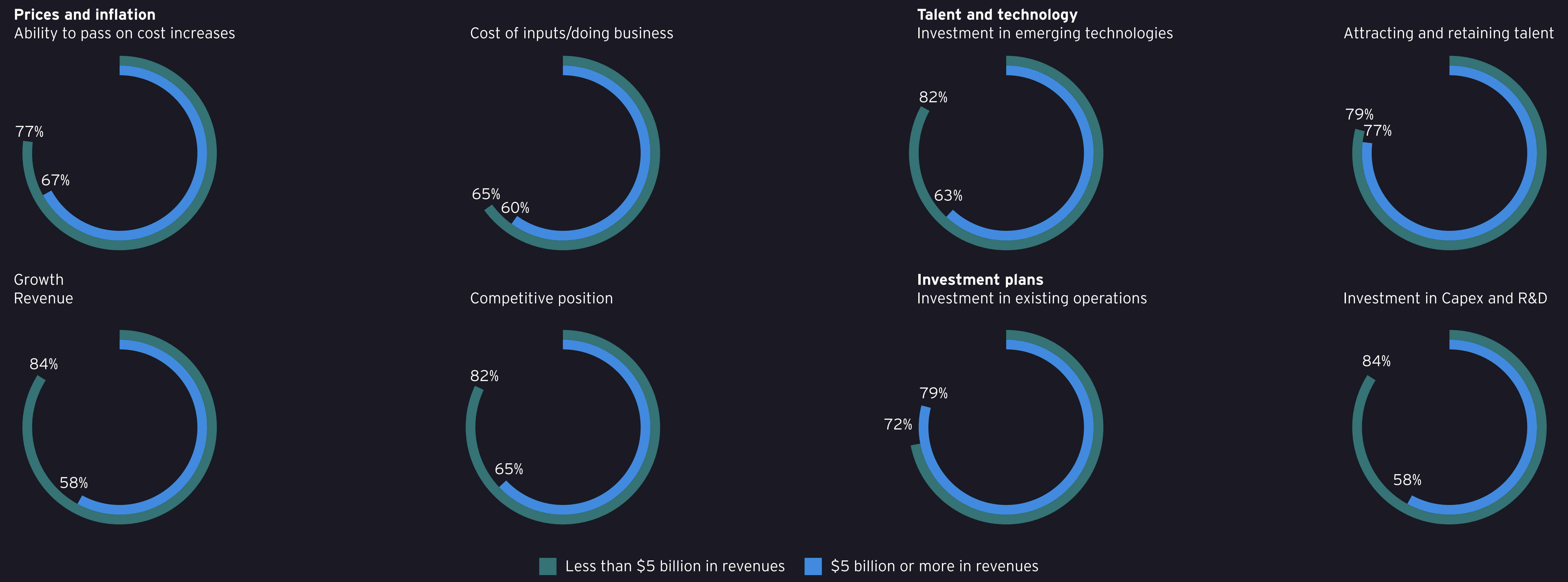


Figure 19, 20. Source: EY Insights analysis, EY-Parthenon CEO Pulse April 2025

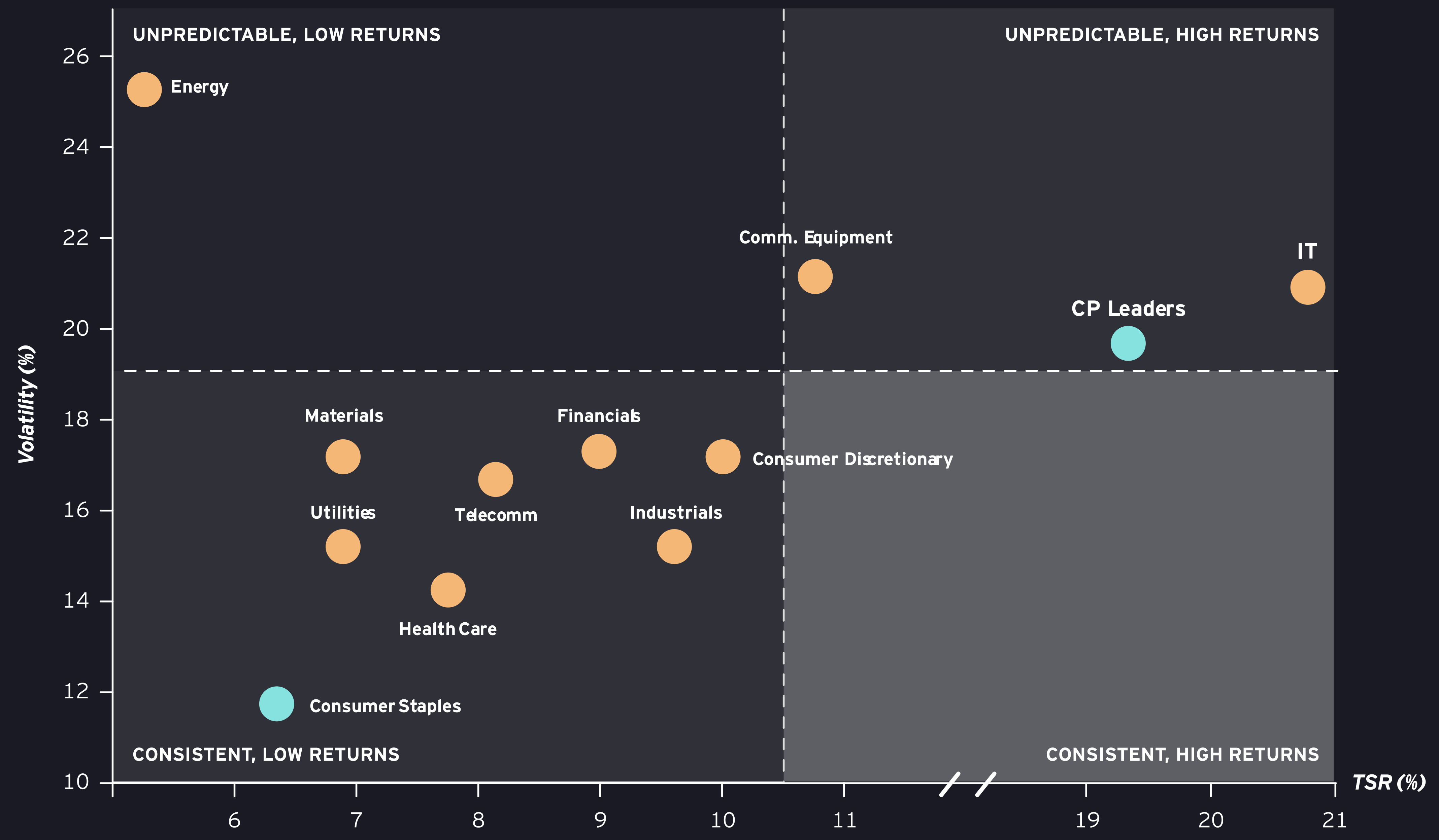
Disciplined performance is being recognized

The companies that are adapting have sustained investor confidence by delivering what matters. Earnings-led growth is being rewarded: companies growing through operational performance are significantly outperforming those reliant on M&A or financial engineering. EY data shows high performers allocate twice as much capital to organic growth initiatives as their peers. "The KPI that I focus on is our natural momentum growth," says one CFO. "I ask: In markets and categories where we are present, what would be our organic growth rate as a company?"

And investors are paying attention. Analysts are increasingly looking beyond headline revenue to examine how that growth is delivered – and how repeatable it is. They want clarity, evidence and results – not vague transformation narratives. When the strategy is credible and the execution consistent, the market responds. The companies doing this well aren't following a magic formula – they're executing disciplined strategies with conviction.

Despite Consumer Staples' underperformance, CP Leaders show growth is achievable in today's dynamic market

Figure 21. 10-year annualized total returns vs. Volatility per industry, based on S&P Global 1200 indices



Note: CP Leaders defined as: CP companies with 10-year TSR >150%, FY24 revenue > $2b, 10-year change in EV (based on EV in reported currencies) > 0, 10-year revenue CAGR (based on revenue in reported currencies) > 0, and 10-year stable/positive operating margin growth; Total shareholder return (TSR) accounts for capital gains and dividends when measuring the total return generated by a publicly-traded equity.

Source: EY Insights analysis, Capital IQ Pro

> "Institutional investors come to the consumer staples sector for its consistent and predictable performance — CP stock dividends essentially serve as 'the bond' in their portfolio. But years of underperformance, market volatility and macroeconomic headwinds are challenging the sector's defensive position and investors are less willing to pay for CP company premium valuations.
>
> **Consumer staples equity analyst**

Relevance to capital markets is about defining and delivering a strategy that reflects today's realities — with a track record that builds belief and a willingness to pivot toward new opportunities. As Jens Weng, EY-Parthenon EMEIA Head of Consumer Goods and Retail, put it: "Investors need to believe that performance is sustainable — that the plan is real." As one analyst said: "I would rather hear from management teams that their margins went down and volume increased than hearing a low-quality margin beat at the expense of cost cutting any day."

It can be a difficult balance to reach. "Investors want both sides," says Billy Cyr, CEO at Freshpet. "The ideal company is throwing off lots of cash and still growing. But there's no reward for the risk-taking. You can't create new businesses in this environment on a three-year horizon. Either they stay too small to be relevant, or they lose too much money, and thus become a bleeder in a company that's expected to deliver consistent cash returns."

In a high-interest-rate environment, investors want to know where to put their confidence. That makes strategic focus, operational clarity and capital discipline more valuable than ever. Yet many CP companies still struggle to deliver volume growth or extract full value from past M&A.

It's not enough to signal transformation. Companies must show how they will consistently deliver results. Some already are. Those achieving balanced growth — through volume, pricing and margin expansion — are being rewarded with higher TSR multiples, even in volatile conditions. As Nik Modi, Co-head of Managing Director & Global Co-Head of Consumer Equity Research, at RBC Capital Markets says: "It's time for CP leaders to adjust their earnings forecast to communicate to investors they're realistic about their ability to perform in this challenging operating environment, while also freeing up cash for the range of investments needed to create value and return to steady growth."

The lesson is clear:

Restoring and sustaining investor relevance isn't about chasing aggressive growth targets. It's about showing disciplined, achievable performance that compounds steadily over time.

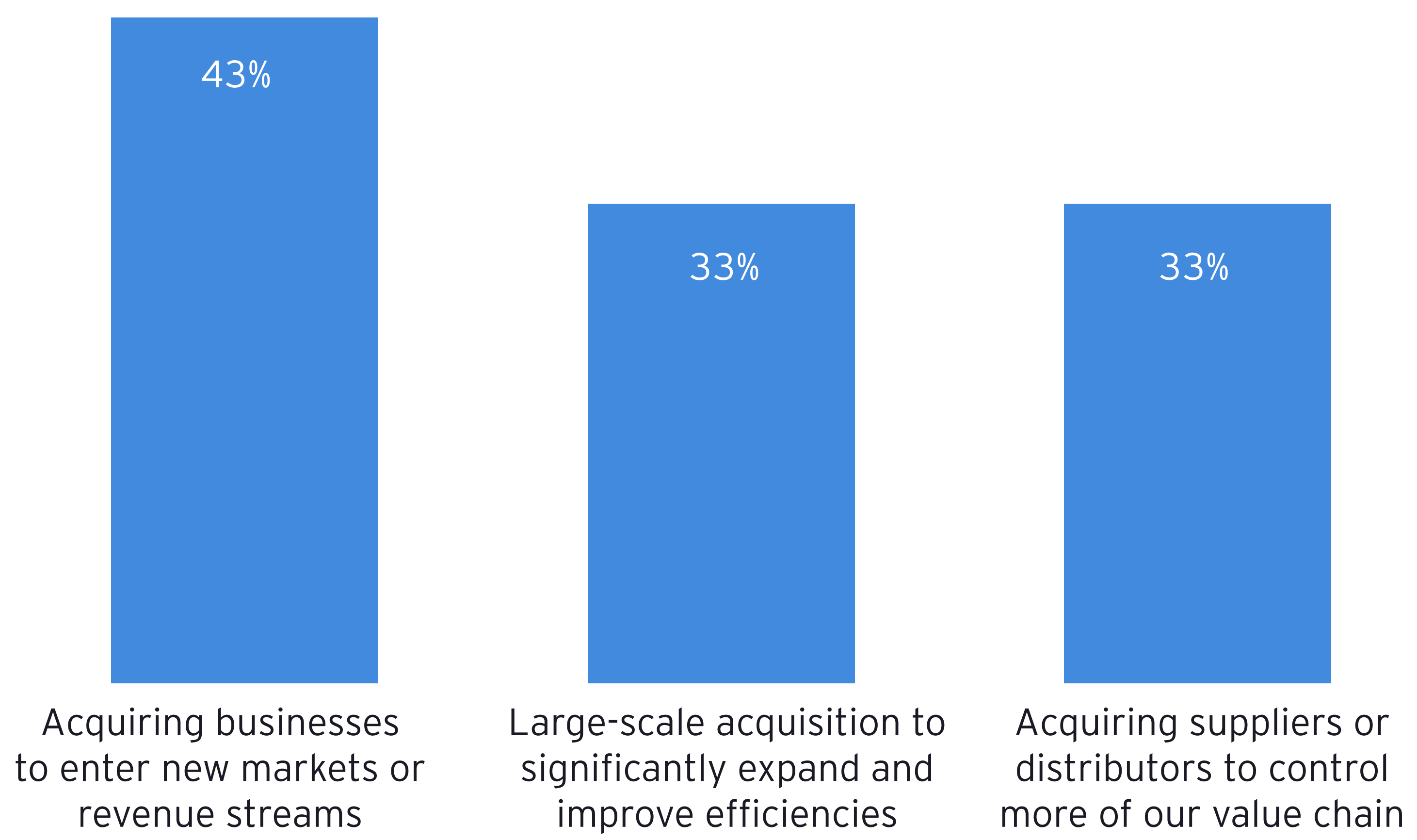
2 reasons to be optimistic

1 The global deal environment will become more active — it's just a matter of time.

Most CP leaders (54%) are prioritizing M&A transactions in an effort to drive market expansion, transform their portfolios and become more vertically integrated (Source: EY-Parthenon CEO Pulse). Those choosing to reshape their portfolios through divestments (46%) are seeking to improve financial performance by refocusing on growth segments and reducing risk exposure to geopolitical tensions. On the acquisition side, the uptick in deal activity will inspire investors as CP leaders leverage new products and capabilities to drive topline growth, while achieving cost synergies through integration across their platforms. These transactions will reshape the CP sector, drive improved performance and create value for stakeholders.

CP leaders' main goals of acquisition strategy over next 12 months

Figure 22. Top 3 reasons for pursuing an acquisition target



CP leaders' primary reasons for planning to divest an asset over next 12 months

Figure 23. Top 3 reasons for divesting an asset

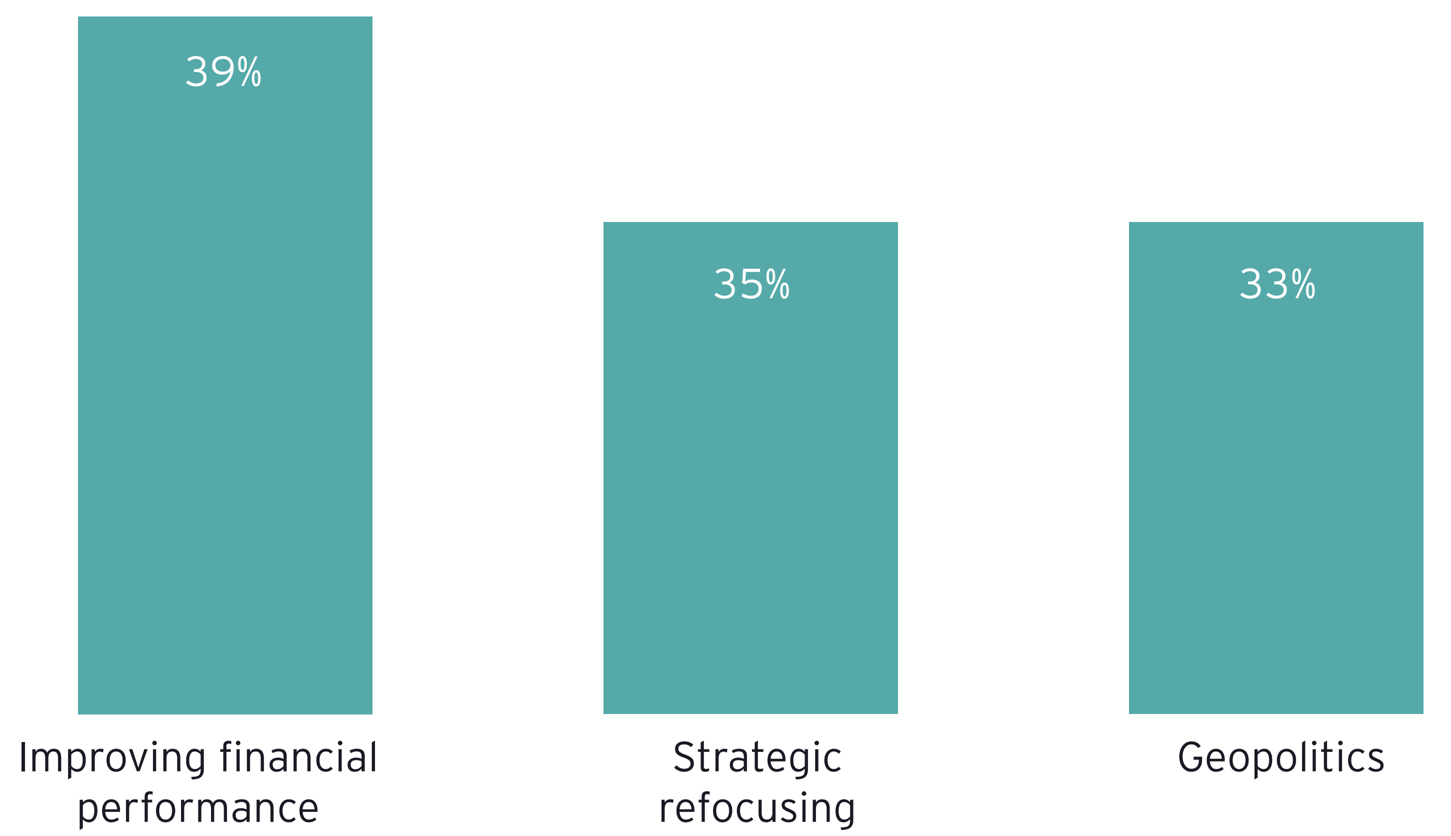


Figure 22, 23. Source: EY Insights Analysis, EY CEO Outlook Pulse - May 2025

2 AI will transform operating models.

AI use cases in CP companies will continue to proliferate as tech fluency and interest increases among senior leaders — 38% of CP leaders are prioritizing investment in AI-led automation and analytics to reduce capital investment and maximize efficiency. There is nearly an even split on their objective in deploying AI across their organization — to reduce labor costs through automation (54%) and improve workforce productivity (46%). AI's growing capabilities and applications will enable CP leaders to transform their operating models, achieving productivity by reducing unit costs and generating more cash flow that can be reinvested for growth or returned to shareholders.

How can you regain confidence with the investor community?

Key actions for the chief financial officer

1. Refocus capital on transformation by exiting underperforming brands and demonstrating how each investment drives long-term value.
2. Unlock trapped cash by redesigning receivables, payables and inventory processes to improve working capital.
3. Reduce fixed costs through selective outsourcing, automation and asset-light partnerships that support transformation.

Lokesh Ohri
EY Global and EY Americas Consumer & Health Technology Leader

Lisa Nijssen-Smith
EY Oceania Consumer Products & Retail Leader

CP companies need to free up cash and invest it in transforming their operating models to be technology-enabled and future fit. The future CP operating model needs to drive productivity, be agile in response to consumer and market change, and capital efficient. CP leaders also need to show how they are making the right investments that will translate into value and financial performance.

CP leaders making the right investment decisions in modernizing their operating models are reaping significant benefits. For example, they are using technology to become more asset-light by centralizing operations to reduce duplication and improve decision-making, like bringing media and marketing capabilities in-house and consolidating business systems; these efforts have helped streamline processes, generate efficiencies and reduce working capital requirements.

Large-scale, technology-driven productivity programs are also transforming CP operating models. As part of these programs, automation is helping CP leaders improve their manufacturing with predictive maintenance and quality control capabilities to reduce downtime and improve efficiency. Advanced AI capabilities are equipping them with insights to optimize shelf sets, reduce unproductive inventory and improve cash flow. Supply chains are being modernized with real-time solutions to predict and address out-of-stock situations, improving inventory management and reducing working capital tied up in excess inventory.

CP leaders are able to fund growth initiatives, improve customer service and deliver on financial expectations to investors as a direct result from these investments and their benefits (cost savings, improved productivity, increased free cash flow, and more streamlined and agile operations).

But CP leaders need to identify what investments will drive transformation and differentiated levels of performance in the future. While many companies have prioritized transformation, common pitfalls persist — disjointed technology investments that fail to connect operational and commercial workflows, overreliance on legacy cost-cutting levers, and siloed post-M&A integration that leaves synergies unrealized.

We address these challenges by linking strategy and execution — ensuring that planned changes are both actionable and optimized to capture value. Our governance model keeps initiatives on track through cross-functional ownership, regular progress checks and fast course correction when needed.

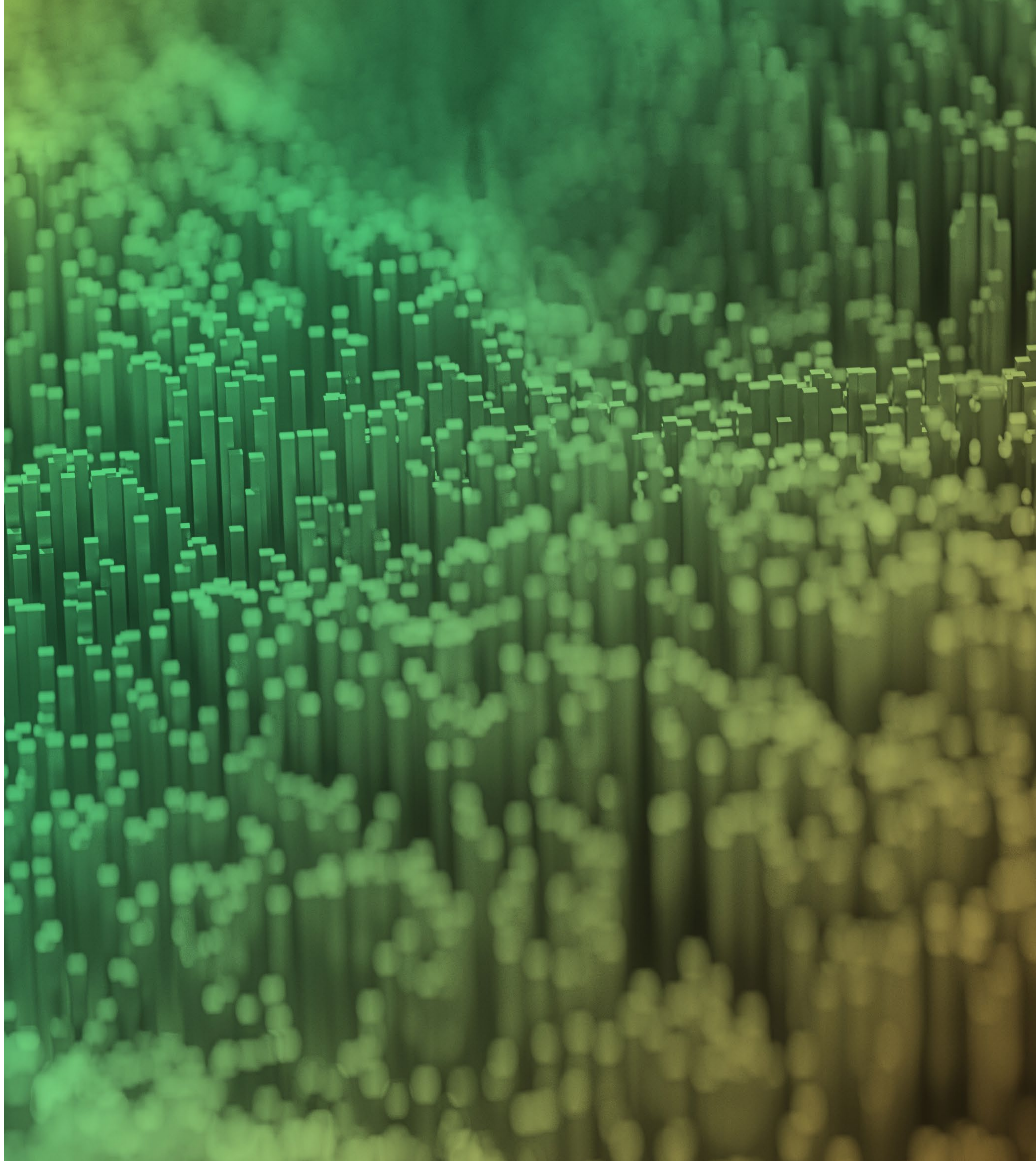
Cash flow generation remains critical. Our proprietary frameworks help clients reallocate freed capital from underperforming SKUs to high-ROIC (return on invested capital) efforts. We help clients assess underperforming brands for divestment and then position them to maximize value.

Our working capital solutions help clients unlock trapped cash by identifying inefficiencies in receivables, payables and inventory. We use data and process redesign to unlock cash now and build long-term discipline in working capital.

We also help clients adopt asset-light strategies by turning fixed costs into variable ones through partnerships, automation and selective outsourcing of non-core operations — all within broader cost transformation programs.

Our frameworks for ecosystem collaboration and portfolio optimization help clients identify non-core assets, align on transformation priorities and simplify the complexity of ecosystem partnerships. The goal is to reduce fragmentation, manage risk and unlock value.

Finally, although asset-light transitions typically take 12 to 18 months, we help clients accelerate that journey — handling business case development, deal structuring, tax and financial impact assessments, and partner governance model design in a matter of weeks.



Section 6

Choosing Disruptive Optimism

We're optimistic about the future of consumer products.

While many commentators are writing the sector off, we see things differently. This industry still delivers enormous value to consumers, customers and capital markets. Small brands are thriving. The largest CP companies remain in charge of their own destiny. And those in between still have the chance to reshape their futures.

The challenge is to stop the Negative Drift, break out of Defensive Scale and choose Disruptive Optimism instead. This is the way to reset the relationships that matter most – with consumers, retail customers and the capital markets. It's what the Route to Relevance looks like in today's CP environment. And it's what this report is here to support.

We're grateful to the CP leaders and investors who contributed to this work. Over many months, they generously gave their time and shared their thinking – even while facing many of the same pressures and opportunities we describe here. Their insight has helped shape this point of view. We hope it helps shape yours.

We'd welcome the chance to talk more about what reclaiming relevance means for your business, and how we can help you move forward. Together, we can help you deliver extraordinary relevance to your consumers, customers and capital markets and face the future with confidence.

About the EY State of Consumer Products Report: reclaiming relevance

To inform and shape our thinking, we compiled and analyzed results from three consumer and executive surveys, 30+ interviews and financial performance analyses of 600 CP and Retail leaders to create a holistic point of view on the CP market:

- All mentions of the EY Future Consumer Index refer to our longitudinal survey of over 20,000 consumers across multiple geographies. It tracks changing consumer sentiment and behaviors across time horizons and global markets, identifying the new consumer segments that are emerging. The 15th edition surveyed 20,235 consumers across Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Denmark, France, Germany, India, Ireland, Italy, Japan, Mexico, the Netherlands, New Zealand, Nigeria, Norway, Saudi Arabia, South Africa, South Korea, Spain, Sweden, the UK, and the US between 24 January and 20 February 2025.
- These results were deepened by 30+ interviews with CP C-suite executives and financial analysts providing deep insights into key topics, as well as interviews with EY leaders representing supply chain, M&A, commercial excellence and digital transformation.
- Additional data was provided by EY Consumer Products Dynamics Research – an anonymous online survey, conducted on our behalf by FT Longitude (the specialist research and content marketing division of the Financial Times Group). It surveyed C-suite business leaders from 400 CP companies and 200 retailers around the world with annual revenues above US$1b, between 21 February and 21 March 2025. The survey explored the impact of specific trends and macroeconomic factors on the industry, and how organizations are responding, focusing on market challenges, competitive advantage and retailer-manufacturer dynamics. Respondents represented 17 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Nordics, South Africa, South Korea, Spain, the UK, the US). Surveyed companies' annual global revenues were as follows: 68% US$1b-US$5b, 25% US$5b-US$20b, 8% >US$20b.
- Additionally, data from the quarterly EY-Parthenon CEO Pulse, last conducted in April 2025, includes perspectives from 1,200 global CEOs, including 100 CP and 90 retail leaders, to assess their confidence in the sector, as well as strategic priorities, risks, opportunities and emerging trends.
- Other industry data from our own extensive secondary desk research using EY tools and databases, including Capital IQ, Euromonitor, LSEG and Oxford Economics, also informed our analysis.

Continue the conversation

A special thank you to our authors

If you would like to discuss the report findings and any implications for your business, please contact the EY team.

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Rob defines and executes EY's Global and Americas Consumer Products Sector strategy, leading a 38,000+ global team in working with clients and a partner ecosystem to grow, protect, and optimize their enterprises. He is also a Strategic Advisor for major consumer and retail client teams.

Rob has held executive and operating roles at leading data, analytics, and digital professional services firms and at top 50 global consumer brands. He was a member of the Operating Committee of a leading provider of big data, predictive analytics and forward-looking insights that help Consumer Products, OTC health care organizations, retailers, financial services and media companies grow their businesses. Earlier in his career, he ran retail and shopper marketing for leading global beverage company where he drove new data-based approaches to Revenue Growth Management and personalized and local retail execution.

He is an accomplished public speaker and panelist whose insights have been featured in AdAge, Brand Week, Fortune, and The Financial Times. He was previously a board member of the Marketing Sciences Institute and a founding advisory board member of Columbia University's Center for Pricing and Revenue Management. He holds a BS in Finance and Marketing from Drexel University and an MBA in Marketing and Operating Science from the University of North Carolina – Chapel Hill.

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EY Global Consumer Products Lead Analyst

For more than three decades, Andrew has challenged executives to reframe their choices on where and how to compete. In addition to his Analyst role, Andrew leads Insights overall for the EY organization, directing the organization's research and analysis teams across sectors, service lines and regions. Andrew previously held strategy and consulting roles at a leading global food company and a leading management consulting firm, working as an analyst in the US, Asia and Europe. Andrew has an MBA from London Business School and is co-author of the book "Managing Profitable Growth in Emerging Markets: Scaling the Tail."

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