



Eight Disruptive Forces Shaping Consumer Goods

By Brian Hindo, Kristen Colella, and Claudia Pardo

To turn disruption into growth, consumer goods companies need to understand and develop a sharp point of view about the forces transforming their industry.

Technology in particular has had far-reaching and fundamental impacts on the industry, transforming how brands and retailers communicate with consumers and deliver goods, breaking down barriers for startups with new ideas, and creating a new landscape for marketing and product search and discovery.

The rapid growth of AI is creating a dual opportunity to reimagine the way work gets done, accelerating resiliency and productivity, as well as increasing the speed and quality of decision-making to drive growth and innovation. At the same time, global tensions are creating volatility, supply chain disruptions and fueling more inflationary pressures.

We have identified eight primary trends and forces reshaping the consumer goods ecosystem and value chain that should be top of mind for

both incumbents and startups as they navigate their paths forward. As our research has shown, **consumer transformation leaders** are modeling how to adapt to these forces: using new technologies to develop a closer understanding of their customers, embracing digital transformation, and business model innovation.

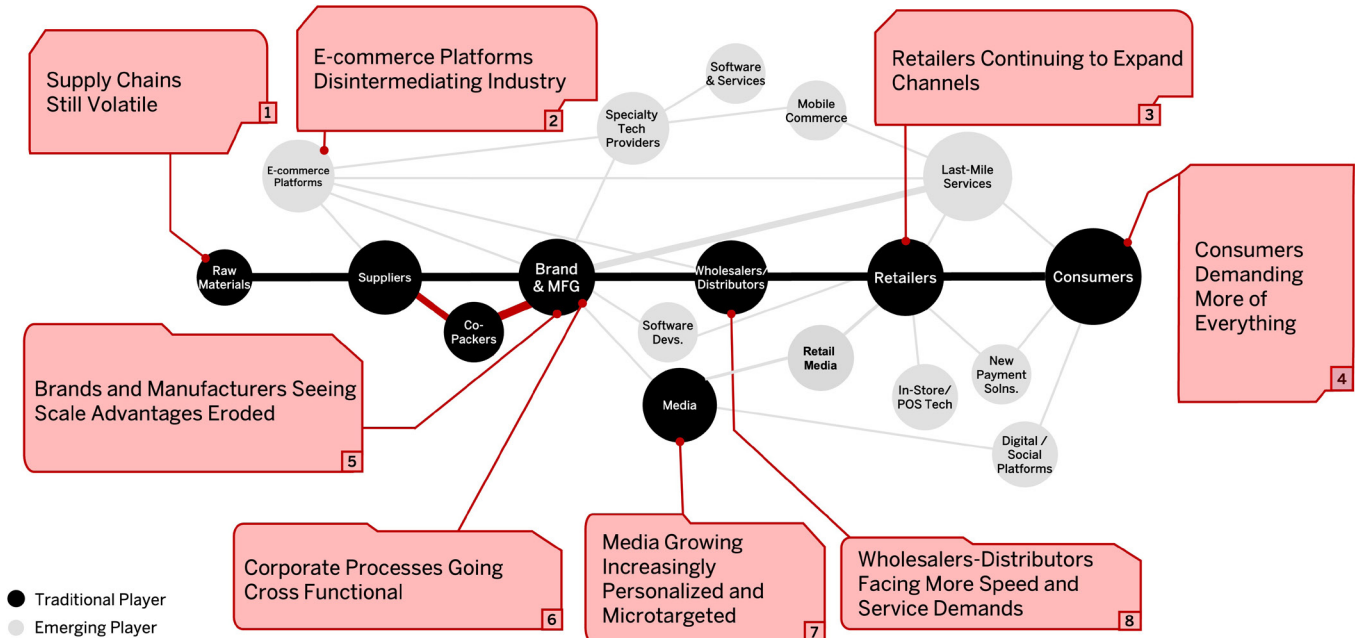
1. Supply Chains Are Still Volatile.

In the wake of the COVID-19 pandemic, consumer goods companies made addressing their supply chains a top priority, investing in advanced technologies to increase logistics visibility while diversifying their supplier base.

Companies continue to face significant supply chain challenges, including volatile raw material costs, labor shortages, global political tensions, and demands to implement more sustainable practices. Industry leaders are pursuing strategies to counter increased material and transportation costs,

Disrupting the Consumer Goods Value Chain

Shifts in the consumer goods ecosystem increase the importance of efficiency, insights, and decision making for key stakeholders



disruptions in production schedules, and difficulties meeting consumer demand.

2. E-commerce Platforms Are Disintermediating Industry.

In 2024, e-commerce is expected to make up more than one-fifth of all retail sales globally.¹ Digital platforms continue to reshape consumer markets, emphasizing data-driven personalization, leveraging mobile technology, integrating and transforming physical retail experiences, and expanding and dominating rapidly growing emerging markets, particularly with younger demographics.

These innovation leaders are helping remake the customer value proposition, leveraging vast amounts of data and deploying AI to provide highly personalized shopping experiences that deliver instant gratification to consumers. They continue

to transform the ecosystem by pursuing strategies to develop greater customer loyalty and adopting omnichannel strategies that provide a seamless shopping experience across multiple platforms.

3. Retailers Continue to Expand Channels.

Consumers now expect an omnichannel shopping experience. And industry leaders have made significant investments in their innovation capabilities to enable that shift. Retailers are also taking cues from direct-to-consumer startups and others that are disintermediating markets, developing new ways to reach and connect with tech savvy customers in their product search and discovery.

On the back end, retailers are deploying new technology and logistics capabilities to create a seamless experience for consumers – whether

they enter the physical or digital storefront. On the merchandising front, they continue to try to renew their consumer value proposition in the face of unrelenting competition, demanding more innovation from their brand suppliers. At the same time, retailers' own private label offerings are becoming more relevant for consumers weary of inflation and are catching up to branded products in terms of perceived quality, formulation, and design.

4. Consumers Demand More of Everything.

It's an age of abundant consumer choice as well as profound shifts in global demographics. Simultaneously, consumer behavior and expectations are being transformed by technology, enabling personalized interactions and product recommendations based on individual preferences and purchase histories. AI and machine learning are adding fuel to this transformation, making customizable experiences available at even greater scale.



Today's consumer demands more immersive experiences, both online and off, and authenticity in social media and marketing. They continue to express preferences for health and sustainability, though will not always demonstrate the willingness to pay a premium. It's up to brands to solve for it, designing products with those attributes in mind. The surge in inflation has sparked even more complicated behaviors, with price-sensitive buyers

trading down for some products but trading up and splurging on other luxury-type categories.

5. Brands and Manufacturers See Scale Advantages Eroded.

Big brands and manufacturers have confronted profound disruptions in the economics underlying their industry, eroding scale advantages they once enjoyed from their size. The barriers to entry for startups have evaporated because of technology, forcing incumbents to develop strategies to rethink and improve product portfolio adaptability.

Leading companies are prioritizing investments in technology to enhance efficiency, customer engagement, and supply chain resiliency. This enables them to continuously adapt to consumer feedback, providing personalization at scale and optimizing pricing to stay relevant as new brands and trends emerge. This can also help empower brands as they contend with the shifting power dynamics within the value chain as retailers take more control of product placement and sales strategies.

6. Corporate Processes Go Cross Functional.

The efforts by leading consumer brands and retailers navigating disruption are well known. What is less so is the impact these investments in digital transformation are having on the processes and functions within these organizations. With the proliferation of digital technologies, leading consumer goods companies are seeking to modernize and transform functional processes, from strategy and finance to human resources and marketing.

By rethinking how work gets done and embracing data-informed decision making, agile

methodologies, and customer-centric approaches, companies can better compete in a disruptive environment. This enables them to increase productivity and protect margins while also providing an opportunity to rethink the kinds of skills they need within different functions and how those functions can partner across organizations to drive growth and innovation. This trend will be further fueled as companies turn proprietary data into an asset, transforming their marketing strategy, customer interactions, and innovation performance.

7. Media Grows Increasingly Personalized and Microtargeted.

Media is increasingly personalized and microtargeted, increasing competition for consumer attention as channels such as social media, influencer marketing, retail media, and programmatic advertising grow in relevance. Retail media, in particular, is expected to grow to nearly a quarter of total media ad spending by 2028, according to eMarketer, and is already a substantial profit driver for the largest retail media platforms such as Walmart Connect.²

Given the relative ease with which AI, digital advertising, and data-driven marketing makes it to create and reach consumers with highly compelling, personalized and targeted campaigns, it's imperative for every consumer product category to constantly refresh its connection and communications with its audiences.

8. Wholesalers-Distributors Face More Speed and Service Demands.

Wholesalers and distributors have faced profound challenges as the rise of e-commerce and direct-to-consumer sales models have disrupted the consumer goods marketplace, increasing demands for speed and service while introducing new forms

of competition. This includes the growing popularity of e-commerce marketplaces that serve as aggregators, providing a virtual forum for multiple sellers.

The global supply chain crisis compounded these challenges, increasing costs and elevating the need for investments in new technologies. Industry players also face new demands around visibility in supply chains related to product sustainability concerns. Leading companies are investing in state-of-the-art inventory tracking and logistics systems to meet demands while seeking strategic partnerships to expand their global reach.

The consumer goods ecosystem faces major disruption driven by technology, demographics, evolving consumer behaviors, and global tensions. Companies can navigate these changes by embracing digital transformation, business model innovation, and adapting their supply chain. By staying agile and leveraging data-driven strategies, they can turn these disruptions into growth opportunities and maintain a competitive edge.

ABOUT THE AUTHORS



Brian Hindo is a Managing Director at Innosight based in New York.



Kristen Colella is a Managing Director at Innosight based in Boston.



Claudia Pardo is a Managing Director at Innosight based in Switzerland.

ENDNOTES

1. “E-commerce as a percentage of total retail sales worldwide from 2021 to 2027,” Statista, 2024.
2. “Retail media will account for almost a quarter of all US media ad spend in 2028,” eMarketer, June 21, 2024.

ABOUT INNOSIGHT

Innosight helps organizations navigate disruptive change and manage strategic transformation. As the strategy and innovation consulting business of Huron, we work with leaders to create new growth strategies, accelerate innovation, and build future-ready organizations. Discover how we can help your company own the future, instead of being disrupted by it. www.innosight.com.

[Contact Us](#)