

CONSUMER GOODS AND THE BATTLE *for* B2B *and* B2C RELATIONSHIPS

Insights, Challenges, and Priorities from 500 Global CG Leaders

salesforce



About This Report

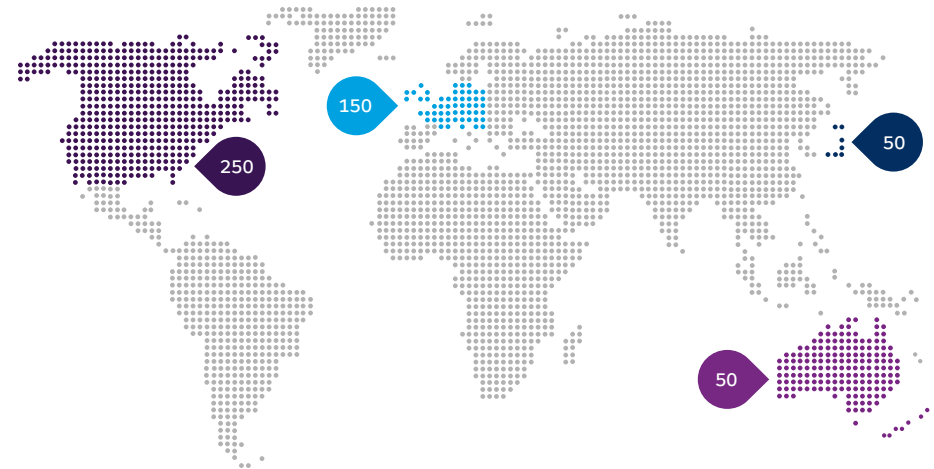
Both consumers and consumer goods (CG) companies are in the midst of a fascinating retail renaissance. The traditional landscape of physical shelf space and shopping carts will never be the same. Consumers have total control of where and how they buy, along with unprecedented access to products and fulfillment options.

To remain relevant, competitive, and future-proof, CG brands are optimizing for what's next. In this report, we dive into the present and forthcoming state of consumer goods, uncovering:

- Why digital transformation is an urgent imperative
- What leaders are doing to build more effective business-to-business (B2B) and business-to-consumer (B2C) relationships
- How leaders can evolve and optimize for the future

Our research is based on a double-blind survey conducted in February 2019 that generated responses from 500 CG leaders worldwide. Survey respondents are from North America, Asia Pacific, and Europe.

Insights From 500 Global CG Leaders



All respondents are third-party panelists (not limited to Salesforce customers). Respondents hold director-level or higher roles at CG companies – specifically food, beverage, apparel/retail, and other non-food products. For further survey demographics, [see page 24](#).

Due to rounding, not all percentage totals in this report equal 100%. All comparison calculations are made from total numbers (not rounded numbers).

Contents

Chapter 1: Customer Expectations Elevate the Need for Digital Transformation.....	04
Chapter 2: The Consumer Goods Industry Is Challenged to Build Effective B2B Relationships	08
Chapter 3: Consumer Goods Leaders Prioritize B2C Relationships	12
Chapter 4: The Future of Consumer Goods Calls for Evolution.....	18
Conclusion	23
Survey Demographics	24



CHAPTER 1:

Customer Expectations Elevate the Need for Digital Transformation

Advances in artificial intelligence (AI), robotics, the Internet of Things (IoT), and more are fueling the [Fourth Industrial Revolution](#). These digital transformations are influencing consumer preferences, habits, and purchase decisions.



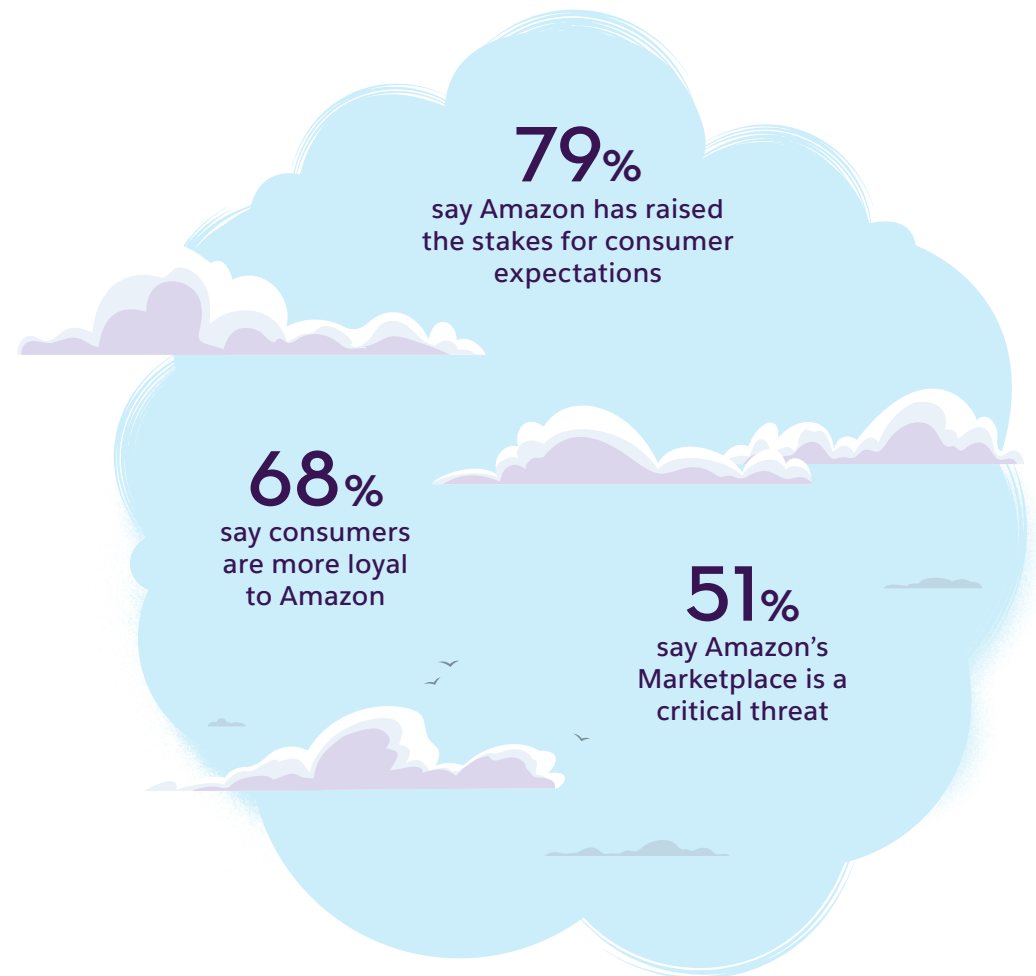
To remain competitive, CG companies have to adjust rapidly to meet new consumer demands.

You can't talk about retail and CG transformation in this environment without noting the elephant in the room: Amazon. Six in 10 CG leaders (61%) feel that Amazon is beating traditional retailers on repeat purchase and fulfillment. **Sixty-eight percent think that consumers are more loyal to Amazon's Marketplace than individual brands.**

These concerns are not unfounded. Recent research shows that while 50% of consumers make a first-time product purchase directly from a retailer and 31% buy from marketplaces like Amazon, their second purchase is a different story. Forty-seven percent of consumers choose marketplaces for that second purchase vs. only 34% returning to retailers.¹

When asked why they choose to buy from marketplaces instead of retailers and brands, consumers say price, product variety, and product availability are marketplaces' three biggest draws.¹ These numbers indicate that consumers expect a wide variety of products, priced fairly, available at a moment's notice – and 51% of CG leaders say Amazon is a critical threat in this environment.

What CG Leaders Say About Amazon



¹"Shopper-First Retailing," Salesforce and Publicis.Sapient, 2018.

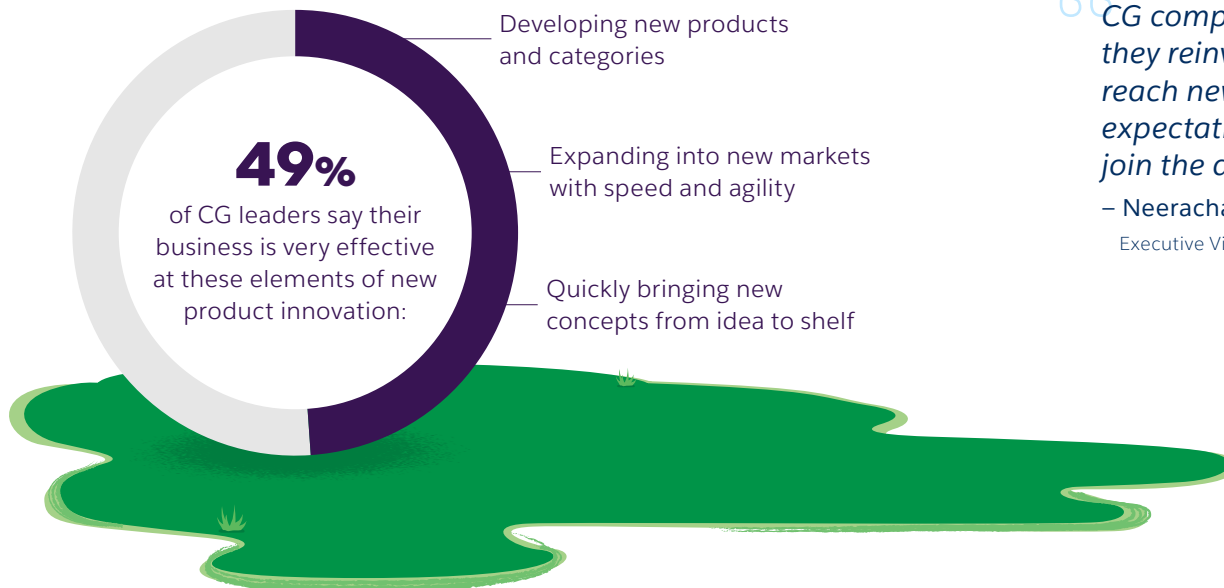
CHAPTER 1: CUSTOMER EXPECTATIONS ELEVATE THE NEED FOR DIGITAL TRANSFORMATION

Innovation in product development and distribution is key for CG companies to forge ahead.

Despite the imperative to adapt quickly to changing consumer demands, less than half of CG leaders say their business is very effective at developing new products.

CG companies are looking beyond traditional supply chain and product development models to keep their competitive edge. That means leading with experience (think personalized Coca-Cola cans or Kiehl's custom skincare formulas) and seamless distribution.

Unfortunately, that level of development and distribution agility is not the norm for most CG companies.



Dollar Shave Club is a prime example of an innovative startup that achieved success through market momentum that punched above its weight. This startup shared its simple value proposition (inexpensive, yet quality razors conveniently ordered online and delivered to consumers' homes) through a viral video and earned a \$1 billion cash acquisition from Unilever within five years of launch. Dollar Shave Club models consumer- and personalization-driven transformation – and what it looks like when a CG company responds to market demand in real time.

“CG companies are at risk for extinction unless they reinvent themselves – and move faster to reach new markets and meet rising consumer expectations. The choice is clear: transform or join the dinosaurs.”

– Neeracha Taychakhoonavudh

Executive Vice President of Industries, Salesforce



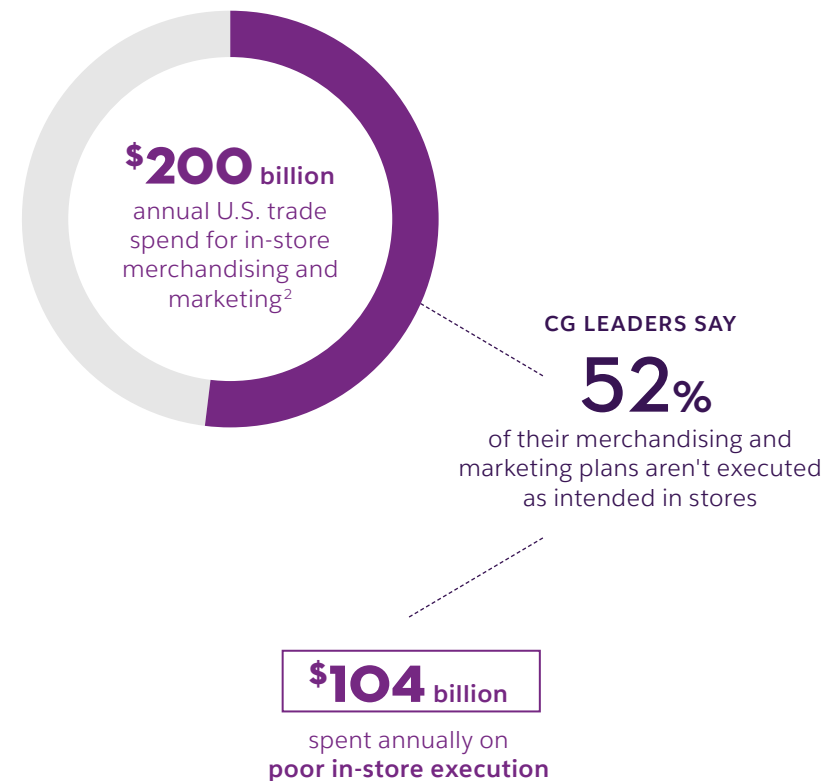
CHAPTER 1: CUSTOMER EXPECTATIONS ELEVATE THE NEED FOR DIGITAL TRANSFORMATION

The B2B relationship between CG companies and traditional retailers still drives the vast majority of CG sales.

Transformations in consumer expectations and the rise of online marketplaces haven't reduced the need for CG companies to work with retailers. **Today, fast-moving consumer goods annually earn \$1.01 trillion in the U.S. – and 95% of those sales come from traditional retail.**¹

However, CG leaders face challenges in growing – let alone maintaining – the trillions of dollars in that supply chain. When asked what percentage of their merchandising and marketing plans are executed as intended at brick-and-mortar retail locations, CG leaders said only 48% hit the mark. At the same time, CG leaders in the U.S. spend \$200 billion annually on trade spend for merchandising and marketing.² That means CG companies are spending \$104 billion in the U.S. alone on poor in-store execution.

Financial Impact of Poor In-Store Execution



¹"Omnichannel Fast Facts on the In-Store and Ecommerce Landscapes," Nielsen, October 2018.

²"Zero-Based Trade for CPG Leaders: Five Steps for Raising the Impact of Your Trade Promotions," PwC, March 2017.

CHAPTER 2:

The Consumer Goods Industry Is Challenged to Build Effective B2B Relationships

CG leaders feel there is much to be desired in retail execution.



CHAPTER 2: THE CONSUMER GOODS INDUSTRY IS CHALLENGED TO BUILD EFFECTIVE B2B RELATIONSHIPS

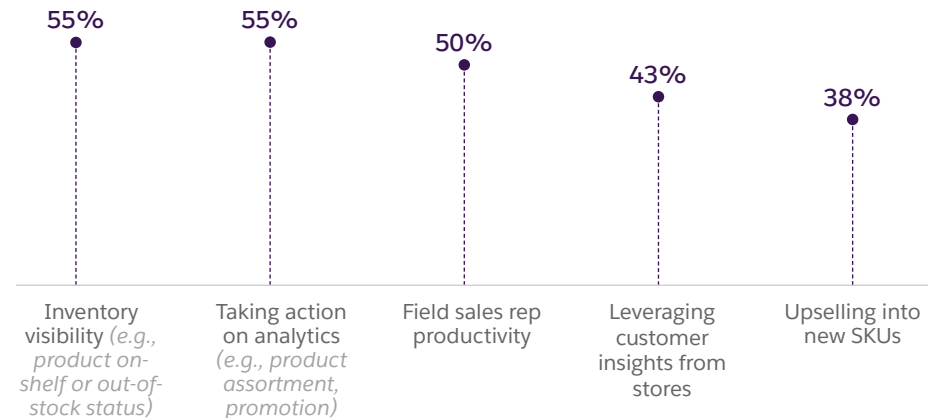
CG success relies on retail execution – the crucial set of last-mile processes that get the right product on the right shelf at the right price.

Retail execution responsibilities largely fall on sales reps' shoulders, but CG leaders are split on whether these reps are operating at maximum productivity in the field: 50% are completely satisfied with their efforts.

CG leaders are more satisfied with inventory visibility and taking action on analytics than store-owned customer insights or upselling into new SKUs. **Only 38% of CG leaders are completely satisfied with how their company sells new SKUs into retailers' stores.**

Leveraging customer insights from stores also poses a challenge (only 43% are completely satisfied). These difficulties in getting new SKUs into stores and leveraging store insights directly stunt growth for CG companies. Speed to market and insight are crucial to optimizing retail execution, considering that 63% of customers expect new products more frequently than ever before.¹

CG Leaders Who Are Completely Satisfied with Key Elements of Retail Execution



¹"State of the Connected Customer," Salesforce Research, June 2018.

CHAPTER 2: THE CONSUMER GOODS INDUSTRY IS CHALLENGED TO BUILD EFFECTIVE B2B RELATIONSHIPS

Data matters, but barriers to access it are high.

In an industry where access to consumer data is integral to accelerating innovation and time to market, less than half (43%) of CG leaders are completely satisfied with their ability to leverage customer insights from traditional retailers.

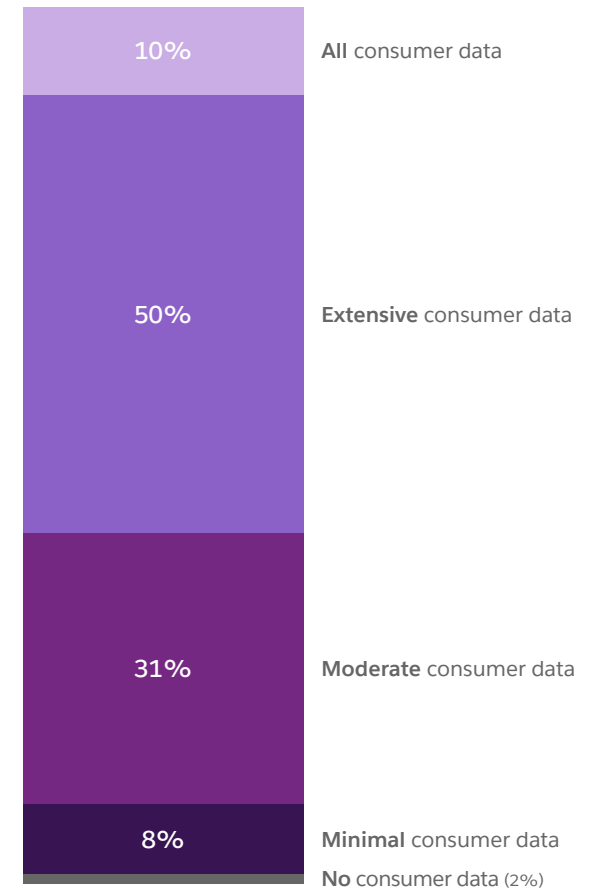
Marketplaces and wholesale channels are also sitting on volumes of data that CG leaders need, but 41% of them **can only access a moderate amount or less of data from these combined sources.**

Projecting AI Growth

A study of nearly 900 retail and CG marketers found that **only 25% leverage AI today – with another 45% planning to leverage it in the next two years.**¹

Data is the bedrock of AI efforts that can build personalization, convenience, and automation capabilities at CG companies. Accordingly, CG leaders are prioritizing data accessibility – for example, 82% plan to increase investments in first-party consumer data access in the next three years ([see p. 19](#)).

Volume of Consumer Data CG Leaders Can Access and Control via Indirect Channels



¹"Trends in Retail and Consumer Goods Marketing," Salesforce, March 2018.

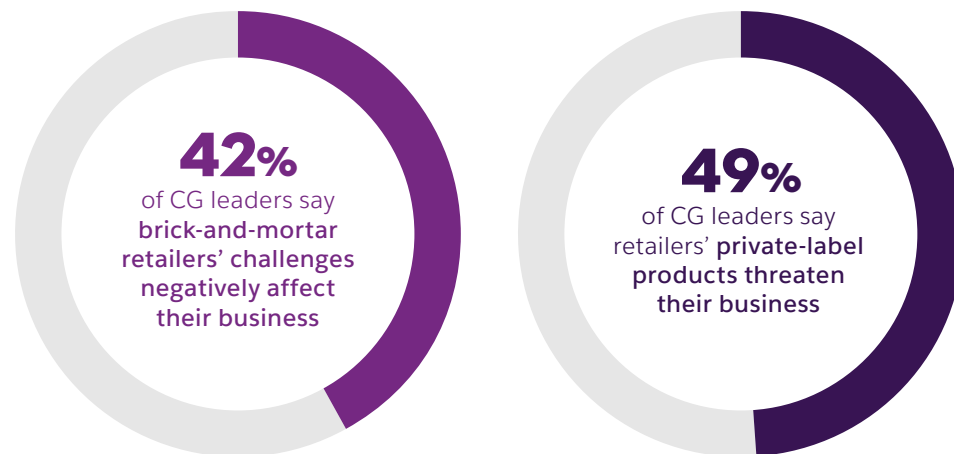
CHAPTER 2: THE CONSUMER GOODS INDUSTRY IS CHALLENGED TO BUILD EFFECTIVE B2B RELATIONSHIPS

CG leaders have reason to fear brick-and-mortar challenges.

Forty-two percent say that the challenges retailers face – such as store closings and margin pressure – are negatively affecting their business. CG companies are right to be wary of the brick-and-mortar climate, given that 5,524 U.S. stores closed in 2018.¹

CG leaders are also keeping an eye on retailers' burgeoning private-label lines that compete against their own products – in fact, **49% perceive retailers' private-label products as a business threat**. Indeed, powerful private-label brands from the likes of Tesco, Hema, Costco, Amazon, and Walmart are soaring to new heights. In 2018, Costco's Kirkland brand earned nearly \$40 billion – an 11% increase from 2017 (and more sales than Campbell Soup, Kellogg's, and Hershey combined).²

These competitive threats and retail challenges are forcing CG manufacturers to build relationships directly with consumers – and 99% of CG leaders are investing in D2C strategies to do that (see p. 13).



“Traditionally, CG companies have been focused on product placement – positioned in the right spot at the right time. While share of shelf is still a critical component to winning our consumers, we have to think differently. We have to lean on technology and innovation to create engaging experiences for our consumers and customers and keep us relevant.”



– Beau Dunn
Commercial Technology Director, Kellogg's

¹“Reviewing 2018 U.S. and U.K. Store Closures,” Coresight Research, January 2019.

²“How Kirkland Signature Powers Costco's Success,” CNN, January 2019. U.S. data only.

CHAPTER 3:

Consumer Goods Leaders Prioritize B2C Relationships

CG leaders are accelerating direct-to-consumer (D2C) selling strategies to fuel new relationships and growth.



CHAPTER 3: CONSUMER GOODS LEADERS PRIORITIZE B2C RELATIONSHIPS

CG companies have traditionally been separated from their end consumers, living almost exclusively in the B2B realm and selling to retail and other indirect channel partners. But with ecommerce, brands can increasingly sell directly to the end consumer.

Given this growing opportunity, CG leaders are increasingly focused on going D2C. In our study, **a full 99% of CG leaders say they are investing in D2C sales. Only 1% said this is not a priority.**

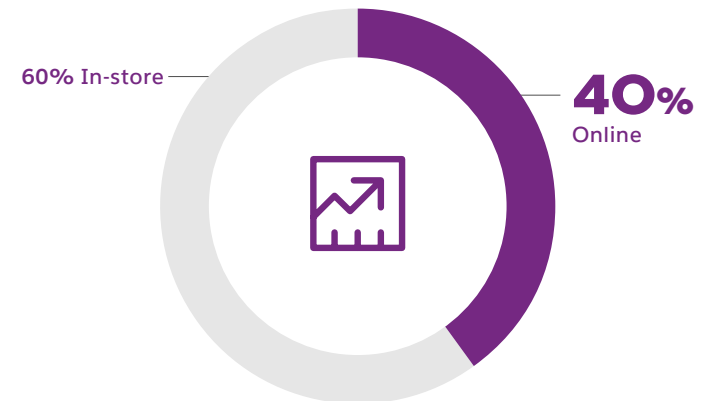
Why? There's a huge financial incentive. Nielsen reports that despite online sales comprising only 5% of the total U.S. fast-moving consumer goods market, those online sales account for 40% of the market's sales growth.¹ Consider the example of Adidas, which plans to double its online sales by 2020,² or **Burt's Bees**, which began piloting an ecommerce site in 2018. Its site includes compelling digital-only experiences that traditional retailers cannot offer, like limited-time sample boxes and lip shade finders.

Revenue Impact of Online Sales in U.S. Fast-Moving Consumer Goods (FMCG)¹

Despite online sales comprising only 5% of the total U.S. FMCG market ...



... online sales account for 40% of sales growth.



¹"Omnichannel Fast Facts on the In-Store and Ecommerce Landscapes," Nielsen, October 2018. Data reflects the year ended on August 25, 2018.

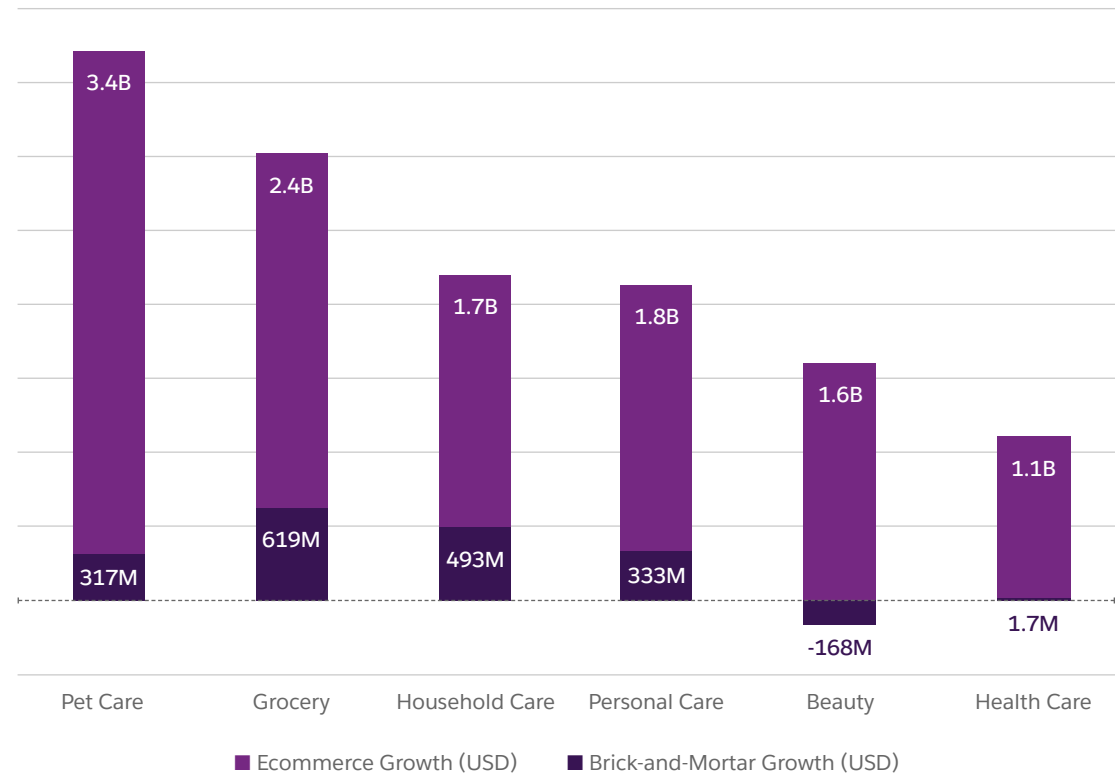
²"Adidas looks to score online as it drives harder into digital," *The Financial Times*, April 2018.

CHAPTER 3: CONSUMER GOODS LEADERS PRIORITIZE B2C RELATIONSHIPS

Today's biggest ecommerce growth categories within CG are pet care and grocery – and essentially all beauty product category growth is now driven by ecommerce. Physical stores remain on a growth trajectory in general, with grocery being the biggest physical-store stronghold.



**Fast-Moving Consumer Goods (FMCG) Categories:
Ecommerce vs. Brick-and-Mortar Growth¹**



¹"Total Consumer Report: CPG, FMC, & Retail," Nielsen, June 2017. Data reflects U.S. only.

CHAPTER 3: CONSUMER GOODS LEADERS PRIORITIZE B2C RELATIONSHIPS

While D2C is a huge opportunity, CG leaders face a new set of challenges.

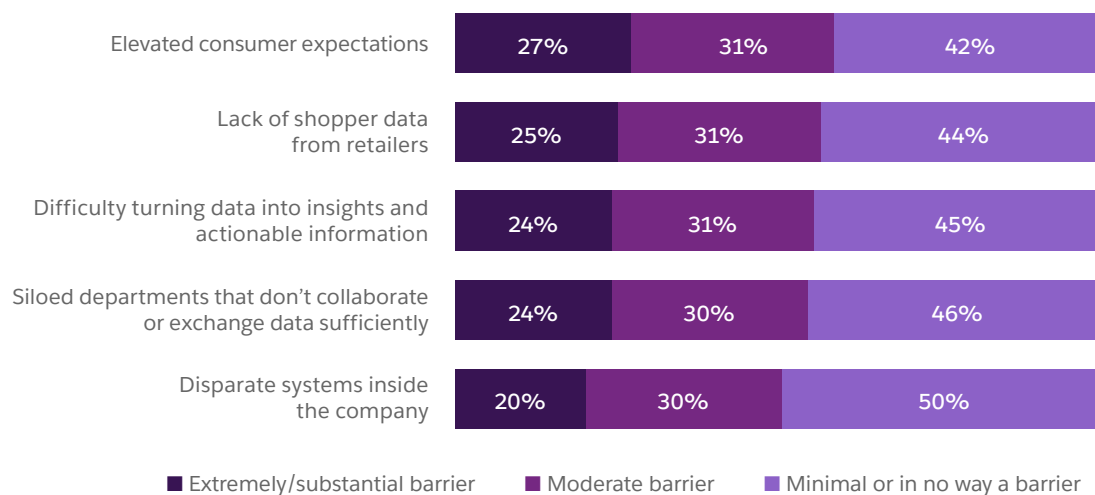
Given the growth in ecommerce sales, the logical next step for CG companies is going D2C and building a foundation for strong consumer relationships. However, this transition won't happen overnight – particularly as it pertains to delivering the elevated experiences today's consumers demand, driven by the growth of ecommerce, Amazon, and always-on connectivity.

Buyers expect a seamless experience, whether they purchase with a credit card online or select an item from a shelf. It's key to provide personalized offers and make it easy for consumers to find and buy products: 88% of consumers say they would exchange relevant personal information for a simpler purchasing process; 79% say the same for contextualized interactions – like personalized service or email.¹

Historically, however, personalizing consumer interactions has not been a focus or differentiator for CG companies, and many feel they have catching up to do. **Over half (55%) of CG leaders perceive barriers in turning the customer data they own into insights** – and 54% report siloed departments that make collaboration difficult.

¹"State of the Connected Customer," Salesforce Research, June 2018.

Extent of Barriers to Building Direct Customer Relationships



“Consumers want direct relationships with brands today. CG leaders, it's time to listen up and adjust your roadmap. No matter what department you work in, the consumer should be in the center.”

– Jason Pawloski
Head of Digital, Haworth



CHAPTER 3: CONSUMER GOODS LEADERS PRIORITIZE B2C RELATIONSHIPS

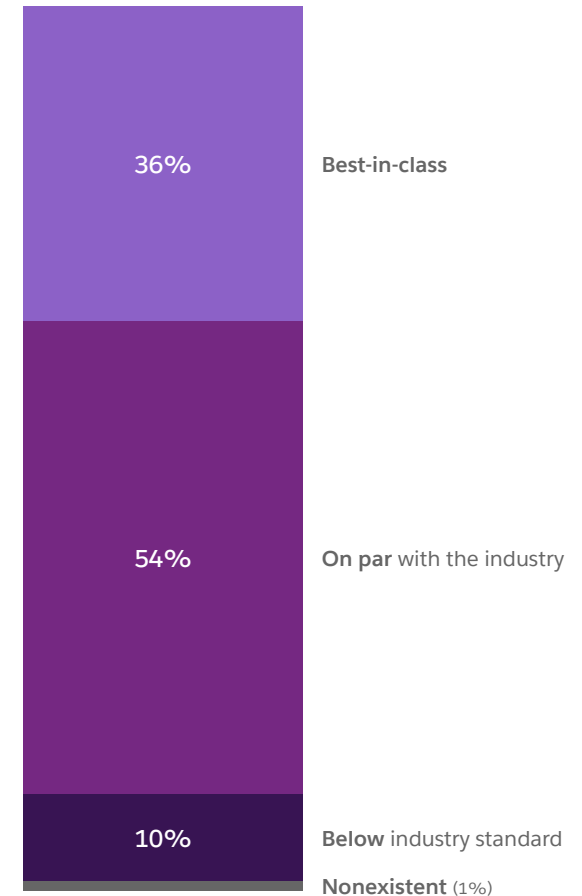
Despite the inherent challenges in selling D2C, the majority of CG leaders are optimistic about the results of their legwork thus far.

Fifty-four percent view their D2C strategy as on par with the industry, and 36% rate it as best-in-class. Only 11% say it is nonexistent or below industry standard.

For that 11%, the mandate to improve D2C operations is clear. But this imperative applies to the 54% of leaders who say they're just average, too. CG companies are battling for sales against marketplace juggernauts, budget-friendly private labels, and lightning-fast digital natives, so average performance is not an indicator of future success.



How CG Leaders Rate Elements of Their Direct-to-Consumer Strategy



Data represents the average responses across the following elements: ecommerce technology, executives and staff, supply chain and distribution, customer service, and merchandising and marketing.

CHAPTER 3: CONSUMER GOODS LEADERS PRIORITIZE B2C RELATIONSHIPS

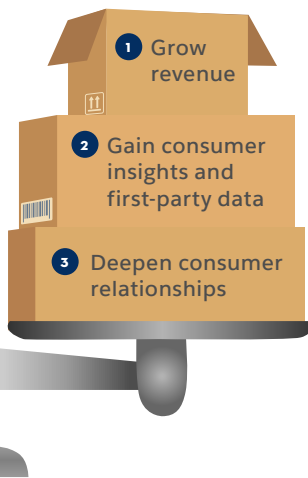
Selling and marketing consumer goods is a balancing act.

CG leaders continue to optimize traditional retail and channel partner relationships, while testing the waters with D2C strategies. Mapping the right people and technology to each relationship (B2B and B2C) is mission-critical.

CG Leaders' Top Objectives for Working with Channel Partners



CG Leaders' Top Objectives for Investing in D2C Sales

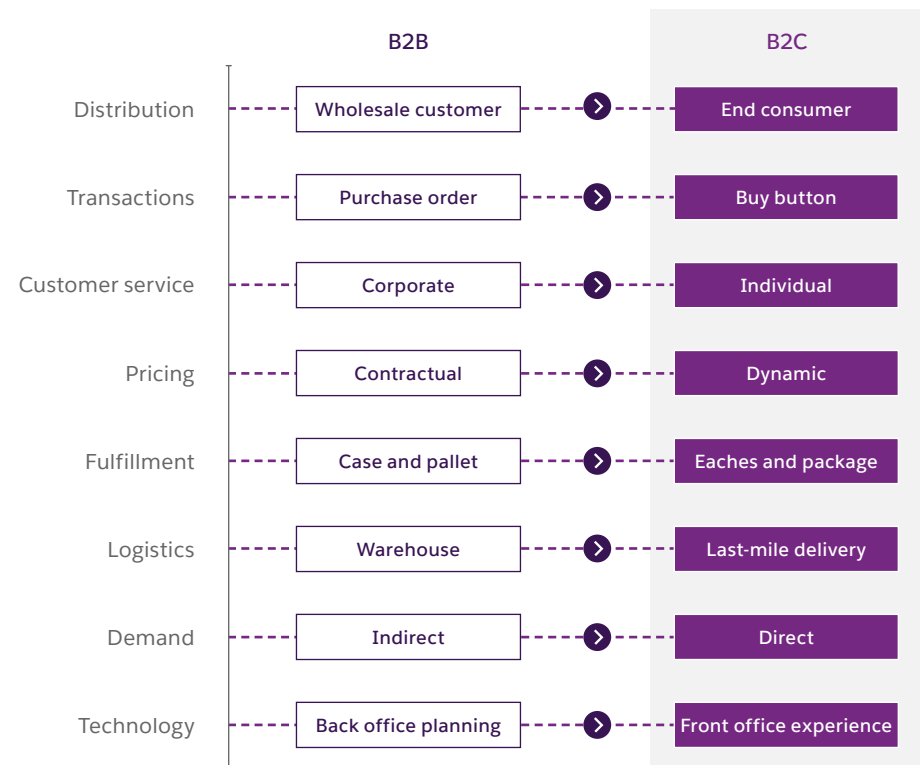


Increasing data access is key across both sides of the scale. In an era when 87% of consumers say AI either has transformed or will transform their expectations of companies, CG leaders are responding by leaning into data to propel their efforts. For example, 82% plan to increase investments in first-party consumer data over the next three years. Use cases for this data could be dynamic pricing, email offers, and predicting which products (and how many) should be sold to which retailers.

¹"State of the Connected Customer," Salesforce Research, June 2018.

B2B to B2C: Expanding the CG Playbook

Flexing a new B2C muscle is a priority for CG leaders to forge ahead. The chart below offers a roadmap based on the D2C journey that branded manufacturers began more than 15 years ago.



CHAPTER 4:

The Future of Consumer Goods Calls for Evolution

CG leaders plan to adjust strategies and financial investments to improve both B2B and B2C operations in the future. In particular, they plan to:

1. Invest in first-party consumer data and digital service
2. Communicate directly with consumers
3. Lead with values and transparency
4. Use emerging technology to transform business operations



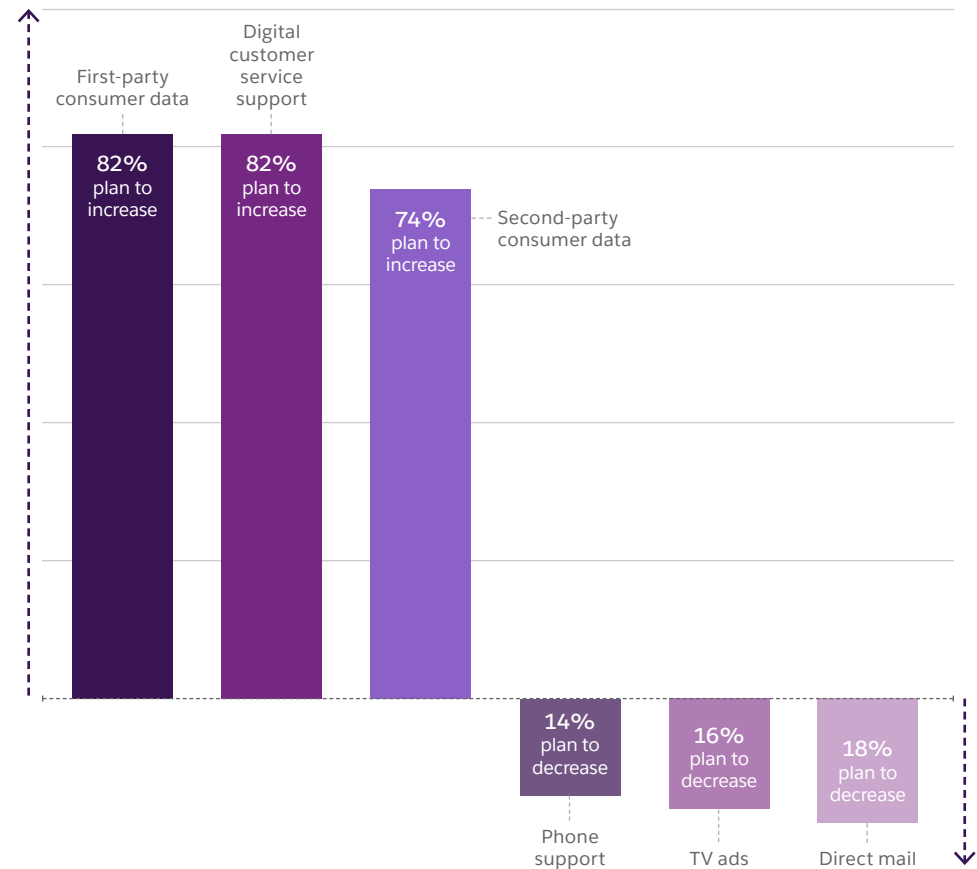
CHAPTER 4: THE FUTURE OF CONSUMER GOODS CALLS FOR EVOLUTION

The two biggest areas of planned business investment over the next three years are first-party consumer data and digital customer service support.

In planning for the future, CG leaders know an excellent consumer experience can be ruined by a poor service interaction. These service investments are simultaneously an investment in loyalty. We also see CG leaders planning to invest in unified commerce and second-party consumer data (74% plan to increase investments here) – continuing the trend of unifying identities, data, and experiences across channels.

On the flip side, CG leaders are most likely to plan decreased investment in traditional media, specifically direct mail (18% plan to decrease), TV ads (16% plan to decrease), and phone support (14% plan to decrease). Reduced investments in traditional media show CG leaders putting their money where their digital priorities are.

Areas in Which CG Leaders Plan to Increase and Decrease Investments Most in the Next Three Years



CHAPTER 4: THE FUTURE OF CONSUMER GOODS CALLS FOR EVOLUTION

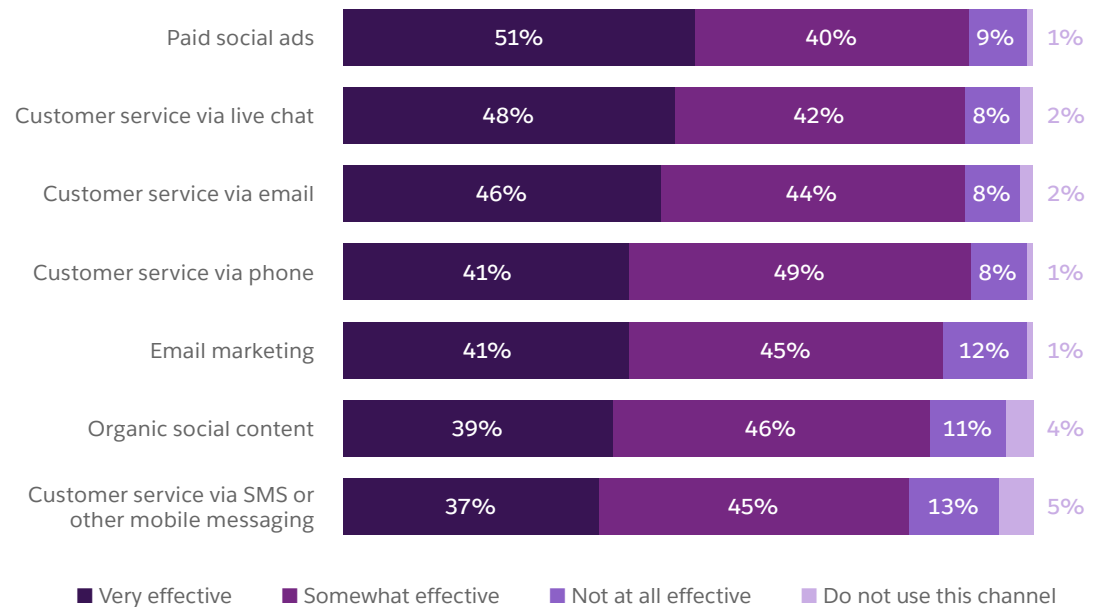
With 99% of CG leaders investing in D2C, communicating with consumers is a key priority for future success.

When asked about the most effective channels used to communicate directly with consumers, CG leaders rated the following as most effective:

- Social ads
- Service via live chat
- Service via email

All of these personal touchpoints can serve as valuable sources of consumer data, aligning with the number-one area where CG leaders plan to increase investments over the next three years, tied with digital service: first-party consumer data. Expect to see CG leaders looking to these newly minted marketing and service channels for new insights about individual preferences and behaviors.

Areas of Effective Communication with Consumers



CHAPTER 4: THE FUTURE OF CONSUMER GOODS CALLS FOR EVOLUTION

To win the hearts, minds, and repeat purchases of today's and tomorrow's consumers, CG companies are prioritizing the ability to lead with their values and tell a cohesive brand story.

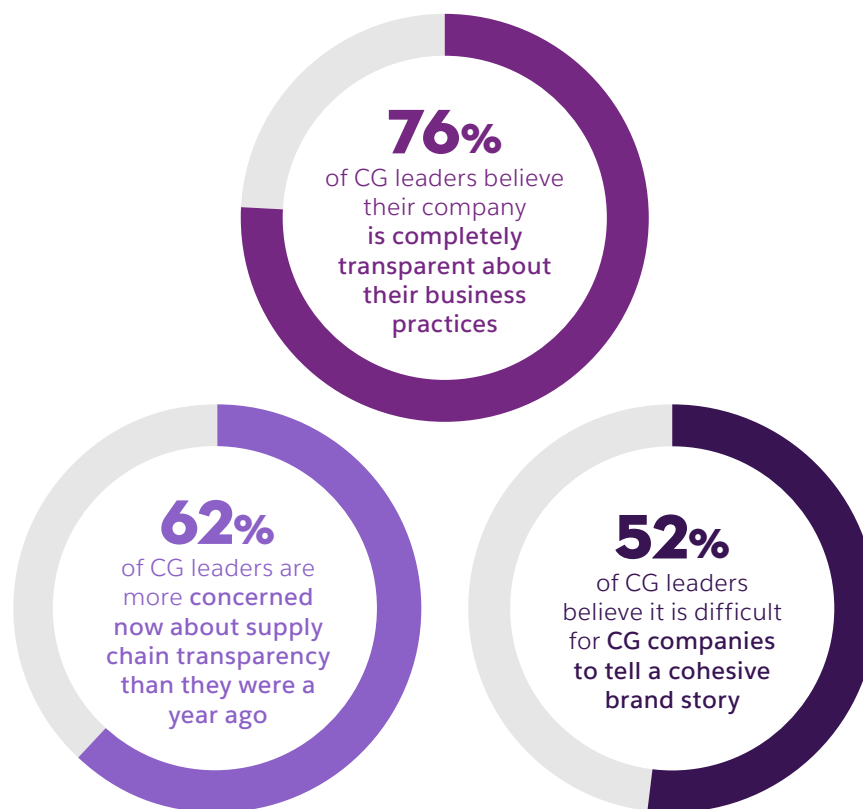
Forty-five percent of consumers are more likely to buy from a retailer or brand that gives a charitable donation with their purchase.¹ Similarly, 51% say their trust is strengthened when a company works to protect the environment.²

CG leaders are aware: 62% say they're more concerned now about supply chain transparency than they were a year ago, and 76% say their companies are completely transparent about business practices (e.g., product origins and environmental impact).

However, more than half (52%) feel that CG companies still struggle to tell a cohesive brand story. Continued investments in ecommerce, email marketing, and other consumer-facing channels will help them authentically share their values and a consistent narrative with discerning consumers.

¹"Shopper-First Retailing," Salesforce and Publicis.Sapient, 2018.

²"Trends in Customer Trust," Salesforce Research, September 2018.



“No one can predict the future of CG, but digital transformation will hinge on strategic relationships – on both the B2B and B2C sides of the house – as well as staying agile for what’s next.”

– Lisa Edwards

Executive Vice President of Strategic Business Operations, Salesforce
Board Member, Colgate-Palmolive



CHAPTER 4: THE FUTURE OF CONSUMER GOODS CALLS FOR EVOLUTION

Technological advancements will continue to change the game for consumer engagement.

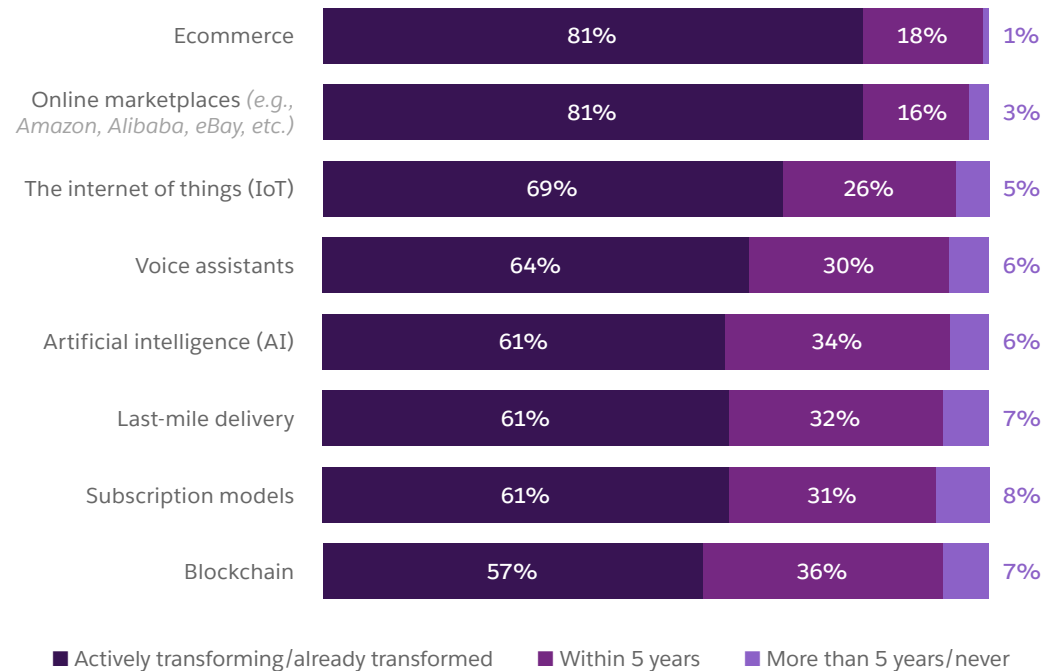
Which technologies do CG leaders see as best poised to help them realize their two imperatives: building more effective retailer relationships and crafting faster, more personalized, and more connected consumer relationships?

CG leaders rate ecommerce, online marketplaces, IoT, and voice assistants as the technologies bringing the biggest transformations to their industry.

Meanwhile, blockchain, subscription models, and last-mile delivery innovation are the areas rated most poised for transformation within the next five years. It makes sense that ecommerce and marketplaces were early industry transformers, with innovation in distribution following close behind, thanks to subscription models and last-mile delivery.

Within five years, 34% say AI will emerge as a key transformer in connecting shoppers with products, and 22% say it will do that in just two years. What might that AI-powered future look like in CG? From automating the supply chain to providing global, around-the-clock customer service via chatbots, AI has the potential to give CG leaders intelligence where they previously lacked insight. For example, specialty gifts brand Stonewall Kitchen uses AI to fill in gaps in their customer journey that they can't bridge with their team's own expertise¹ on both the B2B and B2C sides of the house.

Technologies and Trends CG Leaders Say Will Transform How Consumers Connect with Products



¹"You Can't Spell Retail Without AI: How Stonewall Kitchen Maximizes Online Conversions (And Sales!) With AI," Salesforce, April 2018.

Conclusion

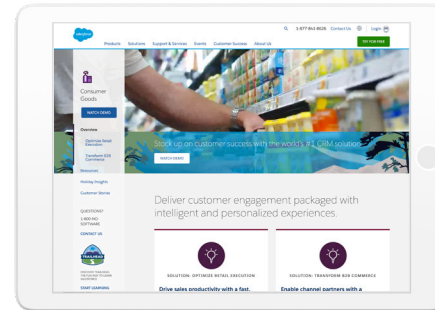
Every CG company is both B2B and B2C.

As CG leaders battle on both fronts, they should expect pressure from four key forces:

- Amazon and other online marketplaces with their advanced supply chain and distribution tactics
- Consumers and their expanding expectations
- Traditional retailers and their volatility
- Technology and its associated data complexities

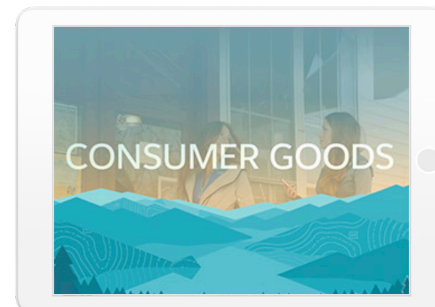
No matter what market changes arise, high-performing CG companies will continue to focus on strengthening their relationships with both shoppers and retailers.

By leveraging data, adopting new technologies, and working cross-functionally to enhance agility, CG companies are investing in connecting and improving their offline and online experiences.



Learn more about Salesforce for Consumer Goods

Visit our [website](#) to learn about the Salesforce for Consumer Goods solutions. Stay up to date on the latest Trailblazer stories, consumer goods experiences, and thought leadership.



Watch the Salesforce for Consumer Goods Demo

Stock up on customer success with the world's #1 CRM platform for B2B and B2C to be the brand your customers love. [Watch it in action now.](#)

Survey Demographics

COUNTRY

Australia/New Zealand	10%
Canada	10%
France	10%
Germany	10%
Japan	10%
United Kingdom/Ireland	10%
United States	40%

REGION

North America	50%
Europe	30%
Asia Pacific	20%

ANNUAL REVENUE (USD)

Less than \$250M	36%
\$250M to less than \$1B	43%
\$1B or more	22%

SENIORITY

C-level or department head (i.e., CEO, CMO, CDO, CIO)	20%
Vice president or other executive (excluding C-level)	30%
Director or equivalent	50%

DECISION-MAKING RESPONSIBILITY FOR BUDGETS/PRIORITIES BY DEPARTMENT*

Sales	61%
Supply chain	47%
Operations	47%
Information technology (IT)/ information systems (IS)	45%
Trade/trade marketing	43%
Ecommerce	42%
Marketing	39%
Customer service	36%
Corporate management	26%

*Multi-select question



