

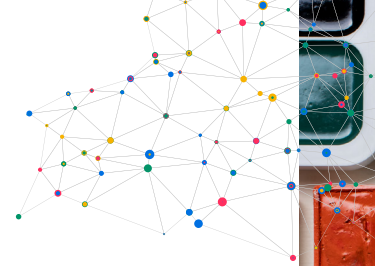
Navigating the Currents of Change:

# Consumer Goods Industry



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# *Introduction*

The Consumer Goods Industry

# Introduction

The consumer goods industry is a dynamic and ever-evolving sector that plays a pivotal role in the global economy. As one of the most diverse and multifaceted sectors, it encompasses a wide array of products, from everyday essentials to luxury goods, catering to the diverse needs and desires of consumers around the world.

**In recent years, this industry has been subject to a whirlwind of transformations driven by shifting consumer preferences, technological advancements, environmental concerns, and global economic fluctuations.**

This paper embarks on a comprehensive exploration of the contemporary landscape of the South African consumer goods industry, shedding light on the key trends that are reshaping the industry's dynamics and the formidable challenges that companies within this sector are confronting. As the industry stands at a critical juncture, understanding these trends and challenges is essential for businesses, and stakeholders alike, seeking to adapt, innovate, and thrive in this rapidly changing environment.

From the surge in e-commerce and sustainability initiatives to the profound impact of global events such as the COVID-19 pandemic, this paper delves into the forces driving change and disruption in the consumer goods industry. Furthermore, it investigates the strategies and approaches that successful organisations are employing to not only navigate these turbulent waters but also harness them to their advantage.

In the subsequent sections, we will delve into specific trends such as the rise of e-commerce, the quest for sustainability, the digital revolution, and evolving consumer behaviours. As the tides of change continue to sweep through the consumer goods industry, this paper invites its readers to embark on a journey of exploration, analysis, and discovery, shedding light on the pathways that will shape the future of consumer goods businesses worldwide.





# *Understanding South Africa's Consumer Goods Sector*

## Understanding *South Africa's Consumer Goods Sector*

The consumer goods sector, like many other industries, has taken a hit in South Africa, where post-pandemic changes in consumer behaviour, including the ever-increasing volume of online shopping and the relevance of social networks and online communities, have significantly impacted the Consumer and retail sector.

**Additionally, more recent macroeconomic uncertainty has further shaped the industry, resulting in increased challenges and new trends. In an industry plagued by the realities of looming price increases, and shoppers who want cheaper products, retailers and Consumer Goods companies (CGs) are bracing for conditions to worsen in the near term, with profitability taking a knock from sky-high operating costs partly related to load-shedding.**

Elevated load-shedding levels as of August 2023 have cost the South African Economy R1.6 trillion in economic activity, R400 billion more than in 2022.

Loadshedding has had a domino effect on several, if not all sectors, including retailers and wholesalers. Load-shedding increases operational costs for retailers that must invest in backup power or buy diesel for generators. Furthermore, it exerts a detrimental impact on consumer confidence,

diverting expenditure away from the retail sector," as reported by the Bureau of Economic Research (BER). In light of sustained high food inflation and increasing interest rates, confidence within the retail industry has dwindled. According to a BER survey, retailer confidence decreased by 14 percentage points, declining from 34% of respondents in the first quarter of 2023 to 20% in the second quarter.





# *Industry trends*



## The quest for *Sustainability*

The consumer goods sector is embarking on an ambitious journey towards sustainability, recognizing the pressing need to address environmental and social concerns. The importance of environmental, and social, governance (ESG), in particular from the perspective of consumers, stakeholders and regulators, is growing across all industries, and the consumer & retail industry is no exception.

**As consumers become increasingly environmentally conscious and discerning in their choices, consumer goods companies are reevaluating their practices. This quest for sustainability encompasses a range of initiatives, from adopting eco-friendly packaging materials and reducing carbon footprints to embracing ethical sourcing practices and supporting fair labour conditions.**

Many companies are setting ambitious sustainability targets, aiming to minimise waste, conserve resources, and reduce greenhouse gas emissions. This transition toward sustainability is not only driven by moral imperatives but also by economic advantages, as consumers increasingly favour products and brands that demonstrate a

commitment to environmental and social responsibility. In this era of heightened awareness, the consumer goods sector is realising that a sustainable future is not merely a moral obligation but a strategic imperative to thrive in an evolving marketplace.



## Evolving *Consumer behaviour*

In the aftermath of the pandemic, many people remain worried about their income and how it impacts what they buy. As we step into a world recovering from this crisis, it's crucial to understand how consumers are changing their shopping habits.

**Recent data tells us that a significant two-thirds of consumers agree that they've altered the way they shop over the past year (2023). What concerns them the most are two trends: first, they are less willing to pay higher prices, with 63% of them saying so. Second, 57% of consumers are opting for more affordable options instead.**

Additionally, load-shedding has caused changes in consumers' buying patterns, with food retailers experiencing the most pronounced impact due to the frequency of their purchases. Consumers are adjusting their shopping habits based on load-shedding schedules, opting for more frequent shopping trips and modifying their product selections from fresh items to longer-lasting ambient foods to minimise food wastage at home. Consequently, food retailers renowned for their effective

cold chain management are witnessing an increase in their market share. As more people focus on limiting their purchases to essential goods, profitability for most consumer goods companies is diminished. Additionally, the inconvenience associated with load-shedding when shopping in physical stores is hastening the adoption of online shopping, thereby shifting market share to businesses offering robust e-commerce solutions, notably Checkers with Sixty60 and The Foschini Group with Bash.



## The rise of *e-Commerce*

New data from FNB Merchant Services reveals that the South African online e-commerce market has experienced rapid expansion, with current estimates placing it at just under R200 billion per annum. Remarkably, this market is projected to double in value by 2025.

**As the South African e-commerce market continues its meteoric rise, the competition among retailers to capture and retain online customers is intensifying.**

Beyond traditional giants like Takealot and Woolworths, a multitude of smaller e-commerce players and startups are also vying for a piece of the digital pie. Moreover, the e-commerce ecosystem is witnessing innovations such as same-day and even hour-based deliveries, personalised shopping experiences, and augmented reality shopping, adding further layers of complexity and opportunity to this dynamic sector.

**COVID-19 exponentially accelerated the use of e-commerce, and this trend is expected to continue its robust growth trajectory.**





## The rise of *e-Commerce* (continued)

To thrive in this evolving landscape, companies not only need to keep pace with technological advancements but also invest in understanding the shifting preferences and expectations of the online consumer. To stay ahead retailers and CGs need to:



### ACHIEVE OMNICHANNEL ENGAGEMENT

Achieving perfect retail execution is crucial in a competitive landscape. With consumers shopping both online and in stores, brands must engage customers wherever they discover and purchase products. Personalised experiences are now

expected, necessitating a shift away from traditional one-size-fits-all marketing strategies. CGs must unify data sources to better connect with customers and deliver tailored experiences on their preferred devices and channels.



### ADAPT TO CHANGING CONSUMER PREFERENCES

Rapidly changing consumer preferences are a top concern for 93% of CG leaders. Staying agile is essential, and relying on outdated data for decision-making won't cut it.

Use real-time data to predict, track, and capitalise on emerging trends. For example, monitor social media to identify unmet consumer needs, enabling the development of new product variants and expanding product lines.





### UTILISE PROMOTIONS FOR BRAND GROWTH:

Many CG companies aim to win over new customers through trade promotions, advertising, and innovation. However, maximising promotion ROI has historically been challenging due to poor transparency and weak analytics. Optimise promotions by leveraging tools that automate

planning, tracking, and forecasting. Companies proficient in this area achieve significant returns, with top-performing promotions delivering five times more than the least efficient ones, according to McKinsey.





The digital revolution:  
*The Future of the  
Consumer Goods Industry*



# The *Future of the Consumer Goods Industry*

As more companies make adjustments, upskilling their staff with digital skills, and introducing strategies and initiatives that pivot on emerging tech, they will be better poised to understand what their consumers need and when they need it, unlocking value for themselves and the sector at large.

As the consumer goods industry continues to be disrupted by eCommerce, the following technologies will play an essential role in enabling companies to transform their businesses.



## DIGITAL MARKETING

CG companies need to invest in digital marketing to reach the new generation of online consumers. This includes investing in SEO, social media marketing, and online advertising.



## BLOCKCHAIN

The use of blockchain technology can help CG companies to create a more transparent and efficient supply chain. This will allow them to track the movement of goods from farm to table and ensure that products are safe and high-quality.

The introduction of technologies has the potential *to boost the sector and redirect it in a better direction.*



# The *Future of the Consumer Goods Industry*



## AI AND DATA ANALYTICS

Artificial intelligence (AI) is at the heart of personalization in the consumer goods industry. Machine learning algorithms analyse vast amounts of data to offer personalised product recommendations, optimise pricing strategies, and provide efficient customer service through chatbots.

AI also plays a significant role in demand forecasting and supply chain optimisation, reducing costs and minimising waste. In the future, AI's capabilities will likely expand to create more advanced virtual shopping assistants and further streamline the consumer goods supply chain.



## INTERNET OF THINGS (IOT)

IoT is enabling the creation of smart consumer goods and connected products. From smart home appliances that can reorder supplies when running low to wearable devices that track health and fitness, IoT is providing consumers with more convenience and real-time data. For the consumer goods industry,

IoT means improved supply chain management, enhanced product tracking, and the ability to gather valuable insights into consumer behaviour. As IoT continues to evolve, we can anticipate even more seamless and intelligent products that cater to individual needs.

Additionally, the use of IoT technology can help CG companies to track the movement of goods and manage their inventory more effectively. This will help them reduce costs and enhance their customer service.

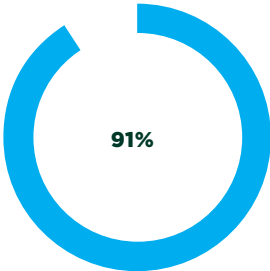




### BIG DATA

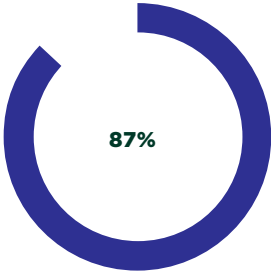
Big data can help CG companies to understand consumer trends and preferences. This will allow them to make better product development, marketing, and sales decisions. Big data can also help meet the higher demand among consumers for personalised experiences facilitated by the digital landscape.

## Four magic R's to win the shopper



### RELEVANCE

Are likely to buy from a brand that sends relevant and personalised promotions.



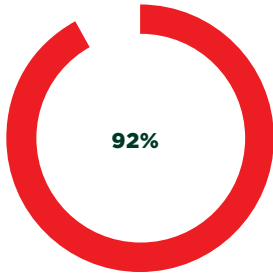
### RECOGNISE

Are likely to buy from a brand that recognises them by name.



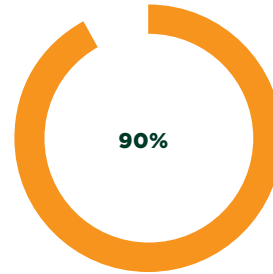


## Four magic R's to win the shopper *(continued)*



### REMEMBER

Are likely to buy from a brand that remembers their purchase history.



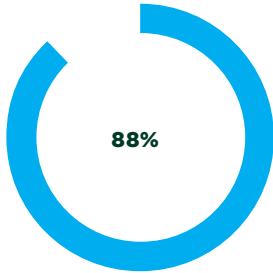
### RECOMMEND

Are likely to buy from a brand that recommends product options based on their purchase history.

Players in the consumer goods sector should focus on how each consumer engages with their brand when creating a strategic plan on how they can develop personalised marketing and consumer experiences. Incorporating purchase behaviour with survey data will assist manufacturers in providing deeper insight into the consumer experience.

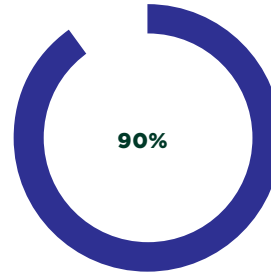


## Effective use of personal data



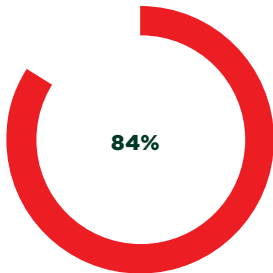
### TRANSPARENCY

Are likely to buy from a brand that sends relevant and personalised promotions.



### CONTROL

Are likely to buy from a brand that recognises them by name.



### EXPERIENCE

Are likely to buy from a brand that remembers their purchase history.

Personalisation within the consumer goods sector allows customers to buy and consume what they want, when they want it. Understanding consumers and all the touchpoints that they have with brands and the reasons behind those interactions will be the key differentiator behind who wins the consumer and who loses the consumer.





## VIRTUAL REALITY AND AUGMENTED REALITY

These two technologies are relatively young within the tech space and have already developed somewhat of a name for themselves, with most businesses looking to include them in their operations to benefit their work and sales. Among their many uses, organisations can leverage AR and VR for teaching and training purposes. Brands have an opportunity to educate the consumer about their products and sometimes even experience them before purchasing them.

In product marketing, AR and VR have the power to offer new ways of marketing products by adding entertainment. As discussed in an article written by HubSpot, AR is soon going to reshape customer service. Assistants will now be able to virtually assist customers on how to use their products and services. This means that not only will customers engage with simulated products pre-purchase, but they will be supported digitally in familiarising themselves with its features.

Technologies like VR and AR that are a part of the extended reality family could potentially contribute a \$1.5 trillion boost to the world's economy by 2030 according to an economic impact assessment conducted by PwC. This study shows that there will be increased value in areas such as customer experiences, product development and workplace safety.



## AR applications are categorised in three particular sections:



### TRY-ON

which is for products that can be worn.



### TRY-OUT

which is for products that can be worn.



### INTERACT

which are products that can be assembled.



*70% of customers believe*  
**that AR will be beneficial to them and most of these users fall into the 16 - 34 age bracket.**



# Conclusion



## Conclusion

These technologies, AI, AR & VR, as well as others will become game changers for players in the consumer goods sector, offering easier and improved ways to operate and engage with their customers, especially in the face of changing consumer behaviours and demands.

**The introduction of technologies has the potential *to boost the sector and redirect it in a better direction.***

**As customers turn to more digital means to do their shopping, the industry must turn to emerging tech to satisfy this need and relevant marketing to appeal to their audiences or risk becoming irrelevant and losing business.**

As you think about how you can navigate this constantly changing landscape, COOi can assist in testing the ideas your team comes up with. With limited resources, it can be difficult to evaluate the viability of a solution, hence through our idea validation we are able to rapidly test and jointly pilot an idea to help you assess the potential return on investment prior to making a large financial investment on an idea that may or may not work.



## Conclusion *(continued)*

Moreover, COOi provides a comprehensive suite of services in strategy, design, and technology, all tailored to assist you in navigating the currents of change within the Consumer Goods Industry, as elaborated below.



### STRATEGY

#### **Digital Roadmapping:**

Involves identifying key technologies, processes, and milestones needed to enhance operations, improve customer engagement, and stay competitive. This strategy ensures that the adoption of technologies like AR/VR, AI, and digital marketing aligns with the company's overarching goals, thus maximising the impact of these investments.

#### **Venture Sustainability/Commercialization Strategy:**

Sustainability is increasingly vital for consumer goods companies. A sustainability or commercialization strategy focuses on how innovative solutions, such as ESG practices or green packaging, can be integrated into the company's operations while maintaining profitability. This approach ensures that the adoption of sustainable practices aligns with business objectives and long-term sustainability goals.

#### **Business Case Development:**

Creating a robust business case is crucial when integrating new technologies or sustainability initiatives. It involves conducting cost-benefit analyses and risk assessments, which helps consumer goods companies justify their investments. For instance, a strong business case for implementing AI-driven supply chain optimization might highlight potential cost savings and reduced environmental impact.

#### **Regional Innovation Ecosystems:**

Engaging with regional innovation ecosystems allows consumer goods businesses to tap into local resources, expertise, and networks. These ecosystems often include startups, research institutions, and government initiatives that foster innovation. Collaborating with these partners can lead to access to cutting-edge technologies, talent, and potential investment opportunities, facilitating the development and implementation of innovative solutions.





## DESIGN

### **Ethnographic Studies:**

This involves deep research into consumer behaviours, preferences, and cultural contexts. Consumer goods companies can employ these studies to gain a profound understanding of their target markets. By observing how consumers interact with products, identifying pain points, and uncovering unmet needs, businesses can refine their product offerings, design more appealing packaging, and create marketing strategies that resonate with their target audiences.

### **Service Design:**

Service design is instrumental for consumer goods companies looking to enhance their customer service and overall customer experience. This strategy involves mapping out every touchpoint a customer has with a brand and optimising those interactions.

### **Design Thinking:**

This is a problem-solving methodology that emphasises empathy, creativity, and iterative prototyping. By applying design thinking principles, consumer goods companies can tackle complex challenges related to product development, packaging, and user experience. This approach encourages cross-functional collaboration and user-centred solutions, leading to innovative product designs and enhanced customer satisfaction.

### **Value Proposition Development:**

This is vital for consumer goods businesses seeking to differentiate themselves in a competitive market. It involves crafting compelling narratives around product features, benefits, and unique selling points. By refining their value propositions, companies can communicate their brand's value more effectively to consumers, thereby increasing brand recognition, customer trust, and market share.





## TECHNOLOGY

### **Technology Integration:**

Incorporating advanced technologies like AI and IoT into operations can streamline processes, optimise supply chains, and improve decision-making. For instance, AI can be used for demand forecasting, and IoT can enhance product tracking and quality control. These technologies can lead to cost savings, increased efficiency, and better resource utilisation.

### **Education-Technology Immersions:**

Providing training and education to employees on how to effectively use and leverage these advanced technologies is crucial. Technology immersions can ensure that the workforce is well-equipped to harness the potential of AI, IoT, and other emerging technologies. A well-trained staff can drive innovation, reduce resistance to change, and contribute to the successful implementation of new digital solutions.

### **Emerging Technologies:**

Staying abreast of emerging technologies like VR and AR can open up new opportunities for consumer goods companies. These technologies can be leveraged for immersive product demonstrations, virtual showrooms, and interactive marketing campaigns. By embracing these innovations, businesses can create more engaging and memorable customer experiences, ultimately driving sales and brand loyalty.

### **Pilot Management:**

Managing pilot projects effectively is essential for mitigating risks and maximising the benefits of technology adoption. A well-executed pilot program allows companies to test new technologies on a smaller scale before full-scale deployment. This approach helps identify potential challenges and refine strategies for broader implementation, minimising disruptions and optimising outcomes.









## About COOi Studios

COOi Studios is a technology design company that helps the world's leading large enterprises to build their digital core by delivering data driven strategic direction, inclusive and resilient product designs and rapid application development using emerging technologies. Our proven innovative methodologies of design and technology have allowed us to deliver solutions in key sectors namely financial services, consumer goods, resources, telecommunications, health and public. Through our ecosystem partnerships with tech giants and start-ups we have delivered tangible outcomes that create value for our clients, communities and the environment.



SCAN ME