

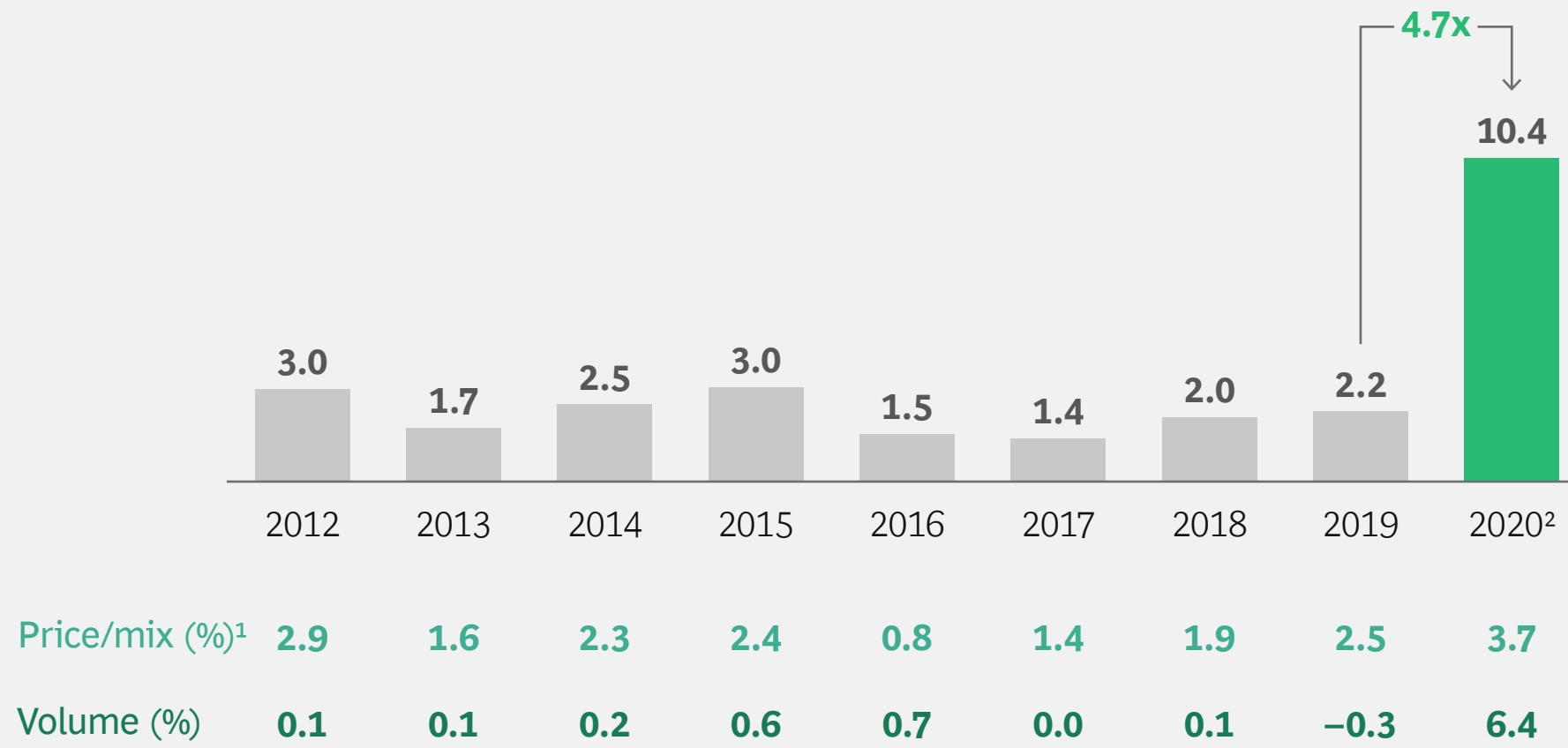


The Pandemic Was a Game-Changer for CPG in 2020. Who Won, and What's Next?

2020 Consumer Products Growth Leaders, March 2021

CPG sales soared in 2020, bolstered by gains in volume and price/mix

Change in revenue, year over year (%)



Volume overtook price/mix as the leading growth driver for the first time in more than ten years, propelled by demand spikes in early 2020

Nevertheless, price/mix growth reached a decade high, largely for two reasons:

- Increased demand eliminated the need for promotional pricing
- Consumers shifted to premium products that were more expensive and of higher quality

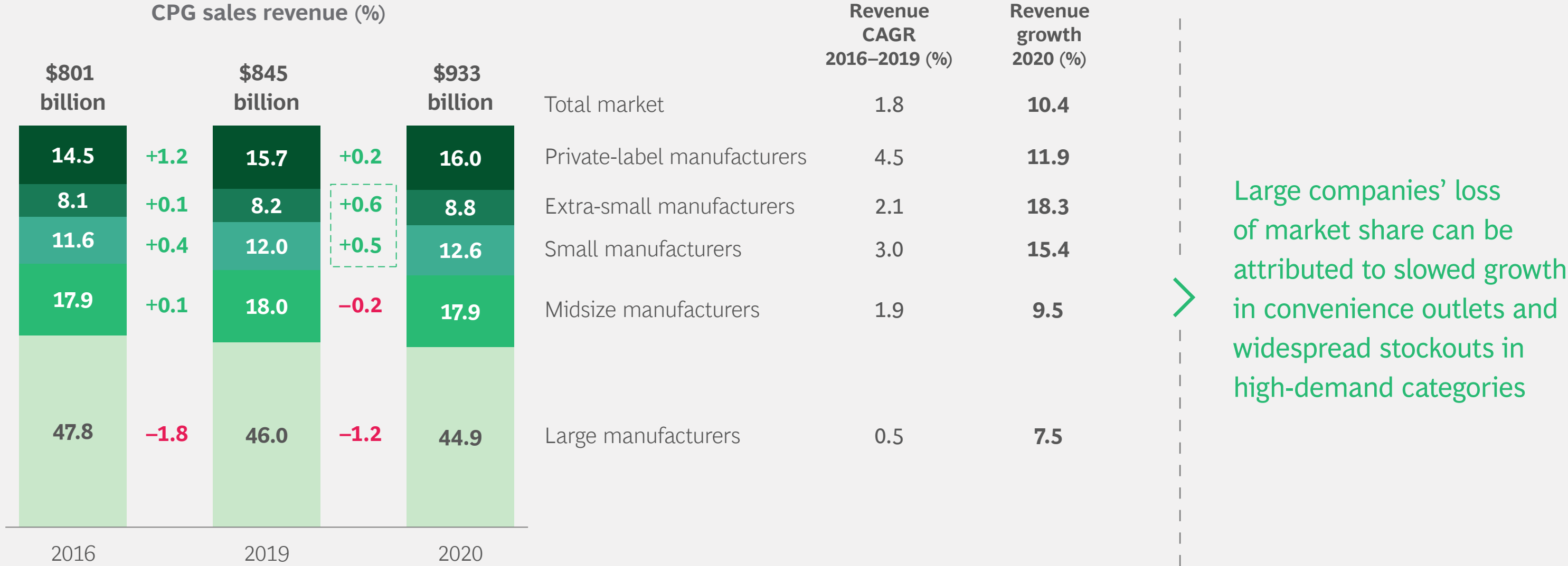
Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.

Note: MULO+C includes grocery store and mass merchandising outlets, as well as club, convenience, drug, and dollar store outlets. E-commerce sales are included in the data when they are completed at outlets, as is the case when a purchase is made online and is picked up at or delivered by a brick-and-mortar store.

¹Price/mix is calculated using like-for-like pricing and product mix to determine a change in the absolute price.

²Fluctuations in price/mix and volume are often but not necessarily additive.

Large CPG companies grew significantly, but they still ceded market share to smaller competitors



Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.
 Note: Large companies were defined as companies that had sales of more than \$6 billion in 2020. Because of rounding, not all totals sum to 100. CAGR = compound annual growth rate.

These companies led CPG growth in 2020

LARGE COMPANIES

- 1 Grupo Bimbo
- 2 General Mills
- 3 Mondelēz
- 4 Conagra Brands
- 5 Reckitt Benckiser
- 6 Constellation Brands
- 7 Keurig Dr Pepper
- 8 Procter & Gamble
- 9 Tyson Foods
- 10 The Hershey Company

MIDSIZE COMPANIES

- 1 Mark Anthony Brands
- 2 BA Sports Nutrition
- 3 The Boston Beer Company
- 4 Swedish Match
- 5 Goya Foods
- 6 Ocean Spray
- 7 Schwan's Company
- 8 Land O'Lakes
- 9 Pharmavite
- 10 Driscoll's
- 11 Gruma
- 12 Hood
- 13 Red Bull
- 14 Georgia-Pacific
- 15 Johnsonville

SMALL COMPANIES

- 1 Vi-Jon
- 2 Rana Meal Solutions
- 3 Beyond Meat
- 4 Swiss Precision Diagnostics
- 5 Jasper Wyman & Son
- 6 Dot's Pretzels
- 7 Kiss Products
- 8 Handi-foil
- 9 Sun Bum
- 10 Natrol
- 11 Stella Rosa
- 12 Raw Sugar Living
- 13 Idahoan Foods
- 14 Lamb Weston
- 15 The Nunes Company

● Newcomers to the 2020 leaderboard

Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.

Note: Large companies were defined as companies that had sales of more than \$6 billion in 2020, medium companies had sales from \$1 billion to \$6 billion, small companies had sales from \$100 million to \$1 billion, and extra-small companies (not shown here) had sales of less than \$100 million.

CPG leaders can attribute their growth to both current and longer-term trends

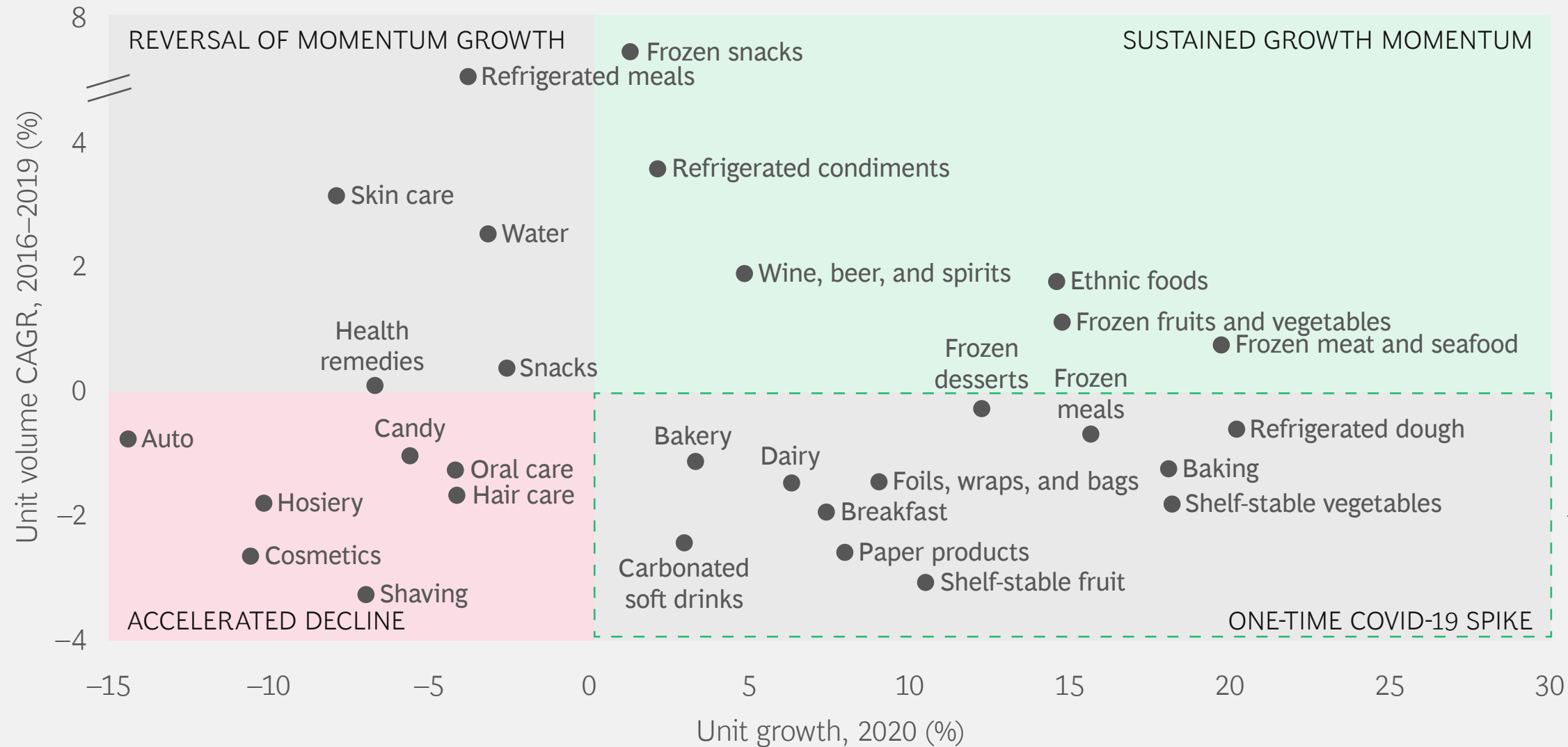


Trends that were triggered by the pandemic, such as spikes in consumer demand, will likely revert to historical levels



Trends that were accelerated by the pandemic, such as expanding e-commerce penetration and quickly evolving consumer habits, provide the opportunity for sustained growth

Consumers spent more time at home, causing a one-time growth spike in many CPG categories



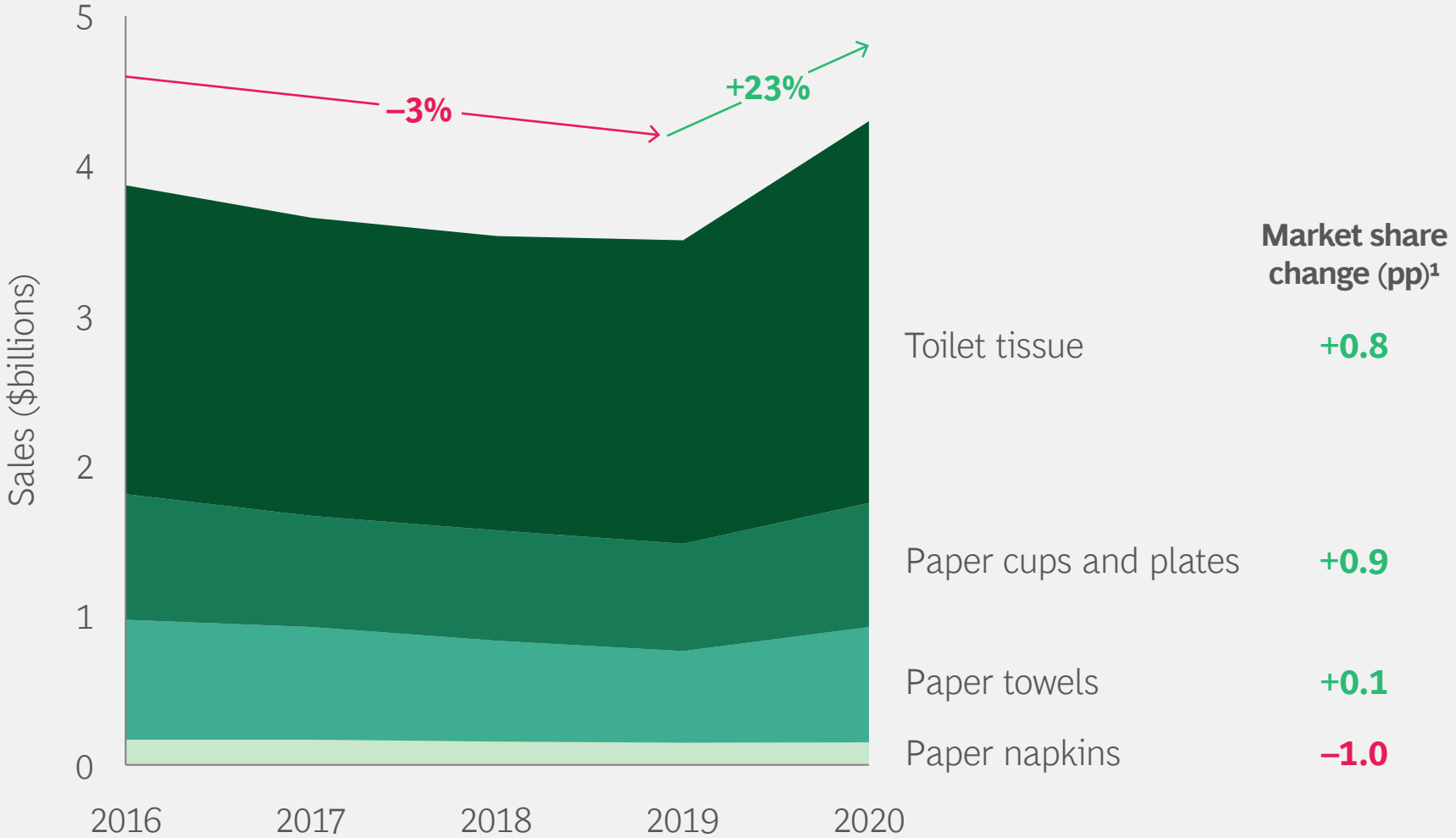
COVID-19-specific behaviors drove outsized gains that are likely to revert to historical levels. Category performance will return to normal, led by renewed habits:

- Out-of-home dining returns and in-home meal preparation diminishes
- Away-from-home, school, and work activities increase
- Shoppers' basket sizes decrease; impulse store buying to solve immediate needs (as opposed to planned shopping) re-emerges

Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.
 Note: Includes all aisles with sales exceeding \$2.5 billion. CAGR = compound annual growth rate.

Georgia-Pacific succeeded in product categories that were losing momentum without permanent capacity investments

Georgia-Pacific retail sales growth by category



The panic buying of paper goods drove significant shortages in Q1 and Q2 of 2020, and companies struggled to meet the surge in demand. Georgia-Pacific rose to the occasion by:

- Running production facilities 24-7
- Rebalancing capacity across B2C and B2B production facilities for key categories
- Optimizing go-to-market networks to reduce shipment times to stores by up to three days

However, the company did not increase permanent capacity because it expected that demand would stabilize after the pandemic.

Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.
 Note: The data included approximately 99% of measured company sales. pp = percentage point.
¹Market share change reflects an increase or decrease in share, compared with the share in 2019.

The pandemic accelerated three critical trends that hold the key to sustained future growth

EXPANDING E-COMMERCE PENETRATION

E-commerce penetration has increased for three reasons:

- Demand-driven growth that is supported by additional retailer investments
- Brick-and-mortar stores' expansion of e-commerce platforms that include concierge-type services and delivery models such as click and collect
- The consumer shift to full-basket e-commerce shopping

INCREASING AVERAGE SELLING PRICES

High demand boosted the prices of center-store goods, eliminating the need for promotional pricing. The bifurcation in consumer spending has become more pronounced for two reasons:

- Large companies have created innovative products, and small, hypertargeted companies have developed premium offerings for one or more select categories
- Private-label brands have increased market share with low price points and expanded share in inedible categories

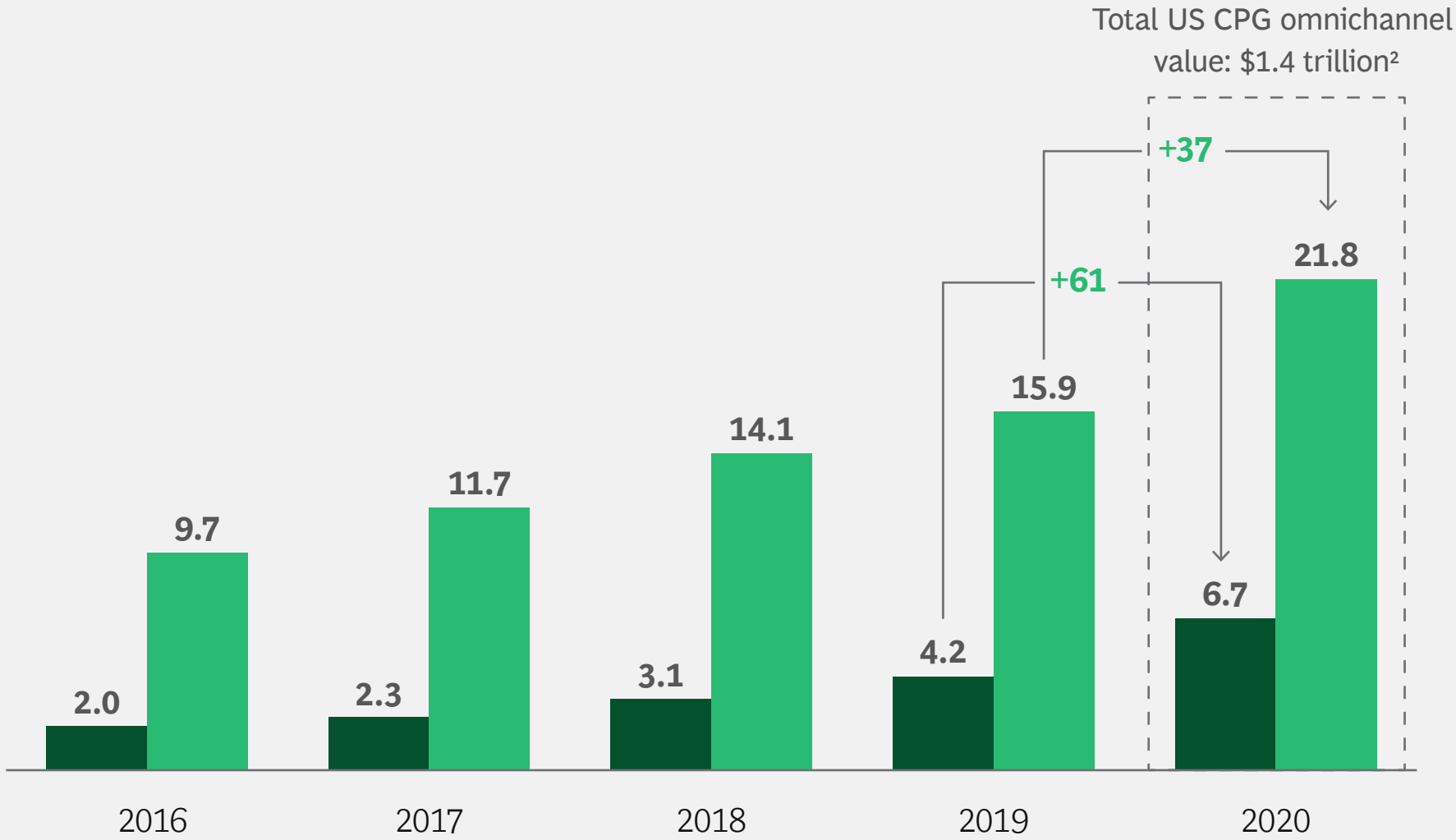
QUICKLY EVOLVING CONSUMER HABITS

Consumers are likely to keep shopping for new brands and products in the following areas:

- Self-care (including personal hygiene and household cleaning products)
- At-home indulgence (including brands that create a feeling of comfort and nostalgia)
- Convenience (including at-home products that save time and work)
- Taste exploration (including products made with distinct flavors and driven by social consciousness)

E-commerce penetration increased in the food-and-beverage product category by 61% and in inedible goods by 37%

US e-commerce share of omnichannel purchases (%)¹



Categories with the highest e-commerce share—including shelf-stable categories, pet care, and personal grooming—continued to gain share in the e-commerce channel

Brick-and-mortar stores significantly increased the number of pickup and delivery models in 2020; this favored larger manufacturers with strong in-store positions

- Food and beverage (including perishables)
- Inedible goods

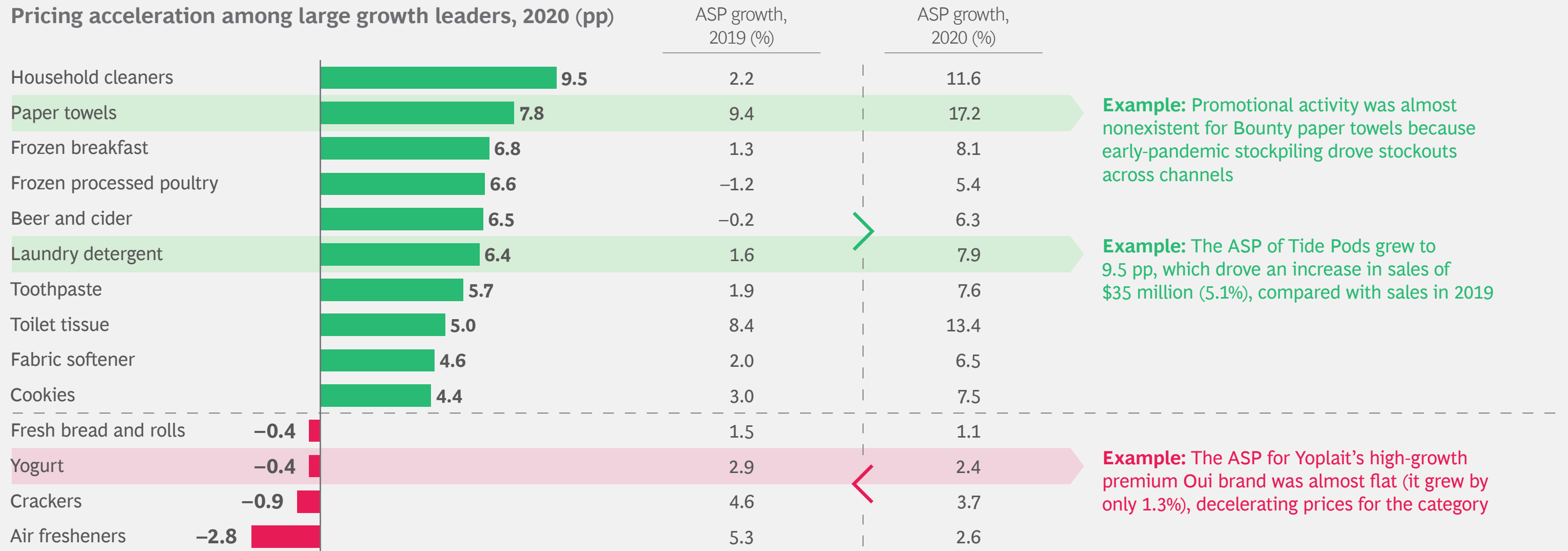
Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.

¹E-commerce refers to orders that originate online, including orders for products that are picked up at a store or delivered or shipped to a home.

²The food-and-beverage category accounts for \$900 billion of the US CPG omnichannel value, and the inedible goods category accounts for \$500 million.

The average selling price of products increased in many categories in 2020, driven largely by a decrease in promotional discounts

Pricing acceleration among large growth leaders, 2020 (pp)



Sources: IRI data for multioutlet and convenience (MULO+C); BCG analysis.

Note: The data used reflected the largest pricing acceleration and deceleration across the top 30 categories by retail sales value among large growth leaders. Figures are rounded. pp = percentage point. ASP = average selling price.

Four quickly evolving consumer trends are likely to persist in the future

These trends—and the brands that catered to them—gained momentum during the pandemic because of nationwide lockdowns



SELF-CARE

Personal health

Nature Made
Natrol
Airborne

Personal hygiene and household cleaning

Germ-X
Bounty
Lysol



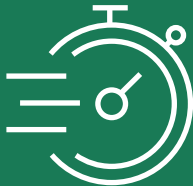
AT-HOME INDULGENCE

Comfort and nostalgia

Chips Ahoy!
Reese's
Oreo

Permissible indulgence

White Claw
Ritz
Hillshire Farm



CONVENIENCE

At-home convenience

Jimmy Dean
Pillsbury
Tyson
Totino's
Schwan's



TASTE EXPLORATION

Distinct and accessible flavors

Corona
P.F. Chang's
Old El Paso

Socially conscious

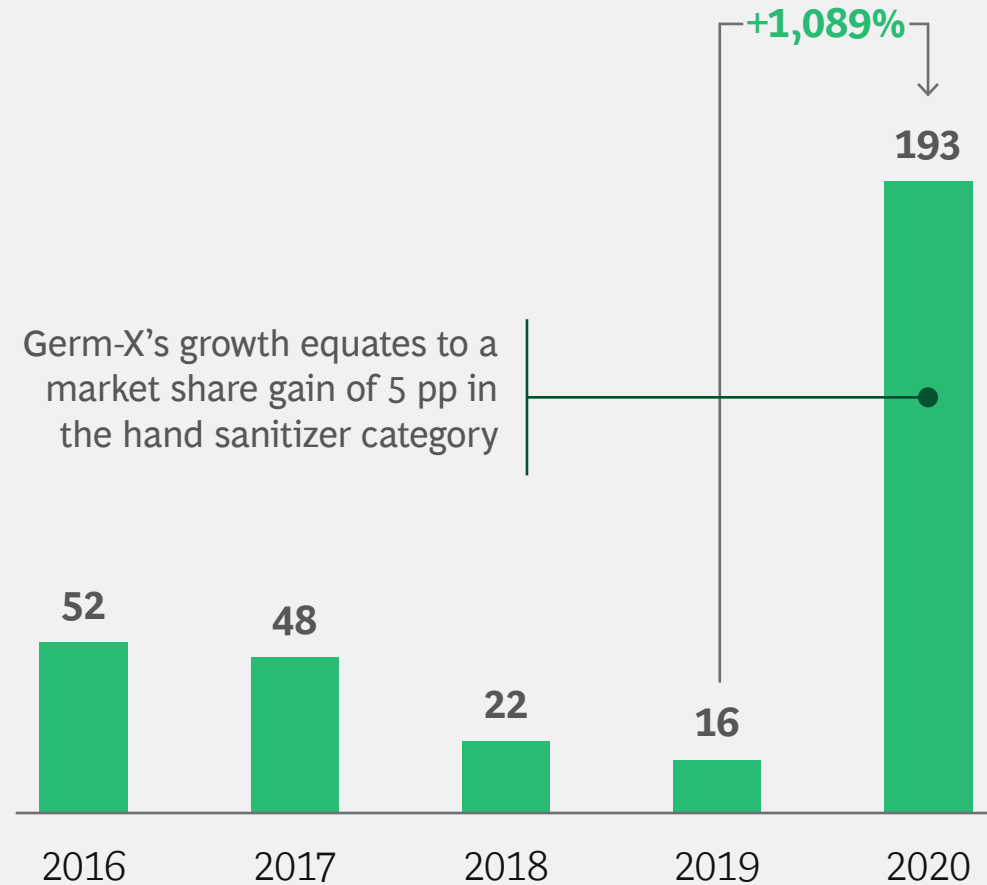
Beyond Meat
Raised and Rooted
Gardein

Source: BCG analysis.

Vi-Jon is positioned to drive continued gains as consumers prioritize personal hygiene

The Germ-X brand's growth in 2020 was about 12 times its growth in 2019, increasing the company's market share in a category that grew by \$1.4 billion

Germ-X retail sales growth, 2016–2020 (\$millions)



- COVID-19 led to a renewed focus on personal hygiene and disinfectants, fueled by public-awareness programs
- Vi-Jon solidified its market share at 12%, despite the accelerated growth of private-label brands and the entry of new products
- The company is making long-term investments to support an increase in sustained demand, investing \$70 million in two US manufacturing facilities and adding 400 production jobs
- Vi-Jon expects high consumption levels to continue because fears of the coronavirus will persist and consumers will exercise caution as they return to out-of-home activities

Beyond Meat, a socially conscious, plant-based consumable, shined in 2020

FOUR DRIVERS OF GROWTH

Retail distribution

- Shifted from food service to retail (even repackaging its inventory) and entered club and convenience stores
- Built a strong distribution footprint that was only 5 pp to 10 pp shy of the category leader's footprint
- Launched a direct-to-consumer platform

Partnerships

- Continued to align with a broad set of food service companies (including Yum! and McDonald's)

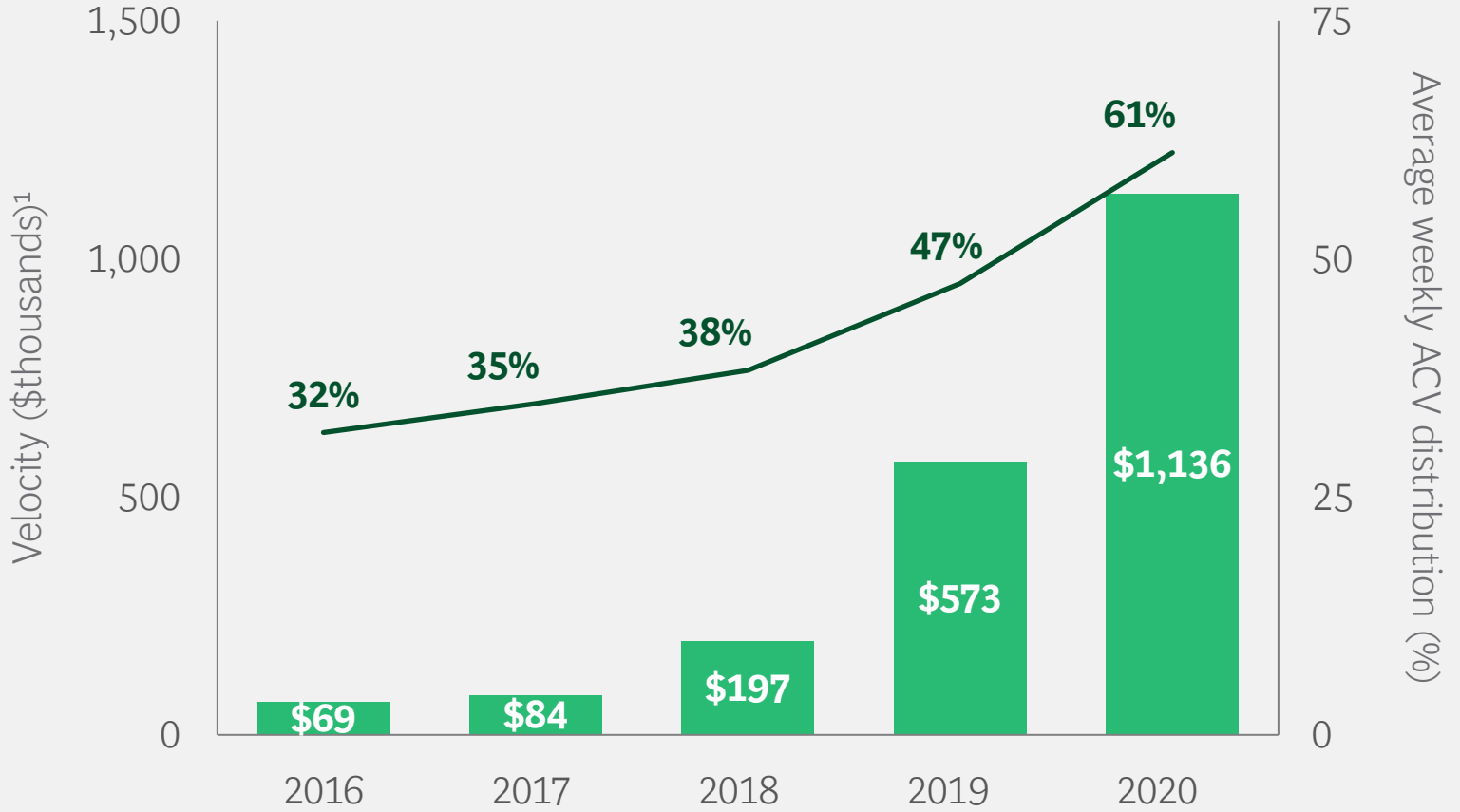
Innovation

- Launched four products at scale in 2020
- Announced plans to sell plant-based chicken alternatives
- Increased its R&D footprint by seven times and reduced its commercialization timeline by 50%

Marketing

- Prioritized consumer education, highlighting ingredients and processes

Beyond Meat's performance, 2016-2020



Sources: IRI data for multioutlet and convenience (MULO+C); company press releases; BCG analysis.
Note: pp = percentage point. ACV = all-commodity volume.
¹Velocity refers to sales per point of ACV distribution.

CPG companies should prioritize five strategies to win in the years ahead



Capture growth from postpandemic shifts in demand

- Continue to invest in winning brands that are in attractive categories and demand spaces
- Aggressively reshape the portfolio through strategic M&A



Strategically reignite in-store brand activation

- Secure high-impact in-store placements as shoppers return to stores
- Optimize product assortment to minimize discount depth and protect elevated price points



Anticipate developments in the retail landscape

- Further develop organizational, product, and marketing capabilities to capture growth in channels, including value and e-commerce, that are increasingly attractive to consumers



Sharpen the private-label defense strategy

- Renew the focus on differentiated product advantage, and offer the right package sizes at the right price points
- Harness demand science to develop differentiated insights and focus on value-added complexity



Create operational resilience

- Use data as the new basis for scale across the value chain (for end-to-end demand planning, for example)
- Rethink internal ways of working to enable more productive and more responsive operations