CONSUMER PRODUCTS INDUSTRY

Navigating the Consumer Reset: Five Imperatives for the Next Decade

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Executive Summary

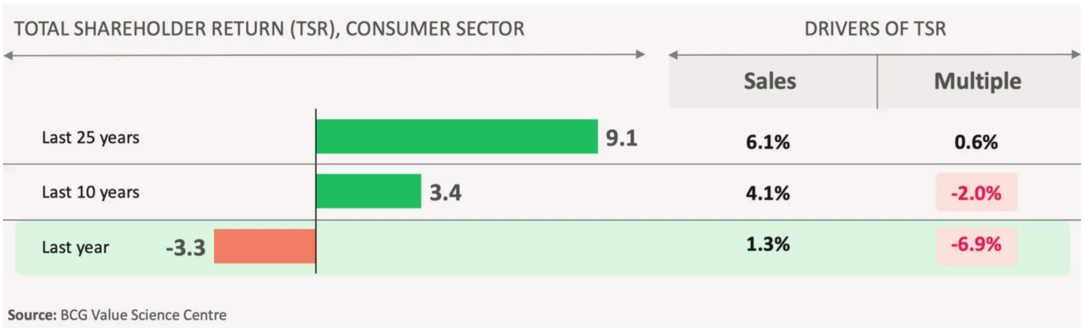
Globally, the consumer sector's long run of compounding growth broke in 2024. Sales held up, but real volumes fell in many categories and multiples were reset. Total Shareholder Return (TSR), a measure of company share performance over time, fell into negative territory. The drivers were familiar headwinds – muted consumer sentiment, flight to value. But in Australia, the future for the consumer sector looks different due to strong macro-economic, social and structural tailwinds. Consumer companies that choose a value-creation path and build five capabilities in the next 12–18 months, will lead the decade ahead.

The Big Consumer Reset

Globally, consumer companies are faced with a new reality after the long run of compounding TSR flipped in 2024. Modest sales growth was largely driven by price while real sales volumes slipped in many grocery categories. Equity markets marked the shift with a de-rating in multiples.

EXHIBIT 1

Decline in consumer TSR, reflecting slowing sales and multiple contraction



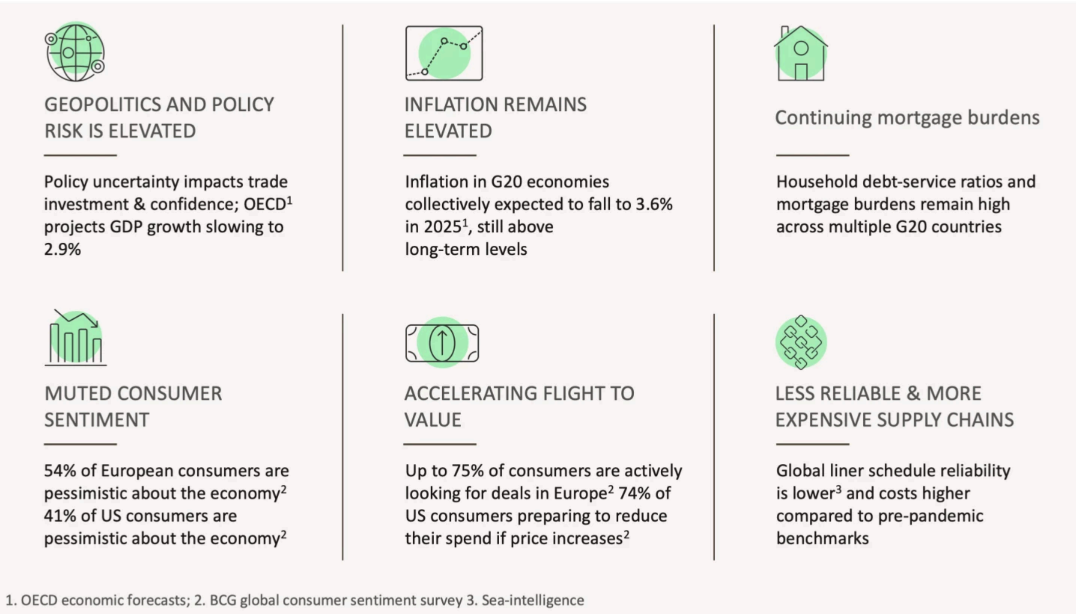
Cost-of-living headwinds

The last two years were defined by a cost-of-living squeeze on the consumer's wallets and macro uncertainty, which translated quickly to the retail store shelf as households adjusted their shopping baskets and trade dynamics shifted. A range of factors led to this pullback in volume.

- Geopolitics and policy risk remained high and weighed on trade and investment
- Inflation while coming down, still stayed sticky and kept price levels elevated
- Mortgages and rents curbed discretionary spend as interest rates stayed restrictive
- Consumer confidence was subdued and baskets shifted toward essentials
- Consumers continued their flight to value and increased private label and promotion-led purchasing
- Supply chains remained costlier and less reliable than pre-COVID (freight, rerouting, delays).

EXHIBIT 2

Near-term strains on multiples are affecting volume growth for consumer companies

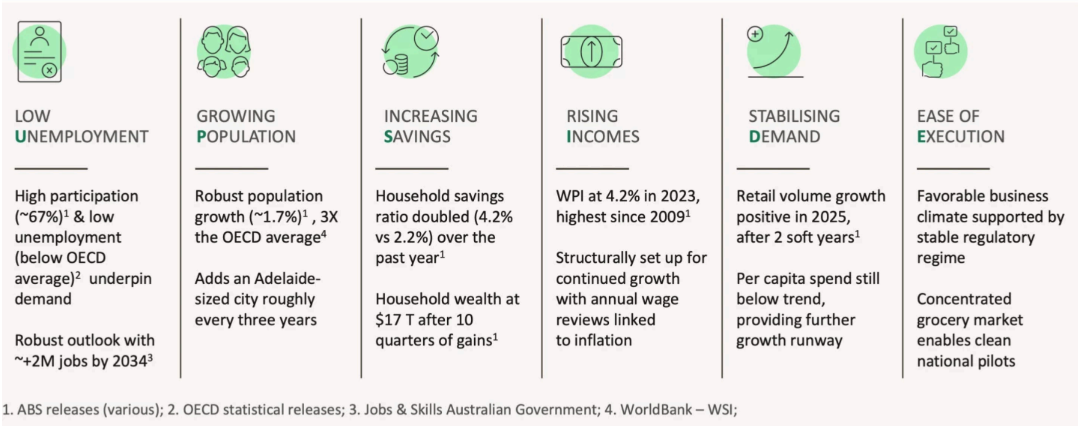


Australia's U.P.S.I.D.E means it is set up to outperform other nations

Amid this global reset, Australia's fundamentals look better than its OECD peers. Unemployment remains low and workforce participation is near historic highs. Population growth is robust, and Australia adds a city the size of Adelaide (~1.4 M population) about every three years. After dipping to cycle lows, the household saving ratio has rebuilt and household wealth has risen for ten consecutive quarters. Wages grew 4.2% in 2023 – the highest since 2009 – and the domestic policy framework continues to support orderly income formation. After two soft years, retail volumes turned positive in 2025. Per-capita spend is still below trend, leaving a clear runway to rebuild toward prior highs. Finally, Australia's concentrated, sophisticated retail structure makes execution of new initiatives, launches more efficient and effective.

EXHIBIT 3

Australia's U.P.S.I.D.E – Strong demographics, demand and execution advantage



The algorithm has shifted

Given these two opposing forces of short-term volume pressures and longer-term tailwinds in the Australian market, companies need to be deliberate about the pathway they choose for value creation. The algorithm that consumer companies have traditionally used to drive TSR growth by averaging performance across growth, margin and capital is no longer easily achievable. To outperform, they need to identify a new path forward, and to align their targets, funding and the operating model to support it. In a new world where averaging across metrics is out and concentration is in; companies can choose one of three archetypes for their path forward.

Each archetype has a different set of actions to execute to win:

- Volume play – Invest margin to regain penetration and share. Close price gaps. Set promotions to convert trial to repeat. Expand distribution with precision.
- Cost play – Lift profit through productivity. Tighten net revenue. Simplify the assortment and distribution, prioritising margins.

- Portfolio reset – Double down on the core. Exit the tail. Choose adjacencies with clear alignment to core. Simplify the operating model around what wins.

EXHIBIT 4

Three potential pathways for TSR value creation

PERCENTAGE POINT CONTRIBUTION TO TSR DUE TO	"Old algorithm"	"Today"	GO-FORWARD ARCHETYPES "Volume play"	"Cost play"	"Portfolio reset"
Sales growth	3–7	0	3–5	0–1	5–10
+ Margin expansion	2–4	0	(1)–1	2–5	2–4
+ Capital return	2–4	3–5	3–4	3–4	(3)–3
= TSR	**7–15**	**3–5**	**5–10**	**5–10**	**4–17**

Five capabilities to win in the new world

Regardless of the archetype, there are five capabilities that separate winners from the pack. The application and outcomes driven by the TSR archetype, but the capabilities are foundational for driving outperformance in the next 5-10 years.

Once the capabilities are established, consumer companies need to take a flexible and adaptable approach to executing in a way that tightly aligns outcomes to their archetype.

Getting Started

The next 12–18 months are pivotal for consumer companies. The cost-of-living squeeze has reset habits: value seeking is the default, confidence is fragile, and real growth is harder to earn. Australia has multiple tailwinds – labour market is deep, population growth adds headroom, savings buffers are rebuilding, and a concentrated retail landscape makes execution fast.

What matters now is clarity and follow-through. Boards should confirm the company's TSR archetype and say it plainly, so guidance, capital and KPIs point in one direction. Management can then run a short operating-model and capability review to surface critical capability gaps. From there, pick one or two capabilities with the best mix of impact and speed, and turn them into a handful of pilots with a set part to scaling and a light touch, robust governance to sustain momentum and scale benefits.

Every company starts from a different place, but the path is similar. Be explicit about the pathway, focus on the capabilities that matter, prove what works in market, then scale with discipline. Teams that do this in the coming year will shape the competitive order for the next decade and put TSR back on firmer ground.

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