

CAGNY 2024 Recap

In late February, many of the world's top consumer goods companies gathered in Boca Raton, Florida, for the annual Consumer Analyst Group of New York (CAGNY) conference. Brunswick attended and noted the below key themes emerging from company presentations.

Industry stalwarts were joined by new contenders in a refreshed lineup of presenters

In a sign that the conference continues to be a signature industry event, a number of new companies made their CAGNY debut. Three companies came ready to showcase their refocused portfolios post-spin: Kenvue (J&J's consumer healthcare spin-off), WK Kellogg Co (Kellogg Company's North American cereal business spin-off), and of course, Kellanova (formerly Kellogg Company, returning to CAGNY with a new name, visual identity and global snacking portfolio). There was a greater emphasis on alcoholic beverages, with Molson Coors and Pernod Ricard joining the CAGNY lineup, alongside returning company Diageo. There was also expanded beauty representation with e.l.f. beauty joining L'Oreal and Coty. Companies were even more creative with product activations, compelling videos and celebrity appearances, including an in-person cameo from Shaquille O'Neal (The Hershey Company), and customized videos from Dolly Parton (ConAgra Brands) and Marcus Samuelson (Kraft Heinz).

Companies struck a note of cautious optimism despite continued headwinds

With ongoing consumer uncertainty, companies framed their strategies in the context of current consumer trends and what to expect in the year ahead. Being clear on the headwinds and tailwinds enabled companies to ground their priorities in the realities of the environment. Broad acknowledgement of consumer value-seeking behaviors was balanced with the recognition that consumers are looking for differentiation and willing to pay for it. In a positive sign, there was a widespread view of increasing US consumer confidence as an emerging tailwind.

Transformations are underway, with more of a "show me" element on proof points

In recent years, the focus at CAGNY has been about transformation and optimizing portfolios. The majority of transformations are now well underway, and the emphasis has shifted to more of a "show me" theme in terms of delivering progress. Companies shared updates on their transformation journeys, with Ingredion updating on their transition from a starches and sweeteners ingredients business to a texture and healthful solutions business, all in service of driving enhanced value for customers and shareholders. WK Kellogg Co noted that post-spin, almost everything is changing other than the durable nature of the cereal category, noting that the company is "now back in the game." And Molson Coors expects to see tailwinds from its deliberate actions to create fewer but stronger brands and to scale its business beyond beer.

Capital deployment focused on the core, with portfolio optimization a key theme

Rather than a focus on acquisitions to drive growth, companies presented their strategies to focus capital deployment to innovate and enhance the scope and scale of their core brands. J.M. Smucker commented that their "portfolio reshape has strengthened our company," and Nomad Foods highlighted the importance of growing the core with increased support and investments for their top 20 "Must Win Battles," which account for 50% of retail sales. ConAgra Brands noted their robust brand-building investments across merchandizing, innovation and advertising; PepsiCo outlined their opportunity to expand brands into new spaces and solutions, and Kraft Heinz focused on macaroni and cheese. With focused portfolios, brands noted how they are experimenting with expanded size formats and packing solutions to enable flexibility for consumers.

Focus on premiumization with questions around return to volume growth

With earnings driven by price increases rather than volume increases, premiumization of products was a consistent theme for companies as they work to capture more of the consumer's wallet share. It's not just about higher prices, but also higher quality. General Mills noted that if consumers are going to pay a premium, they need to see differentiation, and WK Kellogg Co commented that they've seen that consumers are willing to pay more for value-added benefits, even in this value-seeking environment. Reinforcing the opportunity for brands, Coty stated that "our strategy remains firmly rooted in the premiumization of our portfolio." The big question amidst commentary around pricing strategy was when companies would see return to volume growth. Whether companies addressed the subject head on or not, analysts were asking the question – and kept returning to this, presentation after presentation.

Everyone focused on the battle to “win” with consumers

More than ever, companies talked about the importance of marketing and delivering superior communications to engage consumers and drive sales. ConAgra noted the importance of communicating how the company’s new innovations will benefit consumers’ lives and Kellanova described its understanding and communication delivered through superior marketing as a competitive advantage. PepsiCo explained that it’s the job of marketing to educate on the benefits of electrolytes to drive sales of Gatorade. e.l.f. beauty also outlined their investments in impactful marketing activations to improve top-line momentum and Hershey highlighted their new marketing model that will engage more directly with the consumer. Colgate-Palmolive’s Chief Analytics and Insights Officer provided a deep dive into evolving analytics capabilities and the role these play as a true value creator for the business.

Strong focus on modernization and digitization of operations and supply chains ...

Modernizing and digitizing capabilities to have the right product in the right place at the right time remains a consistent priority across companies. Companies are removing unnecessary layers across businesses to enable faster decision-making, predict and manage upstream disruptions, and better meet the needs of consumers. Nomad Foods discussed the need to reduce complexity and drive manufacturing excellence as part of their productivity agenda to fuel growth. Sysco’s CEO talked about how the company’s digital capabilities have made it easier for customers to place their orders “whenever they want, wherever they want.”

... With AI a key part of the conversation, but not as center-stage as anticipated

AI was highlighted throughout presentations but not as prominently as expected, and largely in support of other priorities, not as a standalone value creator. Procter & Gamble CEO noted: “I don’t really care about AI or blockchain or machine learning or any of that ... what we care deeply about ... is consumer delight, customer delight, employee delight, all done in a societally responsible way that creates value for shareowners. And if these tools can help us advance that endeavor, we will clearly embrace them. And where they don’t, we need to stay away from them.” Similarly, Mondelez highlighted their creative generative AI brains to improve marketing as they leverage the tool to win with consumers.

Innovation was front and center with varying areas of focus

Every company talked about the importance of innovation, but focus areas varied across companies. General Mills noted that product innovation is a mere 5% of the business but the remaining 95% is what pays the bills, and so when they talk innovation it’s really much more about the way they talk to consumers. Colgate-Palmolive commented that it is looking at science to drive innovation and to drive growth across the portfolio and Coty noted that it is driving more sustainable innovation following the company’s breakthrough introduction of carbon captured ethanol in its fragrances. WK Kellogg Co highlighted that innovation is critical to the cereal category as it delivers consumer excitement, grows the basket and drives points of distribution, and Ingredient noted that it has five innovation centers to customize locally with its customers.

Snacking remains a growth category with frozen and away from home gaining relevance

Offering flexibility and value, snacking is 50% of meal occasions according to Clorox, with J.M. Smucker noting that around 50% of consumers are eating three or more snacks a day. It’s one of the fastest-growing categories and companies sought to highlight efforts to capitalize on this through product and packaging innovation and investments. Kellanova also highlighted the power of its snacking portfolio in scaling across emerging markets. At-home meals remain well-positioned, but companies also noted the growth opportunity in experiences away from home following the COVID rebound. Frozen has significantly outpaced overall food – due to quality, convenience and superior relative value – with ConAgra Brands noting that it takes innovation capabilities to win in frozen given the finite shelf space in this category.

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