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CPG brand loyalty is suffering under supply chain woes

Article

The news: Consumer packaged goods (CPG) brands are struggling to retain customer loyalty as the ongoing supply chain issues cause stocking problems and price increases, per new Inmar Intelligence data shared with Marketing Dive.

How we got here: Rising prices and stocking issues led many customers to jump ship.

- In the past three months, **more than 80% of consumers** bought a different brand than their usual—lower prices (65%) and out-of-stock products (51%) were their primary motivating factors.

Increased costs across the supply chain have taken their toll on large manufacturers, and they've been forced to pass costs on to consumers.

- **Food prices rose 3.4% over the 12 months ending in July 2021**—and they climbed 0.7% in July alone, per the US Bureau of Labor Statistics.

Food and beverage CPG brands are most at risk of churn: Two-thirds (66%) of people opted for alternative brands in dry grocery goods like cereals and crackers, followed by frozen foods (55%) and nonalcoholic beverages (46%), per Inmar.

This is especially concerning because the food and beverage category typically attracts the highest amount of brand loyalty:

- In a January 2021 Savings.com survey, **62% of US adults** said they were loyal to at least one food or beverage brand, compared with 57% who said the same of apparel and 44% who were loyal to a personal electronics brand.

Why it matters: Once consumers are gone, they'll be hard to win back.

- More respondents who switched brands over the past three months **would rather repurchase the new brand (44%) than return to the original one (36%)**, per Inmar.
- Manufacturers will need to convince consumers to stay by showing how their brand is higher quality than competitors, according to Inmar—and that might mean redoubling advertising efforts.
- **We expect CPG digital ad spending to grow 31.7% this year to $30.56 billion,** the third-fastest of all the industries we measure.

What's next? Going direct to consumer (D2C) can help. Unsurprisingly, digitally native D2C brands have fared much better than the overall US retail market during the pandemic.

- As a result, even large, established CPG brands like Nestlé, Unilever, and AB Inbev have begun experimenting with D2C models.

- The shortened distribution path when selling without a middleman or intermediary can mitigate supply issues and price increases.
- Plus, skipping big-box retailers means companies can market directly to customers and access valuable data to help personalize their experiences.