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# CPG recovery is uneven as cost pressures exacerbate market bifurcation

Article

**The trend:** Shoppers are finally beginning to return to premium brands, much to consumer packaged goods (CPG) companies' relief.

- **Unilever** grew sales volumes for the second-straight quarter thanks to strong demand for its power brands, including **Dove**, **Knorr**, and **Sunsilk**. Volume growth reached 2.2% year over year (YoY) in Q1, an acceleration from 1.8% growth in the previous quarter.
- Likewise, growing unit sales for **Dettol**, **Lysol**, **Durex**, and **Finish** products helped **Reckitt Benckiser** beat sales expectations in Q1. The company expects sales to rise 2% to 4% this year, driven by a more balanced combination of price increases, product mix, and volume growth.
- **Kimberly-Clark** had a better-than-expected volume recovery in its North American personal care and consumer tissue segments, with volumes up by 1% and 2%, respectively.
- **Danone** said it was winning back market share from private labels thanks to its strategy of offering shoppers a wide array of products across price points.

**On the other hand:** Not every CPG brand is successfully winning back consumers. Concerns about inflation and the economy continue to weigh on purchasing decisions, particularly for lower-income shoppers.

- **Nestlé**'s real internal growth—a measure of sales volumes—fell 2% in Q1, which the company blamed on weak US demand as well as intense price competition in the frozen food category.
- And continued price hikes by **PepsiCo** and **Keurig Dr Pepper** are turning off price-sensitive consumers. All three of PepsiCo's North America divisions—Frito-Lay, Quaker Foods, and its beverage business—posted volume declines last quarter.
- A similar scenario played out at Keurig, where a 1.3% decline in volume/mix for its US refreshments segment was offset by a 5.6% increase in prices.

**The fight back:** CPG companies are turning to a number of tactics to restore their market share and prevent further encroachment from private labels.

- Several are increasing their marketing investments to raise their profile with consumers and differentiate themselves from competitors.
- Others are leaning into innovation and premiumization to justify their higher price points and attract shoppers.
- And some, like Danone, are expanding their range of products and package sizes to appeal to shoppers across income levels.

**The big picture:** While there are indications that shoppers are beginning to feel more comfortable about spending on name brands, mounting pressure on lower-income consumers continues to pose a threat to CPGs.

- Shoppers in that cohort "have led the trend to trading down and buying private label," Nestlé CEO **Mark Schneider** noted, citing inflation as well as the end of supplemental government benefits.
- On the other hand, there's a significant subset of consumers willing to spend more on premium brands—a dynamic that's playing out in the grocery aisle as well as in other segments like luxury and apparel.
- This growing bifurcation means that brands will have to find ways of tailoring their messaging to each group, emphasizing price with cost-conscious customers and quality with wealthier shoppers.