# CPG & FMCG | Challenges & Trends in 2022

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# Introduction

Consumer Packaged Goods (CPG) is the most challenging industry where brands operate at a razor-thin margin. It is an industry where brands spend a great deal of money in marketing so that they can convey their messages to the end consumer effectively. However, the traditional marketing techniques such as Print, TV, Billboards, and Mobile Ads are not as effective as they were 5 years ago. With the rise of internet penetration and rapid adoption of messaging apps, consumers want to have more and more conversations. Hence, several CPG brands are fast adopting chatbots and integrating across multiple messaging platforms such as WhatsApp, Messenger, Telegram, SMS, and Instagram. In this e-book, we cover a few key challenges in the CPG/FMCG industry and how conversational messaging can solve them across various use cases.

# CPG/FMCG Trends in 2022

## › Connected packaging

The single biggest trend that all CPG brands should be aware of is connected packaging. Most FMCG brands have already implemented some level of connected packaging. The technology is really simple, it uses QR codes to serve as a digital entry point for every customer. Each packaging is pasted with a QR code that embeds an HTML link. When a customer scans the QR code, it takes them to a Webpage or Mobile App where they can digitally interact with the brand. After a QR scan, customers can access a whole lot of information about the product such as

- Ingredients, origin of the product, expiry date, past processing logs
- Price, discount, coupon codes
- Usage information, specifications, user manual
- Product validation, which helps the consumer to differentiate counterfeits from the original product
- Customer support/service access, submitting feedback
- Repeat purchase, delivery, return
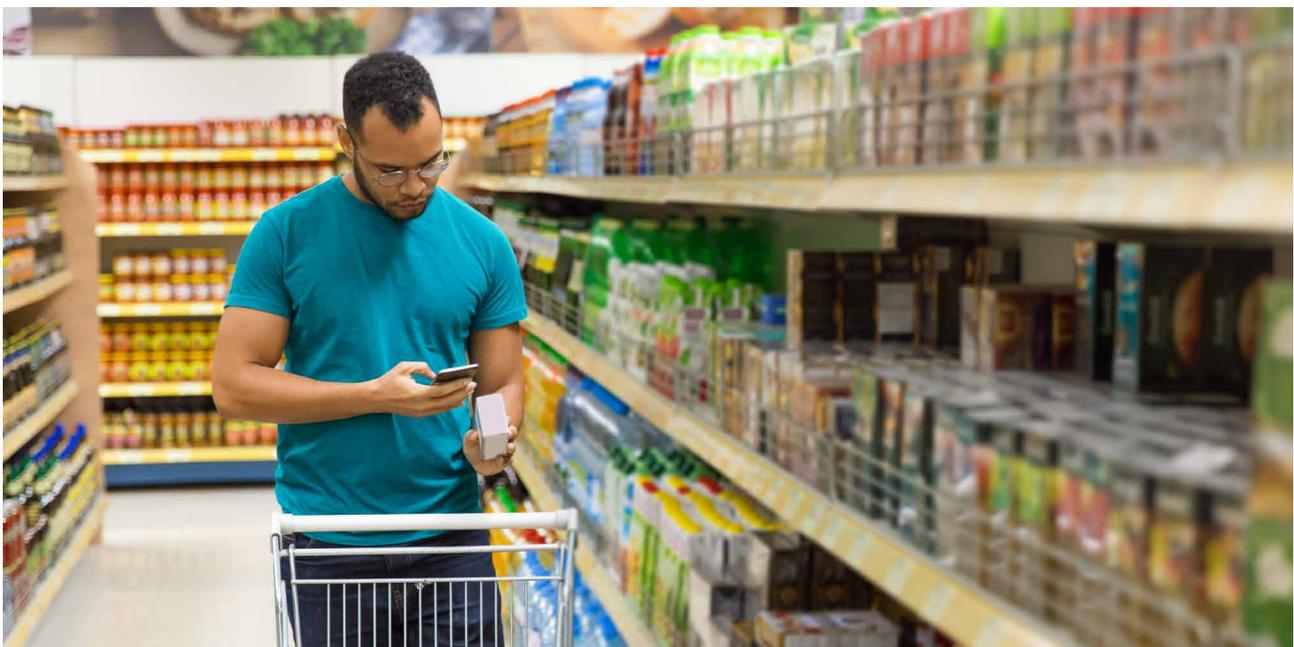
## › Sustainability

According to [Nielson](#), 3 out of 4 consumers are willing to change their shopping habits to improve the environment, and US shoppers are expected to spend $150 billion on sustainable CPG products by 2021. Sustainability-minded consumers should spend up to $150 billion for organic food by 2021 in the United States alone. A [Harvard Business Review](#) study found that more than half of the growth in consumer products is driven by products marketed as "sustainable". In addition to reusable packaging, compostable materials and flexible packaging are also consumer product industry trends to keep an eye on in 2022. Sustainability packaging influences and is influenced by several other trends, all of which require thoughtful responses from consumer products companies.

## › Direct to Consumer

An increasing number of consumer products companies are now moving to the Direct-To-Consumer (DTC) e-commerce model to keep up with growing consumer demand while bypassing retailers. Competition is fierce as more and more companies enter the market with direct-to-consumer games.

Walmart and Kroger are two other big companies launching their own consumer brands. [Since 2015, CPG Unilever has acquired dozens of companies, including many of the DTC brands.](#)
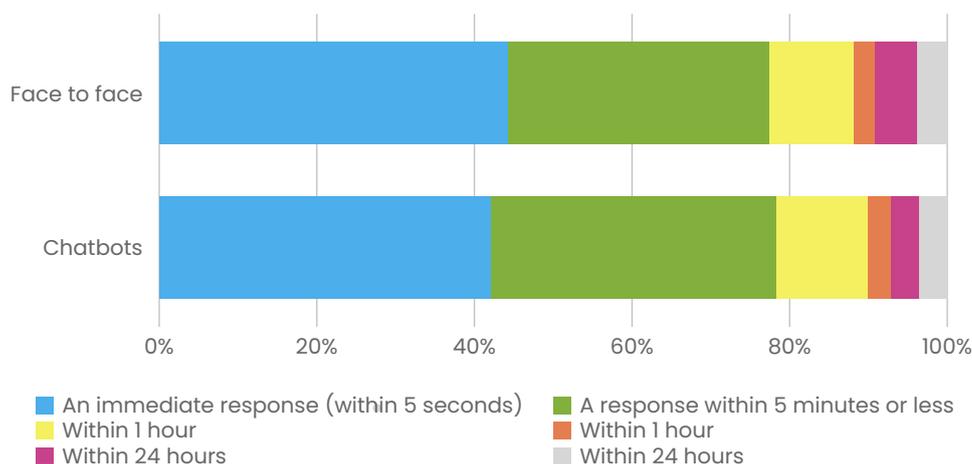
With a DTC strategy, consumer goods brands have access to enough data to help them understand consumers and develop strategies that make them more engaging. With the explosion of digital marketing, consumer goods brands and their partners generate consumer data at every touchpoint. Fortunately, modern technology can help brands capture the vast amounts of data generated by the consumer goods industry. Whether it's a multi-billion dollar brand or a digital newcomer looking to double their revenue in record time, marketing is critical to succeed and takes up a significant portion of consumer product budgets.
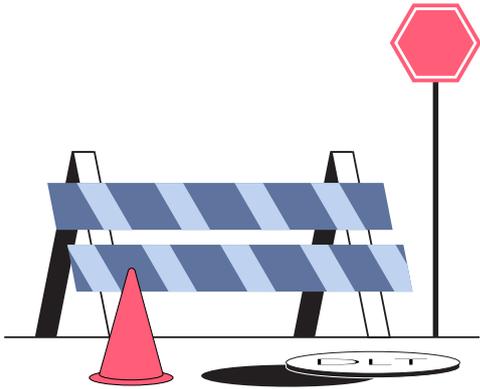
## › Chatbots in CPG

Companies using conversational AI in retail and CPG are facilitating product discovery and delivering products that understand customer needs. Due to intense competition, the CPG and FMCG industries will prioritize niche customer development and micro-targeting, and conversational AI will play a vital role in the strategy development of FMCG companies. Over the past five years, many customer service executives have begun testing the use of chatbots both with customers and within their organizations. According to [Salesforce](#), 69% of consumers prefer using chatbots due to the speed at which they can communicate with a brand.

### People expect nearly identical response times from face to face conversations and Chatbots

How soon would you expect to get a response from these communication channels?



Legend:
- An immediate response (within 5 seconds)
- A response within 5 minutes or less
- Within 1 hour
- Within 1 hour
- Within 24 hours
- Within 24 hours

# Challenges faced by CPG brands today

Consumer goods marketers (CPGs) face a growing set of challenges in today's retail environment. During the pandemic, consumer product companies have faced economic uncertainty and a total disruption to global supply chains, coupled with rapidly changing consumer behavior. Manufacturers, distributors, and retailers in the consumer packaged goods (CPG) sector are facing an uncertain future that is fraught not only with new opportunities but also with challenges.

The CPG sector is already undergoing seismic changes due to issues such as rising commodity prices, stagnant demand, falling profits, sharp increases in pressure on retail prices, and endless shifts in consumer preferences. In addition, changing consumer preferences pose new supply chain challenges for CPG companies. As inflation and production costs continue to rise, and the possibility of supply disruptions persists, CPG companies must develop new strategies to stimulate sales without shifting the burden of costs to consumers who already care about prices.

### Cost
Given that one of the main problems facing consumer goods brands is an overall increase in costs, the worst thing a company can do is further dilute profits by providing a discount. And as consumers become more cost-conscious, consumer goods brands will need to find ways to increase profits without passing those costs on to consumers. Unfortunately, the consumer goods industry is likely to continue to face price increases through the end of 2022 and beyond.

### Online Players
As such, consumer goods brands are now facing more competition, especially as private label brands tend to be offered at lower prices. Not only are major industrial products now having to compete with brand names, but the surge in direct-to-consumer products is also weakening the market power of established consumer product brands. And with fewer visitors to brick-and-mortar retail stores, consumer goods marketers have less control over what brands shoppers see now that many have turned to e-commerce options to shop for groceries, clothing, and cosmetics.
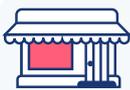
### Private Labels
Consumer goods marketers also have to contend with growing competition from private labels and their impact on brand loyalty, as well as shrinking shelf space and the potential for shrinking marketing budgets. CPG companies are facing these challenges as they rethink their "where to play" growth strategies across categories and brands to gain more exposure to growing market channels and brands. And they need to move much faster to a new "how to win" model that includes digital marketing, sales, and operations, creating a new efficient circle that works for today's consumers and commerce.

### Reinventing the marketing

Consumer goods companies also need to implement a successful new model that reinvents marketing by focusing on consumer relevance and creates new, mostly digital, business opportunities for growth with growing channels and markets, especially in Asia with the emerging markets. CPG must deliver these new business opportunities through an enhanced operating model that prioritizes proximity to the customer and local decision-making in key markets, as well as smart performance improvements to drive business investment. To compete and capitalize on them, CPGs must expand into new channels and markets, but they must continue to serve well. They cannot risk losing the market share they have gained through new customers.

They will also need to supplement their current data resources with new types of data they never needed, to fill in the gaps to meet these new challenges. Brands need to keep abreast of changes in how consumers shop as people move away from the real-world experience.

### The absence of Omnichannel

Consumer goods brands no longer have the luxury of being the exclusive choice of consumers when they enter the market, meaning that these brands must continually demonstrate their value and profitability to retailers who wish to introduce and promote them. In response, many consumer goods brands have expanded their range of direct-to-consumer products and services to remain competitive, but successfully doing so depends on their ability to deliver a seamless, omnichannel experience that engages and captivates existing customers. from new ones. Today, CPG solves all situations and problems related to maintaining consumer and customer loyalty, from creating and creating new products, delivering them through the appropriate channel, and pricing them in the right amount.

Some of the internal challenges that may be presented to a manufacturer include creating new products (innovation), efficient production, brand development, new and more efficient packaging, broker administration, and efficient distribution. Every manufacturer faces different business challenges, both internal and external. Driven by research to increase market share, the major players in the CPG market are facing a number of challenges that hinder business development.

### E-commerce Challenges

E-commerce sales are skyrocketing, consumer attention is dwindling, and digital advertising spending is on the rise. In addition, real-time demographic information from big data marketing platforms increases competition and makes it difficult for consumer product marketers to eliminate the noise. But while this change makes brands more visible, it also reduces the ability of consumer goods manufacturers to build connections and loyalty directly with their consumers due to the lack of space for individualized marketing on the platform.

Ecommerce also makes it easy for shoppers to compare prices and research promotions before making a purchase, meaning that consumer product marketing must now meet the needs of a more informed consumer. While it may be more difficult for consumer goods marketers to influence consumers' impulse purchases in the digital realm, online advertising can be a very effective way to expand brands' reach and reach new customers. The use of advanced technology solutions, including predictive analytics, can help consumer goods companies gain granular insight into how consumers interact with a brand. This can help companies anticipate and prepare for consumer change, and move from mass to personalized marketing to reach customers in new ways.

The traditional consumer products business model based on scaling and sharing under the banner of well-known brands is no longer delivering robust growth. Consumer goods companies are building resilient and transparent supply chain networks, responding to rapidly changing consumer values and implementing innovative and sustainable business models to drive the next wave of growth in the consumer goods industry. Digital innovators have the transparency and data-driven knowledge to understand what consumer goods companies need to offer, and the ability and flexibility to quickly adapt to changing consumer demands. CPGs spend a lot of money on marketing, but right now there are new market forces that are pushing CPGs to completely rethink the repositories in which they evaluate information and overhaul how they use data to be more holistic in their approach to all departments such as Sales, Product, R&D, Operations, Marketing, and combine data into a single powerful unified set of data to solve new market challenges facing their business.

# Conversational Messaging for CPG

### What is conversational messaging?

Conversational messaging is a new customer engagement paradigm that brings businesses and customers closer, by enabling human-like conversations on commerce, marketing, and sales, on messaging channels that customers are already comfortable with. Conversational messaging solves the problem of engaging meaningfully with customers in real-time.
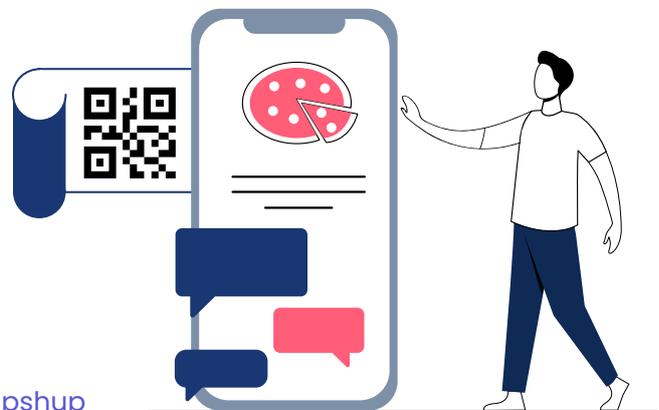
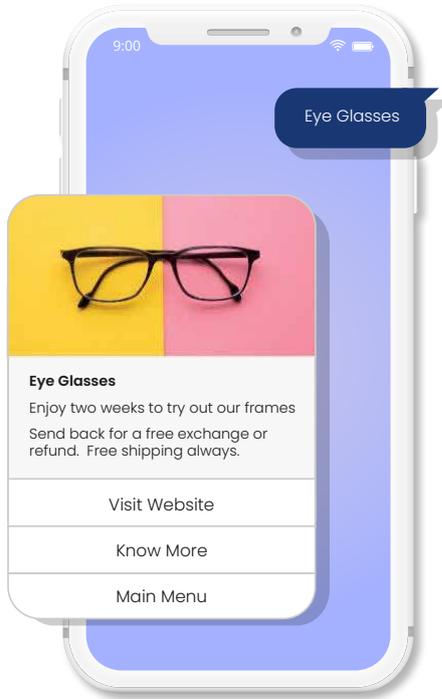Conversational Messaging Video Explainer | Gupshup

Conversational messaging helps businesses think beyond websites and apps. People don't want to commit to downloading apps on their mobile devices. It's too much of a commitment. But they do still want to be able to talk to the hotel, restaurant, taxi cab service, etc. at the time they need to use that business. A conversational messaging platform that allows the customer to speak with the hotel, book their room, order room service, as well as check-in and out fulfils both their needs and desires. And the technology is already here.

### How does it work in CPG?

The CPG industry is heavily reliant on packaging. As we discussed earlier, packaging in CPG has been rapidly adopting QR codes, bar codes, and other forms of connected packaging. These packets serve as the entry points of conversational messaging for CPG. Once a QR code is scanned, the customer will land on a chat window where he or she can have conversations with the brand. The technology is omnichannel, hence the customer can choose to interact with the brand on any conversational channel such as WhatsApp, SMS, Voice, Messenger, Instagram, Telegram, etc. Conversational messaging has 3 primary categories of use cases (Conversational Marketing, Conversational Commerce, and Conversational Support) and many miscellaneous use cases. Let's explore.

## Conversational Marketing

Conversational marketing aims at engaging customers by way of conversations. Conversational marketing remains close to other digital marketing strategies as you need a digital interface to interact with customers and conversational AI to power it. In simple words, conversational marketing creates a sense of specificity and personalization for the consumer. By creating this personalized consumer experience, brands are more likely to hit their targets, generate sales, and rake in profits. Some use cases are:
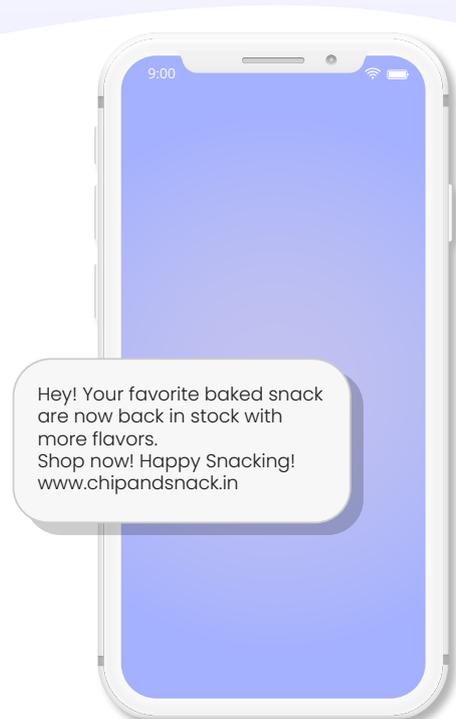
9:00

Eye Glasses

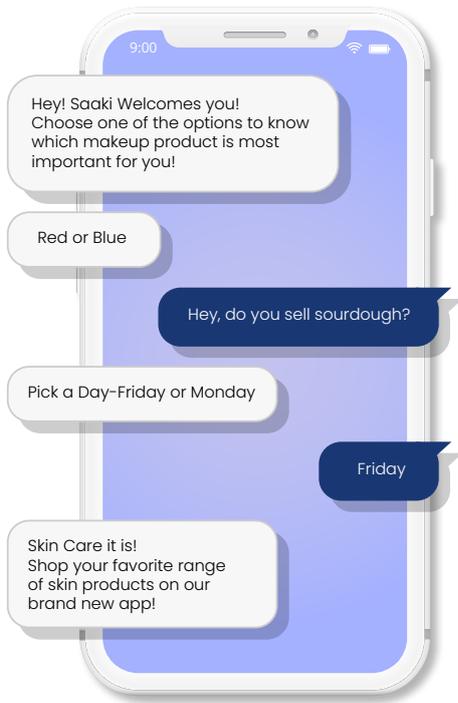**Eye Glasses**

Enjoy two weeks to try out our frames

Send back for a free exchange or refund. Free shipping always.

Visit Website

Know More

Main Menu

### • Product Discovery

Let customers discover the different categories of products that you offer.

Try it yourself

### • Remarketing

Send updates and reminders to customers at different stages of the purchase funnel after having had an initial touchpoint.

9:00

Hey! Your favorite baked snack are now back in stock with more flavors.
Shop now! Happy Snacking!
www.chipandsnack.in

Hey! Saaki Welcomes you! Choose one of the options to know which makeup product is most important for you!

Red or Blue

Hey, do you sell sourdough?

Pick a Day-Friday or Monday

Friday

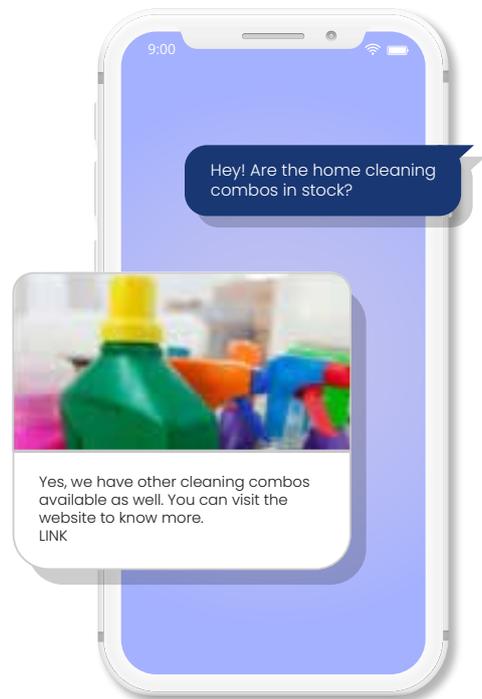Skin Care it is! Shop your favorite range of skin products on our brand new app!

## • Gamification:

QR code can be scanned offline or online post which the interactive chat would open that can have fun quizzes which would ultimately lead to product recommendations.

## • Shoppable Messaging

Help the customer with shopping by answering all relevant queries and providing nudge based information to convert the sale



Hey! Are the home cleaning combos in stock?

Yes, we have other cleaning combos available as well. You can visit the website to know more. LINK

# Conversational Commerce

Conversational commerce is an interactive experience wherein businesses and customers interact on digital platforms with the help of AI-powered assistants. This helps businesses create more direct engagements and indirectly generate more revenue by taking customers on a conversational journey through the purchasing and sales processes. Customers can easily discover products, place orders, pay for the orders and track these orders on one messaging interface.

While app-based e-commerce was already in place for some time now, it has limitations. We have narrowed them down to two categories, namely a 'quantity' problem and a 'quality' problem.
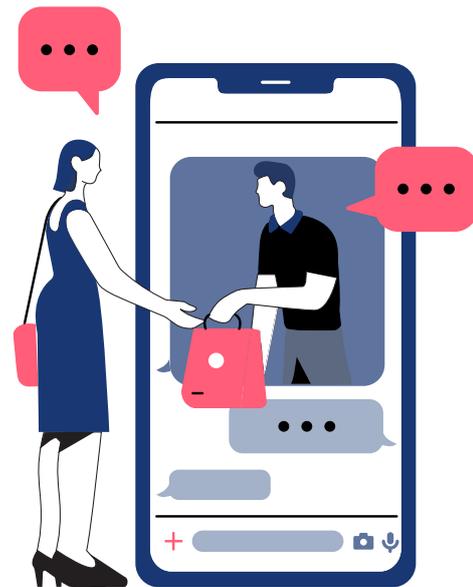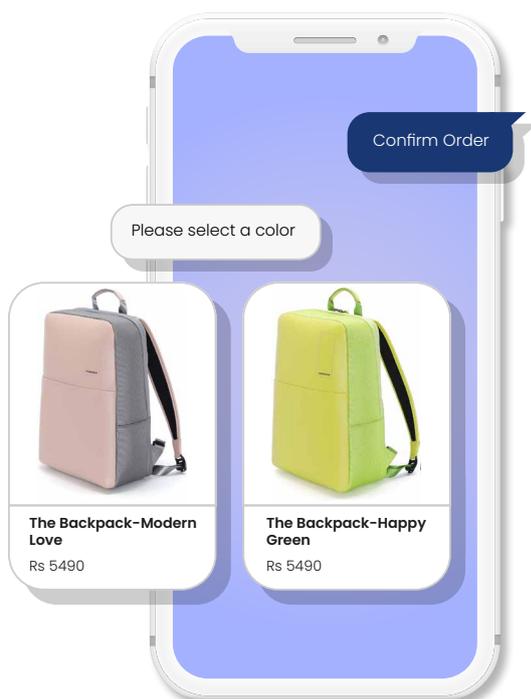
## ❯ The Quantity problem
There are millions of apps out there, but most of us download just a handful of these. The number of businesses that can actually set up shop on the mobile device is thus very limited.

## ❯ The Quality problem
App-based experiences are great if you know what you want. But that experience doesn't work very well while purchasing complex products or products which need consultation or a personal touch where you need to talk with the merchant or a shop assistant.

Conversational commerce consolidates the entire customer journey on one messaging interface, with a chatbot assistant in place. This allows businesses to assist customers, offer deals to new customers leading to sales and transactions, and act as a single platform for redressal for existing customers. Some use cases are:

Confirm Order

Please select a color

The Backpack-Modern Love
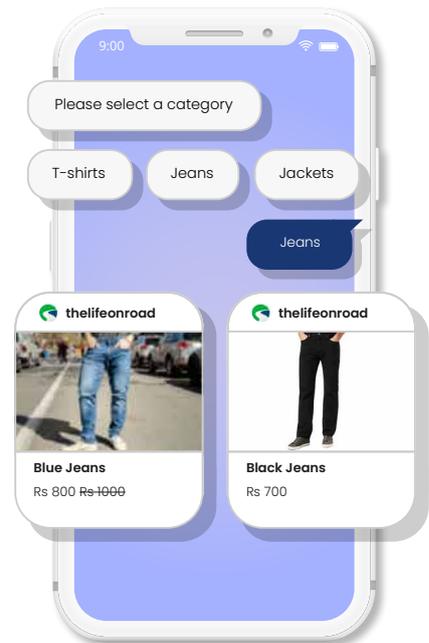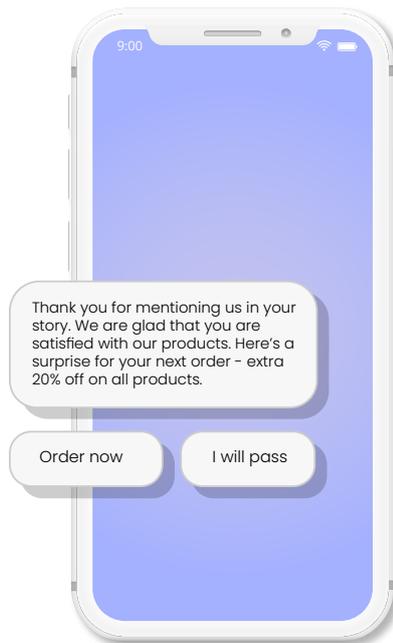
Rs 5490

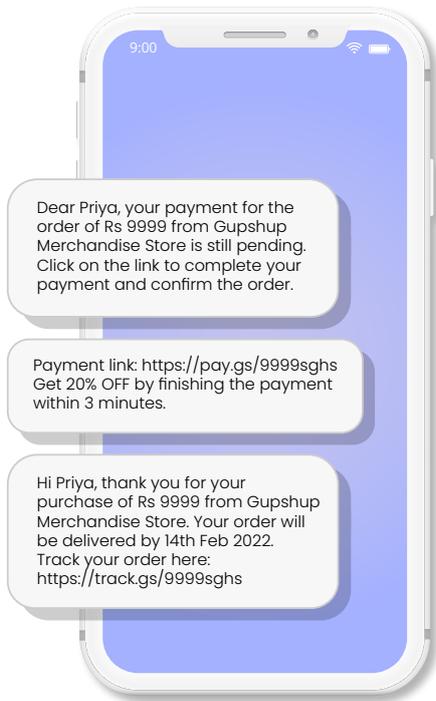The Backpack-Happy Green

Rs 5490

## • Placing an order
Allow customers to add products to the cart, select variant & quantity, and proceed to check out (Not very different from an eCommerce flow).
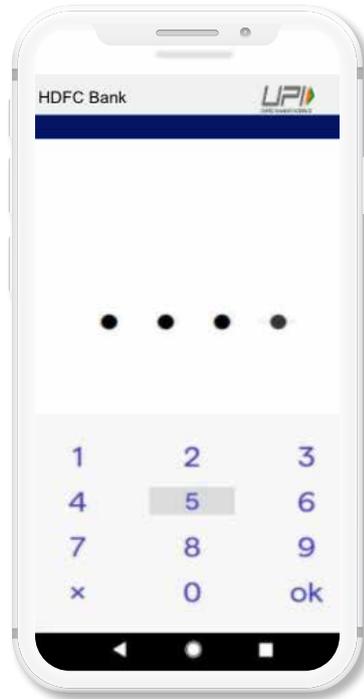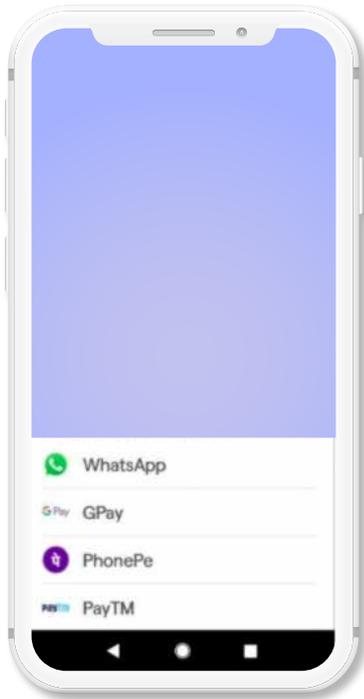
- **1-click-bill-pay**
  Collect payments from customers through the UPI-based 1-click-bill-pay feature.

- **Repeat purchase**
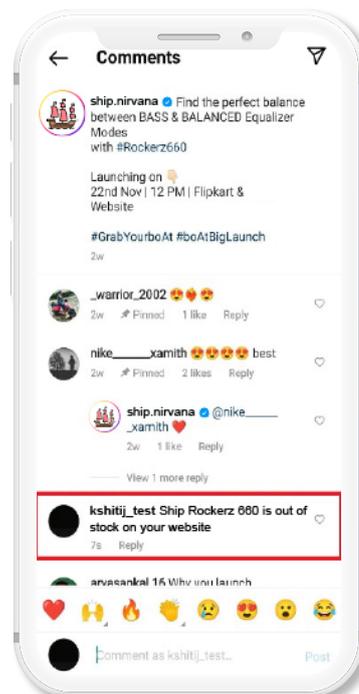  Encourage customers to repurchase your products.

## • Cart abandonment

Remind customers to make a payment for the items they added to the cart in the past.

Dear Priya, your payment for the order of Rs 9999 from Gupshup Merchandise Store is still pending. Click on the link to complete your payment and confirm the order.

Payment link: https://pay.gs/9999sghs Get 20% OFF by finishing the payment within 3 minutes.

Hi Priya, thank you for your purchase of Rs 9999 from Gupshup Merchandise Store. Your order will be delivered by 14th Feb 2022. Track your order here: https://track.gs/9999sghs

## • In stock notification

Notify customers when the product is back in stock.
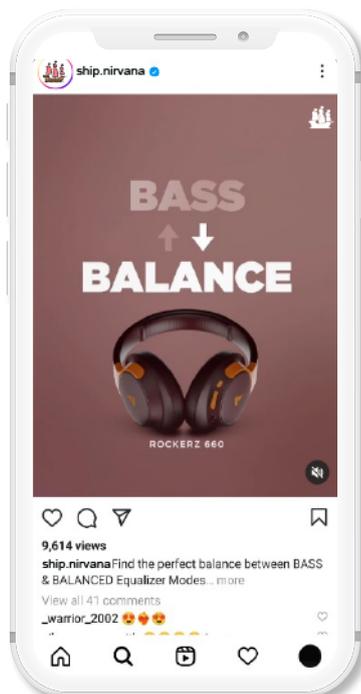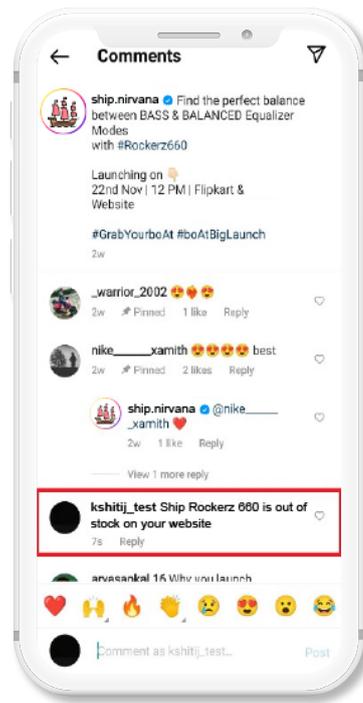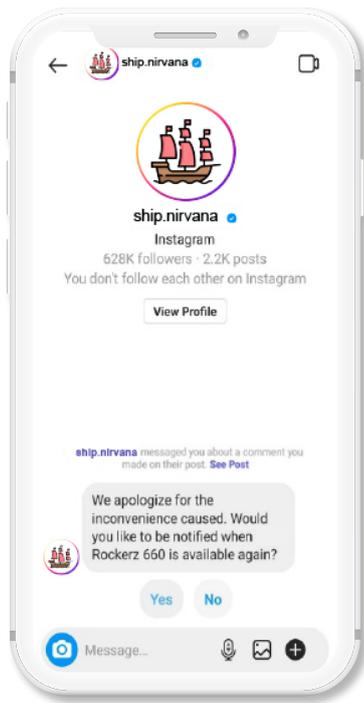
# Conversational Support



The term "conversational support" refers to the ability of both parties involved in a conversation to communicate back and forth, as opposed to just one party doing all the talking or listening. It's an evolution of e-commerce that enables businesses and consumers to interact naturally with each other through messaging apps.

This means that instead of typing out or calling a company about your service issue, you can just send them a quick text message using SMS marketing. Ideally, you should be able to resolve the problem without needing any help from an actual person – this is where automated bots come in. Some use cases are:

Hi Rahul,

I have created an issue ticket which expires in 24 hrs. Our customer exec will get in touch with you before that.

Name: Rahul Aggarwal
Number: 99999999
Ticket ID: 123456

Tracking link: shorturl.at/wKX59

Awesome

Is there anything else I can help you with?

## • Customer Support
Allow customers to reach you 24*7 for queries and concerns.

## • Order Tracking
Let users track orders via a chatbot.

Hi, How can I help you?

Customer Support

Please select an option.

Track your order    FAQs    Register a complaint

Track your order

Please enter your order number without the '#'.

1234567890

Your order has been shipped. You can track your order using the following link: https:bit.ly/ordertrack

**Please answer the following questions on a scale of 1 to 5, 1 being the lowest and 5 being the highest.**

4

**We are glad that you enjoyed your food. What according to you can be improved?**

More toppings

**As a thank you for giving us valuable feedback, we have a special offer for you.
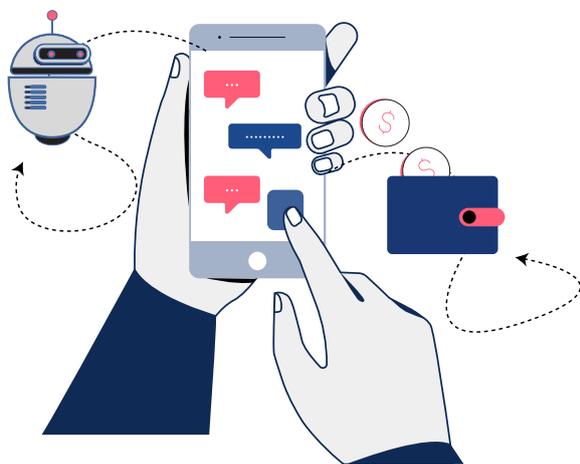Use "DOMI2345PIZ67890" to avail 25% discount on your next order.**

- **Feedback & Survey**
  Collect valuable feedback from the market.

# Benefits of conversational messaging

Messaging platforms are rooted in the art of conversational marketing and are constantly rolling out new tools to help organizations achieve this engagement, and there are many digital marketing agencies that can help. From integrated chatbots to payment methods, WeChat, Facebook and other social messaging platforms are working hard to help CPG marketing teams achieve their goals. Through conversational AI and WhatsApp chatbots, we are helping major brands rethink the future of sales strategies and sales channels during and beyond the global pandemic.

A growing number of consumer goods companies (CPGs) are using artificial intelligence (AI) in their FMCG operations to make it easier to manufacture, distribute and consume products. Consumer goods companies, or CPGs, exist in a dynamic market where today's consumers have much higher demands than their predecessors in terms of service and product quality. In response, many consumer goods brands have expanded their range of direct-to-consumer products and services to remain competitive, but successfully doing so depends on their ability to deliver a seamless, omnichannel experience that engages and captivates existing customers. from new ones. With the global lockdown, major retail and FMCG brands are being forced to rethink their channel strategy and dive into digital commerce embedded with conversational messaging. Here, we list down the major benefits of conversational messaging for CPG & FMCG brands.

## › Interactive Experience

Using artificial intelligence to create more personalized experiences that increase customer loyalty will become the norm for brands. Offering self-service to consumers with an intelligent chatbot across all of your digital properties can make the job of agents much easier and allow consumers to get the instant, always available answers they are looking for. Since self-service is the preferred way to connect to customer service, it would not be surprising if chatbots become the gateway to general and mainstream services for financial services.

In addition, studies show that higher activity is expected in the chatbot space in the APAC region than in other regions, as the region has not yet realized the potential of chatbots in customer service. This makes the role of chatbots increasingly evident in a market saturated with companies trying to outdo each other in terms of customer service. The rise of voice assistants and chatbots is changing the way customers find and buy products. When placing an order with a seller, through a voice assistant or a chatbot, the range of products shown to customers is limited.

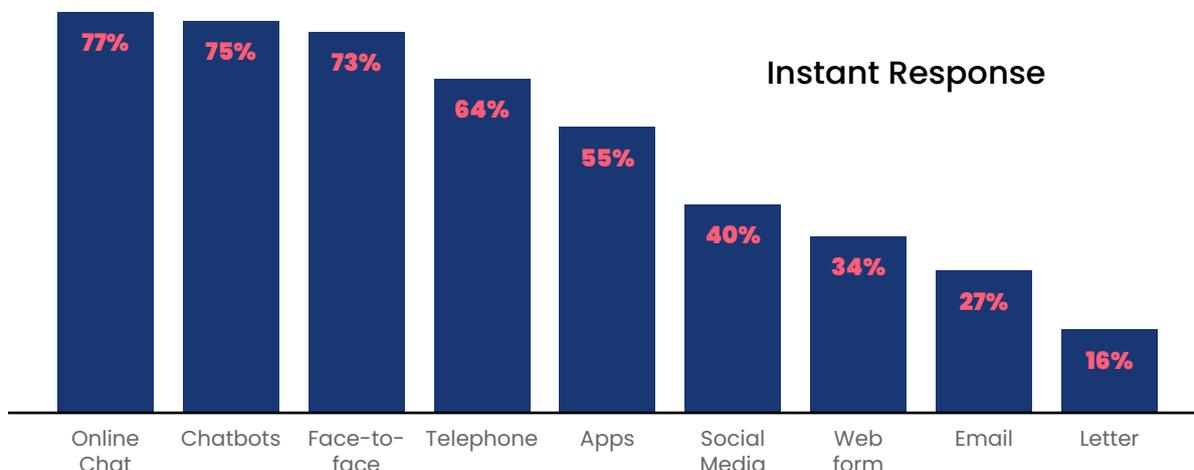## › Building Customer Relationships

This is where chatbots come into play; offering an excellent opportunity for CPG companies to maintain meaningful relationships with their clients. As more and more consumers get used to chatbots, they will become more and more important to a positive customer experience. Companies often use chatbots as part of their marketing and branding strategy.

## › Proactive Response

Artificial intelligence can also be used to engage and increase customer loyalty through methods such as assigning coupons or customizing products based on consumer behavior. In addition, according to McKinsey, online sales can be up to three times faster if we use artificial intelligence and a chatbot in our system. The biggest benefits of chatbots for businesses are 24/7 service (64%), instant responses to questions (55%), and answers to simple questions (55%).

## Response Time by Communication Channel

How soon would you expect to get a response on each of these channels?

Instant Response

| Channel | % |
| --- | --- |
| Online Chat | 77% |
| Chatbots | 75% |
| Face-to-face | 73% |
| Telephone | 64% |
| Apps | 55% |
| Social Media | 40% |
| Web form | 34% |
| Email | 27% |
| Letter | 16% |

### › Catching up to consumer expectations

Uberall found that 80% of consumers have a positive attitude towards chatbots. By 2024, Insider Intelligence predicts chatbot-assisted consumer retail spending worldwide will reach $142 billion, up from $2.8 billion in 2019. still does not find its place. In today's digital landscape, the use and adoption of chatbots reflect consumer trends and behavior.

So many bots are launched every day by big brands and companies around the world. But if you're in FMCG, consumer goods, or other mass-market sectors, you should have started developing your chatbot strategy yesterday.

If a company can capitalize on the great potential of CPG, coupled with a good marketing strategy to combat the digital revolution, it could have a positive impact on business development. Due to competition, the FMCG and CPG will prioritize niche customer development and micro-targeting, while conversational AI will play a vital role in strategizing for consumer goods brands.

# Sources

❯ [Was 2018 the year of the influential sustainable consumer?](#)

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❯ [9 Important CPG Industry Trends 2021-2025 - Exploding Topics](#)

❯ [Why Are Chatbots Important? - Drift](#)

❯ [Key Chatbot Statistics to Know in 2019 - Salesforce](#)

❯ [Chatbot Developer: Roles & Responsibility, Skills, Salary](#)