



2023 FMCG Outlook Part 1:

Winning in the new age of customer experience



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The way people interact with retail brands is evolving at break-neck speed. As manufacturers and retailers transition to a new age of customer experience, the focus must now be firmly on connecting and converting consumers in a wide and growing range of shopping options. But at the same time, we are all navigating new post-pandemic disruptions led by soaring inflation and the fast-rising cost of living.

The record high cost of doing business is passing on price increases to value-craving consumers. So how can you win with shoppers in these most turbulent of times just as we start to recover from the last one? In fact, there's a lot to be leveraged from Covid. It delivered a super rapid acceleration of data, media and technology advances, which when converged and leveraged effectively provide invaluable insights to best understand both the value and values that different shoppers seek today and into the future.

The impact? The ability to build and deliver the right customer experience every time on every platform no matter the headwinds.



Shifting shopping behaviours are testing loyalty and values

Shopper behaviours can change rapidly – who can forget the great toilet paper frenzy when the pandemic hit! But alongside that turbulence came massive e-commerce growth and striking changes in consumption patterns – trends that will remain embedded for the long term, shaped and reinforced by the new expectations of consumers. Yet not all pandemic innovations will survive as people respond to the cost-of-living crisis the best they can. But how we will respond will change swiftly as household budgets squeeze tighter and price becomes even more intrinsic to shopping decisions. Loyalty will be tested. Values will be tested too.

Shoppers are increasingly switching brands and retailers as FMCG prices continue to hike

With this, elasticity will return, and brands that once felt immune to price sensitivity could see product volumes drop off a cliff. To avoid that outcome, brands and retailers must plan for this likely scenario and be prepared to respond quickly when it occurs.¹

We expect a lag in inflation to affect retail spending into 2023 as its true impact is revealed. But as the gap between the producer price index (PPI) and the consumer price index (CPI) grows, retailers will so on have no choice but to close the gap. As brands, manufacturers and retailers, this will require you to prepare by:

- Monitoring volume and be ready to switch tactics
- Investing in innovation now
- Focusing on assortment and considering pack alterations
- Being ready to promote products you know you can supply
- Targeting your shoppers based on price sensitivity.²

Your customer data is the critical link to winning with shoppers in this cost-of-living crisis

More than ever, you need to know how people feel and how they'll shop in the moment – and it's all about the experience. Consumers are open to ordering directly from you and sharing their data if it will result in a better shopping experience or reward. To connect in this current environment, utilising data will help you:

Manage the social impact of inflation

Invest in the tech reshaping retail

Tap into your customer's emotional intelligence

Balance value with experience

Prioritise your purpose and build communities that resonate

It is no doubt the era of the consumer – but it's not one size fits all. Omni-channel shoppers are highly valuable to grocery retailers, spending more than double what in-store only and online-only customers buy.³ Online shoppers are also more loyal to retailers, so winning the omni-channel shopper is critical to capture their tendency to spend more share of wallet with a single retailer. With the role of the store changing, you must synchronise your data and omni-channel customer experience. In 2023, it's all about an integrated lens on how the same shopper uses each channel on their path to purchase.

¹Managing price during turbulent times, IRI Global, April 2022, accessed 15 September 2022

²Managing price during turbulent times, IRI Global, April 2022, accessed 15 September 2022

³Source: IRI Shopper Panel, Total Supermarket Bricks & Mortar vs. Online, MAT To 27/02/22; *Coles Trading Update, February 2021

Retail media networks are delivering the next frontier in advertising

Savvy shoppers are increasingly finding new ways to digitise all aspects of their daily lives, and while digital brings opportunity it has also created a fragmented media landscape. We're bouncing from different devices or platforms every day and that's why it's so important to reach consumers through relevant advertising at the right time, wherever they are, to continue to build connection points all the way to the point of purchase. Led by major e-commerce players and local retailers developing media offerings, it is expected that Australia's retail media market will reach AUD \$1 billion by 2025⁴ and bring in up to AUD \$1.2 billion in 'new' advertising revenue over the next five years⁵. There is also the bonus of valid measurement of media effectiveness on sales and an incremental revenue stream.

Retail media will ultimately be an influential 'e-commerce ecosystem'

To understand the nuances in shopper behaviours, retail media networks can help brands connect marketing activities with customer purchases, essentially closing the loop on all sales. Retailers are relying on their own customer data to help brands more effectively plan and activate media through audiences and ultimately measure the results of their marketing efforts. And with customer data helping to connect the dots, marketers can have a clearer picture of how advertising impacts consumer actions and be able to adjust their tactics more strategically both online and offline.

Retail marketing will centre around the omni-channel shopping experience and, for marketers, how they can better understand and navigate the path to purchase with consumers, as well as have the availability to activate across fast-growing media channels. Using loyalty data, we foresee a future where the looming prospect of a post-cookie world will result in more advertising dollars migrating to digital. The online shopper journey is no longer linear. Retail media networks will become a core channel in a brand's total marketing strategy, bolstered by data and technology advancements.

\$1.2B ↑

Australia's retail media market is expected to reach up to \$1.2B in 'new' advertising revenue over the next five years⁵



⁴J Myers, Future of retail media: disrupting the consumer purchase funnel, Mumbrella, 27 April 2022, accessed 12 October 2022

⁵L Dell, D Robins, S Johnson, J Thorpe, Retailer Media: Outlook 2022 emerging channel spotlight, PwC, undated, accessed 12 October 2022

Retail experiences are the social currency of a new generation

Retail success is requiring more speed and less spend with a holistic focus on delivering memorable experiences through every available channel or space. Experiences are the social currency of a new generation of consumers who have celebrated or commented on every meaningful life experience online. So, your big challenge – and opportunity – in 2023 is to draw people into your brand story, deliver a remarkable brand and product experience, and establish relationships with consumers across multiple buying channels.

It's all about being 'the retailer for me' in the worlds that I choose to play in

More and more consumers are taking their shopping journey outside of a brand or retailer's physical and digital space, and what this tells us is that customer experiences can no longer be siloed. It is now imperative to integrate the digital and social experience. But don't forget your customer need in this race to digitise. Technology is influencing everything from how and where we shop to how we purchase and converging on and evolving the holistic shopping experience every single day. Pandemic 'techceleration' showed us the future role of technology in retail to help build deeper and more personalised customer relationships, and in turn, loyalty.

What can you gain by integrating new technologies into your omni-channel strategies?
To start with, a lot of data insights to inform the customer experience.

The opt-out of tracking apps and impending demise of third-party digital cookies requires you to place more emphasis on first-party data. Your data – and knowing how to effectively use it – is more valuable than ever before. As part of a future-focussed omni-channel strategy, all these technologies allow people to experience physical goods in the virtual world before purchasing. They also provide the opportunity to scale, adapt and personalise bespoke shopping experiences, trial new innovations, provide loyalty exclusives without logistical restrictions, and foster more diversity and inclusivity practices. Remember, this is all about meeting consumers where they are and where they want to be.



Augmented decision-making delivers the holy grail of experience

While value for money is an imperative in our inflationary environment, so too is connecting the customer experience in- store. And in this era of fast, faster, fastest; how can businesses and brands keep up and, more importantly, win?

It's near impossible to make the right decisions fast enough if you're drowning in data insights. But if you converge data with media and tech, it opens a world of new experiences – for both you and your customers. For example:

The true value of first-party data is commensurate with its coverage, depth and recency

As first-party data rises in value, consider using your own inventory as retail media recency

Retail tech is a gamechanger for your shopper to test and explore products online

But the right answers must be delivered directly to you via the tech that does most of the work

There is vast potential for machine learning (ML) and artificial intelligence (AI) to move the FMCG and retail industry forward by automating the generation of insights and ultimately improving decision-making. We call it augmented decision- making and believe it will soon be driving the future of our industry in positive ways. Imagine being able to spend less time on aligning and integrating data, and finding the insights, and instead focus on the meaning and deciding the right course of action.

In an era of constant change and immediacy, making faster and better decisions is the only way to gain an edge or, in some cases, just keep up. Augmented decision-making will enable companies to move faster than the speed of change. It will only be possible by integrating collective vision, technology and democratised and personalised access to insights for business users.

Success requires consistent, memorable experiences delivered through every available channel

A consistent experience includes elements like ensuring that shoppers can use their loyalty privileges and enjoy seamless service and fulfilment, no matter whether they purchase through livestream shopping or walk into your bricks and mortar outlet.

The new Circana 2023 FMCG Outlook Report explores the ways in which brands and retailers are adopting new methods to attract and retarget consumer and shoppers in a highly converged world. We've reached a new age in customer experience where to be successful through disruption, it's an imperative to understand shifting shopper behaviours and stay on top of the evolution of retail experiences by utilising the latest in data, technology and media. And as you utilise new channels, finetuning the individual customer experience will matter more than ever.

Inflation is expected to peak in 2023. What's your long-term strategy?

Disruption is not going away and its critical to support your customers through it. But this inflationary environment gives you an opportunity to get organised to springboard towards 2024.

Test and trial new tech, new innovations and new launches now. Build loyalty while showing you care during inflation. Remember, the consumer is now in the driver's seat, and you need to meet them where they are. Smart data utilisation will amplify your understanding of and dialogue with them.

The future is about using technology in ways that create more time and value – for your company and your customers.

That future is already here. Are you ready?



Powered by our integrated and market-leading **technology, analytics, and Liquid Data™** we work with FMCG and retail businesses to deliver insight and consulting solutions to keep them ahead of the curve and deliver on customers' changing needs.

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