

After the Recession: Packaged Goods Consumer Behavior Trends

As the U.S. economy emerges from the Great Recession, Consumer Packaged Goods (CPG) companies are adjusting to a transformed consumer landscape. Consumer buying power is still under pressure, and consumers are likely to continue looking for bargains and living more frugally.

In this white paper, Weatherchem, a Cleveland-based manufacturer of specialty packaging, offers its analysis and commentary on some of the emerging trends in post-recession consumer behavior and how these trends may impact packaging and CPG brand image in the future.

This recession was unusual in its severity and in its wide-ranging impacts on consumer choices. It served as a disruptive conduit to a change that is reshaping the buying habits of U.S. consumers. This “New Normal” of consumer frugality will have lasting effects on the packaging and marketing strategies of CPG brands.

Below are a few major trends that emerged from the market downturn:

- **Private Label Brands are associated with higher quality products than ever before.**
Consumers have been looking to save money wherever they can, which means that they are turning to private label brands. From Sept. 2008 to Sept. 2009, private label CPG sales increased from 21.6% to 22.8% of all CPG products sold at U.S. retailers¹. Although there has been some retrenchment from this Sept. 2009 high (according to Nielsen, private label brands made up 21.2% of CPG unit sales as of April 17, 2010)², private labels are likely to continue to be big winners in the aftermath of the recession. This recession gave an opportunity to the private label brands to shine and to prove to consumers that a private label solution can be associated with positive experience and quality. Private label brands are reshaping the competitive landscape for CPG companies.

According to recent research from McKinsey & Company: *“in the past two years, an average of 18 percent of packaged-goods consumers bought lower-priced brands. Of the consumers who switched to cheaper products, 46 percent said that the cheaper products performed better than expected, and the large majority of these consumers said the performance of such products was much better than expected. As a result, 34 percent of the switchers said they no longer preferred higher-priced products, and an additional 41 percent said that while they preferred the premium brand, it **‘was not worth the money.’**”³* (emphasis added)

Brand loyalty appears to have been a casualty of the recession as well. More than half of consumers (52%) who were highly loyal to a particular packaged goods brand became less loyal during the recession⁴. While there is always a certain amount of “churn” among brand loyalists as people develop changing needs and different preferences, the recession appears

¹ Information Resources, Inc. “Private Label 2009: Game-changing Economy Taking Private Label to New Heights.” [September 2009](#).

² Retailer Daily. “Private Label CPG Dollar Sales End Growth Pattern – Update” [June 8, 2010](#).

³ McKinsey Quarterly. “How the recession has changed US Consumer behavior.” [December 2009](#).

⁴ Advertising Age. “Package-goods Brands Lose Loyalists in Recession.” [June 22, 2009](#).

to have been particularly damaging to brand loyalty, with more consumers looking more aggressively for bargains.

- **Dominant brands with a strong consumer following managed to hold on to their market position:** Although the trend during the recession has been away from brand loyalty and toward cheaper products, brands that truly dominate their markets have had staying power with consumers. McCormick spices are one example of a CPG brand that held on to many of its most loyal customers during the recession, in part because it is the dominant brand in its category. Categories with multiple competing brands have witnessed a greater degree of churn during the recession, according to research from Catalina Marketing⁵.
- Well-established brands that managed to retain their loyal following used the downturn to **reinvest in their brands by creating different product formats or adding innovative packaging.** Although it is not a CPG company, Apple Computers was one of the biggest winners of the past recession, and its success can offer lessons to CPG brands. Even while U.S. consumers continued to tighten their spending, Apple managed to rake in record profits – in fact, its profit margin as of the end of 2008 was 35%⁶. Some of the key principles to Apple’s success are also applicable to CPG companies. For example:
 - **Innovation and aesthetics.** With the iPod, the iPhone, and now the iPad, Apple has introduced a series of transformative products that are re-shaping the music business, the entertainment industry, the mobile phone business, and changing the way people interact with their world. While it may not be possible for every CPG company to create something as successful and game-changing as the iPhone or iPad, more CPG firms will be looking to develop more innovative products. Another major part of the Apple brand is its focus on detail and design, resulting in the unique, instantly recognizable “look and feel” of its products – and Apple’s product packaging is a big part of this appeal; Apple’s product packaging reinforces the message to the customer that they have just purchased a sleek, innovative, exciting new product. Watch for CPG companies to come forward with more aesthetically-pleasing packaging designs to communicate similar brand messages. Brand strategist Valeria Maltoni refers to product packaging as “content for the post purchase phase,”⁷ since even after a customer buys a product, that customer is still looking to be engaged, entertained, and reassured – packaging continues to send a message long after the customer selects a product off of the store shelf and takes the product home.
 - **Not competing on price.** Apple’s customers are intensely loyal and are willing to pay a premium price because they love the unique experience of using Apple products. While it’s true that premium CPG brands have struggled during the recession with the rise of private label and consumers’ reluctance to spend, there are still opportunities for CPG brands to differentiate themselves from lower-priced competition. According to the CPG Branding and Marketing Forum, CPG brands should not try to compete on price with discount retailers and private label products, as this is a losing battle – “reliance on heavy price promotions tends to put customers’ focus on price only.”⁸ Instead, CPG brands need to better understand their customers, offer greater product segmentation (different offerings for

⁵ Ibid.

⁶ BBC News, “Is Apple recession proof?” [January 22, 2009](#).

⁷ Valeria Maltoni, Conversation Agent blog. “Content Strategy for the Post Purchase Phase.” [March 23, 2010](#).

⁸ CPG Branding and Marketing Forum. Rowland Heming. “Value: The Old Rules No Longer Apply.” [February 8, 2010](#).

different customers), and adopt “Value Plus” thinking – recognizing that customers interpret product value as a combination of “value plus benefit, design, service and variety.”⁹

- **Simple product offerings.** As product management blogger Saeed Khan says, “Apple has a very clear and simple set of products. It’s easy to understand the differences between their products, product families and the various configurations...A lot of companies complicate things unnecessarily.”¹⁰ As Apple executive Tim Cook once pointed out in an interview with analysts, every single product that Apple makes could fit onto a single conference table. “This is the most focused company that I know of,” Cook said. “We say no to good ideas every day.”¹¹ As CPG companies continue to struggle to woo frugal consumers, look for more CPG companies to take a page out of Apple’s playbook and streamline their product offerings (and packaging) to create a simpler proposition for consumers. According to a recent white paper from Interbrand¹², it is time for CPG companies to get back to basics: *“CPG brands, particularly in the detergent, beverage and cereal aisles, are embracing category simplification as a way to lure consumer attention away from private labels, as evidenced by the classic, clean package designs for Bud Light, Gatorade, Coca-Cola and others. Kellogg’s and Post cereals have been simplifying their frequently over-complicated packages, demonstrating that less can, in fact, be more.”*
- **Premium-priced “everyday” products are not seeing an immediate recovery from the recession:** Brands that have been selling at a price premium – especially brands targeting the “mass affluent” market – have taken a hit during the recession and are likely to continue to struggle as the economy recovers. According to a report from Mintel, more than half of mass affluent U.S. consumers reported having cut back on spending or deferring spending due to the recession.¹³ (“Mass affluent” consumers are defined as those households with between \$100,000 and \$1 million in investable assets.) Consumers are unlikely to go back to spending beyond their means on discretionary purchases. The “new normal” means that consumers are looking for value; and if premium brands cannot deliver a premium experience that justifies their higher price, they are likely to lose customers.

What’s Next?

... For CPG Companies:

According to a recent study from Mintel¹⁴, we can expect more of the same. The post-recession environment is likely to reinforce some existing trends and motivate CPG companies to focus on initiatives in the following areas:

1. Product Innovation

⁹ Ibid.

¹⁰ On Product Management, “The secret to Apple’s success?” [May 20, 2010](#).

¹¹ Seth Godin. “Two quotes and two links for a snow day.” [February 25, 2010](#).

¹² Interbrand. Fred Richards. “Back to Brand Basics: Focus on the Customer.” [September 2009](#).

¹³ MarketingCharts.com, “Half of ‘mass affluents’ feel financially insecure, especially Hispanics,” [March 2009](#).

¹⁴ FoodProcessing.com. “Consumer Packaged Goods Trend Predictions for 2010.” [Nov. 17, 2009](#).

2. Sustainability efforts to reduce costs and improve products' environmental performance – including sustainable packaging, natural content, and concentrated packaging design
 3. Packaging Innovation
 4. Investing resources in a value label
- **CPG Product innovation: on the rebound in 2010.** Most national CPG brands did not introduce many big new products during 2009, largely because of the recession. Instead, most CPG companies focused on hunkering down and cutting costs rather than introducing new products at a time when consumers were holding back on their spending. However, now that the recession is over, watch for significant new product launches during the latter part of 2010. Procter and Gamble, Kimberly Clark, Unilever, and other major CPG companies have all hinted that 2010 will be a big year for CPG product innovation.¹⁵
 - **Sustainability:**
 - **Wal-mart's sustainability initiative is here to stay.** America's biggest and most influential retailer is going to continue to demand more sustainable products, packaging and practices from its CPG vendors. Sustainability has proven to be a good business practice for Wal-mart, and other retailers are likely to follow suit in intensifying their sustainability efforts. Sustainability is not a fad; it's the future – and CPG companies need to be ready to get on board the sustainability bandwagon.
 - **A new focus on "natural" content.** With growing concern about chemicals, food additives and artificial ingredients, watch for more CPG companies to focus more intently on creating products with natural ingredients – both for environmental reasons and to assuage concerns about human health.
 - **It's time to concentrate.** Motivated both by sustainability goals and by shifting consumer preferences, watch for CPG companies to offer more options for concentrated packaging – with a higher quantity of product in a smaller package.
 - **Create packaging to attract attention and enhance customer relationships:** As CPG companies compete for the attention of consumers who are reluctant to spend, product packaging will become a more important component of CPG product marketing. Watch for CPG companies to provide more elegant, inviting packaging for even the most "ordinary" consumer purchases. CPG companies will look for new ways to use clever package design to create a more premium customer experience and communicate customer value. Also watch for additional color-coding in packaging; nearly two-thirds of U.S. consumers surveyed by Mintel (64%) said that they want to see more color-coded packaging to help them quickly identify their favorite brands and product varieties.¹⁶
 - **Private labels are becoming "brands" of their own:** Look for CPG companies to dress up their private label offerings – using package design to create a more sophisticated look for these low-budget offerings and communicate equal quality to the established national brands. In the post-recession environment, private label brands will continue to build brand equity of their own. As one prominent example, Costco has started to position its Kirkland Signature private label brand as a premium quality brand that can compete with national brands on quality instead of price. For certain food and pet items, Costco has even started to command higher prices for its Kirkland Signature private label brand than for "brand name" competitors.¹⁷

¹⁵ Advertising Age. "Package-good players plan new-product surge for 2010." [December 7, 2009](#).

¹⁶ FoodProcessing.com. "Consumer Packaged Goods Trend Predictions for 2010." [Nov. 17, 2009](#).

¹⁷ L.E.K. Consulting Executive Insights. "Why Costco and Other Warehouse Club Retailers Matter." [Volume XII, Issue 5](#).

.. For Consumers:

Consumer frugality is the “New Normal.” Consumers may emerge from this crisis as winners due to the expansion of higher-quality lower-priced choices at the retail level.

According to research from The Nielsen Company, current trends in consumer spending are likely to continue throughout 2010¹⁸. Most Americans feel pessimistic that there will be rapid improvement in the economy, and they are adjusting their spending accordingly. We can expect:

- **Fewer impulse purchases, more research:** Rather than just going to the store and grabbing whatever looks good on the shelf, more shoppers are doing research before leaving home – searching for product information online, clipping coupons and reading grocery store circulars to see what is on sale.
- **Accelerating shift to private labels:** Booz & Company research¹⁹ shows that consumers are likely to continue to shift their purchases to private label brands. Matt Egol, a Booz & Company partner, said: ““Retailers are unlikely to give brands back the shelf space that private label has taken given their dependence on private label for profits. In addition, consumers are reporting generally positive experiences when trying private labels, so for some consumers they are becoming preferred brands.”
- **More focus on price:** 65% of the survey respondents said that they frequently use coupons, and 55% said that they would rather get the best price than the best brand.

CPG companies need to find ways to use their product packaging to respond to (and reward) these consumer behaviors. There are several ways to use packaging to respond to these new shifts in consumer behavior:

1. **Use packaging that conveys value.** If a CPG company does not want to compete on price, one way to attract and retain price-sensitive customers is to use packaging to demonstrate added value. If customers do not perceive that a higher-priced product offers a compelling additional value, then they will likely switch to a lower-priced option. Increasingly, packaging needs to be a prominent part of CPG product marketing; not only as a final step before shipping the product to store shelves, but early on and throughout the product development process.
2. **Design packaging for convenience.** Even if a product is not the lowest-price option, the packaging can help to deliver a message of greater convenience for the consumer. For example, Weatherchem produces a dispensing closure known as the Flapper® closure. This unique closure design allows lids to be opened and closed by the flick of a thumb – providing greater convenience than a cap that needs to be unscrewed and fastened with both hands. According to Weatherchem’s customer research focus groups, many customers identify the Flapper® closure with greater convenience, and are willing to pay more for the product that offers greater convenience.²⁰ Time after time, Weatherchem’s consumer panel research showed that users are willing to try another brand if it had an innovative and more convenient package. 80% of the interviewed panelists indicated that they were willing to pay more for a more convenient dispensing package. This is one example of how packaging can be used to boost a product’s

¹⁸ Convenience Store News. “2010 Trend Roundup: Consumer, CPG, Food and Retailing.” [December 23, 2009](#).

¹⁹ Booz & Company. “Consumer “New Frugality” May Be an Enduring Feature of Post-Recession Economy, Finds Booz & Company Survey” [Feb. 24, 2010](#).

²⁰ Weatherchem Product Research. <http://www.weatherchem.com/cms/productresearch/index.html#4>

perceived value by delivering a better customer experience. Packaging can change the consumer's perceptions of a product from being "more expensive" to being a "more value-adding, time-saving, money-saving" solution.

3. **Create packaging that gives choices to the consumer.** Heinz® recently launched a packaging redesign of its iconic ketchup packets (the first redesign in 42 years) to give the customers the ability to either "dip or squeeze" their Heinz ketchup.²¹ This is a prominent example of a famous CPG brand using its packaging to tell a new story about its product while delivering new benefits to the consumer. Similarly, Weatherchem offers dispensing closures that allow customers multiple choices of how to use the product. For example, Weatherchem Flapper® spice closures allow the customer to either spoon or pour the product out of the container. By designing packaging to give customers a greater choice of how to use a product, CPG companies can help to differentiate their products from the lower-priced competition.
4. **Use innovative packaging to improve the consumer experience.** One example of this trend is the new Vortex Bottle from Miller Lite. This aluminum pint bottle has a resealable cap and a specially designed bottle neck to create a unique "vortex" effect as the beer is poured. Slate's advertising columnist, Seth Stevenson, praised this new product packaging innovation in a recent column²²: *"Like candy bars, low-calorie, mass-produced domestic beers are mighty difficult to tell apart. (Who among us could distinguish Bud Light from Miller Lite in a blind taste test?) So Miller Lite's given up on winning this unwinnable taste war and is instead differentiating itself with novel packaging ideas... Overall, this is a genuine advance, and Miller Lite should be making every effort to trumpet it."*

One way to compete with lower-priced products is to deliver a better experience – and even with consumers under strain, there are still many people who are willing to pay for convenience, options and a quality product. Packaging will continue to be a crucial method for delivering these marketing messages.

How New Ways of Packaging Products can Help Build Loyalty among Consumers

CPG companies can use new packaging strategies to help market their products to meet the evolving needs of newly frugal U.S. consumers.

The 2010 Package Design and Development Summit highlighted several trends for value-based innovation in CPG packaging²³. The conference outlined several key principles for CPG companies to use as they adapt their packaging (and the messages it sends) to the new realities of the post-recession world:

- **Trust and loyalty:** Packaging must create trust and build back brand loyalty that has been lost during the recent turmoil in the economy. Packaging does not just contain products and bear brand labels, it can also be used to communicate emotions and values – like trust, reliability, and convenience.
- **"Right-sized" packaging:** People are simplifying, streamlining and "right-sizing" their lives and this trend affects their consumer decisions as well. "Bigger is better" is no longer true. People don't want to see unnecessary flourishes and wasteful packaging. This trend ties into the trend

²¹ Heinz® "Heinz® Ketchup 'Uncaps' New Decade with Revolutionary Product and Packaging Innovations." [February 4, 2010](#).

²² Slate – Ad Report Card. "Nice Cans! Miller Lite's bizarre new campaign is all about beverage containers." [May 3, 2010](#).

²³ Package Design and Development Summit. "2010 Summit Highlights." [March 2010](#).

toward more sustainable package design as well – CPG companies that deliver sustainable packaging are also likely to get a boost from consumers attracted to “right-sized” packaging.

- **Performance with a purpose:** CPG brands need their packaging to offer “performance with a purpose” to defend the value of their brands and justify their prices. The product packaging itself needs to be part of creating and communicating this added value.
- **It’s all about value – and “values:”** In the era of the new frugality, consumers want to buy products that are simple, transparent, and affordable. People want to have a candid relationship with the packaging of the products they buy – they want to feel confident that they are making the right choice. Product packaging helps create this confidence and can help to close the deal on the purchase decision.
- **Sustainability will continue to be good business:** Weatherchem outlined some top CPG sustainability trends for 2010 in a recent white paper,²⁴ and many of these concepts are especially applicable to the post-recession economic landscape: sustainable package design is an opportunity for CPG companies to demonstrate their values and engage consumers on a new level. Sustainability is not only the right thing to do, it’s also good business – and it’s a chance to market CPG products in a new light. At a time when many consumers are cutting back on their consumption, while also feeling increasingly concerned about the environmental impact of their lifestyles, CPG companies have an opportunity to deliver sustainability as part of the customer experience.

Conclusion

The recent recession will have lasting effects on the behavior of U.S. consumers, and CPG companies need to be ready to adapt to a changed landscape. Diminished brand loyalty, an aggressive shift to private label products, and ongoing frugality of U.S. consumers will affect “what,” “how” and “why” consumers buy.

However, there are also opportunities for CPG companies to beat the competition by offering innovative products, packaging that conveys convenience, quality and trust, while emphasizing a message of environmental sustainability. Even in an era of diminished consumer buying power, many consumers still are looking for their CPG purchases to provide a bit of fun, a clever design, or a unique customer experience. Packaging will continue to be an important part of the marketing mix to deliver these messages and build customer relationships.

²⁴ Weatherchem. “Top 10 Consumer Packaged Goods Sustainability Trends for 2010.” [January 11, 2010](#).