

WHICH COMPANIES DROVE U.S. CPG GROWTH IN 2014?

By Leslie Hinchcliffe, Dan Wald, Jeff Gell, and Krishnakumar (KK) Davey

FOR many manufacturers of consumer packaged goods (CPGs), 2014 was an elusive year for growth. Sluggishness, uncertainty, and concerns over jobs and wages dogged the domestic economy for much of the year. In tough circumstances, some companies outperformed while others lagged. What drove the leaders' success?

For the third year in a row, The Boston Consulting Group and Information Resources, Inc. (IRI), examined more than 400 CPG companies with annual U.S. retail sales of more than \$100 million and ranked them based on their growth performance. The study is unique because it includes both public and private CPG companies. Our approach employs a combination of three metrics: dollar sales growth, volume sales growth, and market share gains. Recognizing that players in different size categories all face their own opportunities and challenges, we produce three top-ten lists of growth-leading companies: small companies (\$100 million to \$1 billion in retail sales), midsize manufacturers (\$1 billion to \$5 billion in retail sales), and large players

(more than \$5 billion in retail sales). (See the exhibit.)

Growth in 2014 was particularly challenging for large CPG companies. While the industry as a whole grew faster in 2014 than in 2013 (2.1 percent compared with 1.6 percent), small and midsize companies continued to steal share from larger competitors. They took 0.7 share points in 2014, worth approximately \$4.5 billion. Smaller companies have taken a total of 2 full share points since 2009, worth \$18 billion.

Across the three size segments, winners capitalized on broad CPG industry trends. The impact of macroeconomic volatility and price inflation in high-protein products, such as meat and dairy, was felt across food and beverage segments. Companies such as Land O'Lakes, WH Group, and Jack Link's were able to take advantage of pricing opportunities as consumers traded both up and down, creating growth for the premium and value segments. Other examples include Hershey's, whose sales growth was driven by premium brands such as

Growth Leaders in U.S. Consumer Packaged Goods

	Rank		Parent company	Dollar sales (% change from 2013)	Volume sales (% change from 2013)	Dollar share points (change from 2013)	Overall weighted score
Large	1	↑	Johnson & Johnson	4.7	3.2	0.3	1.7
	2	↑	Mondelēz International	1.6	1.3	0.3	1.0
	3	↑	PepsiCo	2.7	1.6	0.0	0.9
Midsize	1		Mead Johnson Nutrition	11.4	8.2	3.1	2.9
	2	↓	Keurig Green Mountain	9.8	14.3	0.9	1.6
	3	↑	Monster Beverage Corporation	8.5	8.0	1.2	1.5
Small	1		Teva Pharmaceuticals	88	101	11.3	8.6
	2		SkinnyPop Popcorn	165	167	0.3	4.5
	3	↓	Kind	106	133	2.3	4.3

Source: IRI and BCG analysis.

Note: Companies shown in bold are new to the list in 2014. Arrows denote change from 2013.

Brookside, and Schreiber, which showed growth in the value cheese segment. Population and spending growth in three key demographics—seniors, Millennials, and Hispanics—led to opportunities for companies such as Gruma, a tortilla manufacturer, and PepsiCo, which has products that cater to the tastes of both Millennials and Hispanics.

Consumers also demanded more “better for you” products and refused to compromise on health, taste, and convenience. Brands that were able to meet this demand—including Campbell’s Bolthouse Farms, Mondelēz’s belVita, and SkinnyPop ready-to-eat popcorn—were rewarded with growing sales. The expansion of

e-commerce in grocery created opportunities for early movers that exploit digital sales channels, such as Kind.

There are common themes among the winners. Perhaps most important, they consistently show success across the three principal growth levers: velocity, distribution, and price and product mix. Others were forced to make trade-offs (primarily on distribution for large companies and on velocity for small ones). But our top-ten lists comprise companies of many sizes with brands in multiple categories and price tiers, making one thing clear: growth is possible for all types of CPG manufacturers.

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3/15