3 KEY CHALLENGES IMPACTING YOUR DEMAND PLANNING NOW

Fast-paced changes have upended FMCG/CPG operations. Predicting demand today is increasingly complex given ongoing shifts in consumer behavior. Does your data reflect pandemic-driven shifts, or tell you what to plan for next?

As new consumer trends continue to emerge, you need to know which products will sell and which ones will sit on the shelves.

Confidently plan for future demands and fulfill customer needs by:

Reviewing real-time updates to consumption behaviors

Apply the most current and granular data to ensure your plans and operations adjust as consumer needs evolve.

Analyzing current consumption and shopping drivers

Understand which changes in behavior will impact your business as consumers continue to stock pantries and adapt to new living conditions.

Identifying high-demand areas

Plan for all market needs so you can meet local demand now and prepare for future changes.

Nielsen can help you create successful business strategies that reflect changing demand and what consumers want today, with accurate data and insights.

RETHINKING HOW YOU PLAN FOR THE FUTURE

Supply disruptions, caused by sudden surges in consumer spending, have impacted all categories in varying degrees. The April 2020 Consumer Price Index showed a sharp increase in food-at-home spending from 0.5% to 2.6% in March 2020.

These market fluctuations have left many FMCG/CPG manufacturers unable to respond fast enough. They've also exposed the problems with using outdated demand models created before the crisis. To understand how demand has changed, you'll need a flexible approach to planning, and datasets that reflect new consumption patterns.

Develop responsive plans that anticipate market changes by understanding:

- How consumer purchasing behavior is evolving through the crisis
- Demand volumes that match unexpected behaviors and economic factors
- Diverse consumer demands in different markets and locations

HOW TO UNDERSTAND DEMAND DURING A CRISIS

The ability to accurately forecast demand has challenged FMCG/CPG manufacturers since the start of the crisis - and made it harder to adapt quickly. As in-home consumption has grown, online alcohol sales saw a 339% change the week of May 9, 2020. In the same timeframe, baking supplies were the top growth category (114%), while bakery sales declined by 3%.

Responding to sudden fluctuations has highlighted the problems of traditional forecasting models – and why they're unable to fully capture demand in an unpredictable climate. Shipment data, year-on-year sales and seasonal data don't reflect how shoppers are behaving today, impact on current pantry levels or upcoming volume changes.

For example, when social-distancing impacted Mother's Day celebrations this year, U.S. shoppers spent more on jewelry, housewares, books and greeting cards than in 2019. Without information that helps you quickly understand evolving spending patterns, you're unable to prepare for different behaviors during a crisis. Inaccurate planning can result in product shortages, loss of sales and customer brand switching.

Pro Tip: Pivot your planning

With demand projections anything but normal, adjusting to new behaviors requires an updated approach to forecasting. Planning models should include new weekly variables of shopper, store, channel and category impacts to make rapid, short-term decisions while focusing on longer-term strategic moves as well.

TRANSFORMING PLANS IN RESPONSE TO CHANGING BEHAVIORS

Though manufacturers face many challenges today, understanding what factors are driving consumption in different categories and their longer-term impacts may be the biggest hurdle yet.

Consumers have passed through several behavior thresholds during the COVID-19 pandemic, but more are ahead. With movement restrictions nationwide, consumers are spending more on home deliveries, make-at-home meals and online grocery shopping during COVID-19. Basket values are also higher, but consumers are making fewer trips to brick-and-mortar stores.

Companies need an up-to-date view on how these buying patterns will impact volumes over time as consumers adapt to new ways of shopping, dining and living. Knowing whether shoppers are still loading pantries, what they're consuming in specific categories and which habits are driven by the crisis allows you to separate and understand key metrics.

Elevated pantry levels could indicate that consumers have stocked up for a second wave of the pandemic, keeping them out of the market for several months. That's why access to comprehensive data that accounts for restrained supply and informs planning decisions is vital. Measure the true impact of week-by-week consumer and category changes over the coming months by using models that isolate demand drivers and other factors.

ONLINE ALCOHOL SALES SAW A

339%

CHANGE THE WEEK OF MAY 9, 2020

"ANTICIPATE FUTURE DEMAND AND REDUCE INEFFICIENCIES BY ADAPTING YOUR FORECASTING PROCESS TO LOOK AT NEW INDICATORS, AND WHAT'S CAUSING YOUR CATEGORY'S GROWTH OR DECLINE."

Pro Tip: Tracking the consumer pantry

Economic uncertainty and food insecurity, which are impacting some American families for the first time, have upended how consumers shop and their frequency of or willingness to try different products based on availability, or even go without. You need to know what is influencing consumer patterns and how those will impact your future production, supply chain and financial performance.

FULFILLING MARKET NEEDS AT A LOCAL LEVEL

As restrictions ease, local demands and the impact on supply chain will continue to fluctuate at different levels. Fulfilling local market needs will add further pressure and lack of visibility into local supply chains and partners. For example, over the course of a week in May, consumers in California ranked first for the most online searches in shaving cream, swimming pool, sneeze guards and charcoal briquette searches, according to Google search data. Consumers in Arizona, by contrast, ranked No. 15, No. 18 and No. 9 in the same category searches, highlighting how widely current behaviors vary.

Over the week of May 9, 2020, the top selling categories in California were baking staples, dough products, baking supplies and appliances. But in Arizona, the top selling categories were baking staples, appliances, dough products and pest control products instead (Nielsen RMS xAOC). Understanding these nuances is critical to how you revise and update demand plans over the coming weeks and months.

Pro Tip: Supplying critical items to hotspots

Being able to pinpoint which trade areas are experiencing spikes or product shortages, and which categories are affected helps you understand and prepare for different demand needs. Granular shopper insights can help you accurately plan for these changes in the short- and long-term, to prevent out-of-stocks and missed opportunities.

PREPARING FOR A NEW CONSUMER LANDSCAPE

No one could have predicted COVID-19 or its immediate impact on consumption and consumer spending patterns. But you can anticipate future demand by adopting a more comprehensive approach to current planning practices.

Understanding consumer behaviors and how they impact current and future supply requires readjusting for new variables, instead of relying on what you knew before. National and local market needs will continue to change, and so must your ability to fulfill supply at the right time, in the right places.

Planning for the future means adapting how you plan, as well as what you plan for. Using granular data will help you prepare for a new retail climate and meet evolving consumer needs.

"UNDERSTANDING THE EFFECTS CAUSED BY THE CRISIS AND PRE-CRISIS VOLUMES AND IMPACT OF EXTERNAL FACTORS ON CONSUMER BEHAVIORS IS KEY TO SUCCESSFUL DEMAND PLANNING THROUGH A CRISIS. "

"KNOW HOW CONSUMERS BEHAVE IN LOCAL TRADE AREAS TO PLAN FOR DEMAND IN KEY MARKETS, AND THOSE MOST AFFECTED BY THE PANDEMIC."

Learn how Nielsen is helping FMCG/CPG manufacturers get a complete view of shifting demands and adapt to changing consumer needs.