



ArchPoint[®]

2020 Account Management Study

Research and implications from an
unprecedented year in CPG

Introduction

In CPG, as in many other industries, the buyer and seller relationship has changed more in the past year than in the past decade. COVID-19 has had a significant impact on the supply chain and the subsequent pattern of behavior on both sides of the desk. Normal activities have been sidelined to focus on supply chain volatility, changing consumer purchase behaviors, and technology implications. While many could have predicted the buyer/seller relationship would eventually move to a more virtual-centric environment, nothing could have prepared us for the monumental impact of the pandemic and what it has done to traditional business practices and ways of working.

We at ArchPoint felt this impact across all divisions. Our Products and Sales divisions serve the CPG industry, and we witnessed firsthand the challenges faced by manufacturers, retailers, and consumers. These challenges were the motivation behind this study. We felt a need to speak to buyers and sellers on what has transpired and what they see for the future of CPG. We interviewed manufacturers and grocery retailers to understand their new reality. Data from these interviews along with other supporting sources was used in this report.

Things are changing. We will not go back to the way things were. But if we can be flexible, quickly embrace changes, adjust practices, shift programming and utilize technology, we can move forward. Those who lean into the new environment can capitalize on it, but it requires a willingness to rethink, refocus, and retool. We believe the opportunity exists to reinvent how buying and selling is done to drive productivity, creativity, and bottom-line profits for all.

Summary of Key Findings

- **Demand pressure strained CPG supply chains and exposed cracks across the whole infrastructure.** The pandemic stressed supply chains, and key players in the system felt the impact of the industry's intense drive for ultimate efficiency and the risk to the supply it created. With such tightly managed systems, organizations did not have the ability to be pliable and reactive.
- **Technology helped maintain buyer/seller communications but limited the depth of connection.** With communication moving to a virtual space, relationships relied heavily on technology. For many, this shift felt overdue and positive in regard to reduced resource-related expenditures and efficiency, but others missed in-person opportunities to build personal relationships.
- **Pandemic fears and new ways of working increased stress and decreased motivation for employees.** Maintaining connection among teams and keeping employees motivated was challenging this year. People had to adjust to new ways of working and in many instances, the remote nature of work impeded personal lives.
- **The CPG industry went back to basics in assortment and looks to rethink promotional spending practices in the future.** In the first waves of the pandemic, CPG suppliers and retailers shared a common goal to keep core products on the shelf. Almost a year later, as organizations adjust to pandemic purchasing behavior, companies are rethinking strategies, services, product portfolio, and promotional tactics.

Also Included: How to Win in the Next Normal

- The Buyer/Seller Interface
- Required Future Investment by Organizations and Leaders
- How to Rethink Local Market Support: Food Brokers

Demand pressure strained CPG supply chains and exposed cracks across the whole infrastructure

The COVID-19 pandemic created major shifts in purchase behavior, which stressed systems built to efficiently manufacture and deliver products and caused frustration everywhere – with buyers, sellers, and consumers. Key players in the system felt the impact of the industry’s intense drive for ultimate efficiency and the risk to the supply it created. With such tightly managed systems, organizations did not have the ability to be pliable and reactive. Across the system, buyers and sellers recognized the importance of alternative raw material availability and manufacturing capacity.

- **Changes in purchase behavior created major gaps between demand and supply**, some of which remained unsatisfied many months after the pandemic hit. In the fourth quarter of 2020, some facilities still had not caught up. Buyers, sellers, and consumers felt supply issues should have been resolved in a timelier manner and were less sympathetic to the pandemic being the reason given for lingering issues. Overly optimistic projections of 2020 holiday demand also caused problems. Results were well below expectations and as of January 2021, some warehouses remained filled with seasonal merchandise.
- **The fragility of the modern manufacturing system which has evolved to a very efficient, time-sensitive, just-in-time approach was exposed**, as was a reliance on imports and a lack of alternative manufacturing and materials sourcing. Lead times increased because the entire delivery infrastructure was strained. As of December 2020, safety stocks were being prioritized in many categories. Manufacturing infrastructure in the US operated in the upper threshold of capacity; everyone was vying for the same raw materials; therefore, scaling up to produce more and meet demand proved difficult. The dilemma for manufacturers was the intersection between investing in more capacity, future predictable demand, and finding alternative raw material supply.

In a Bain/Microsoft Survey, **90% of companies surveyed plan to make changes to their supply networks, with 40% expecting to increase their supply chain investment to increase speed, agility, and resilience.**

https://www.logisticsmgmt.com/article/study_90_of_retail_and_cpg_companies_modifying_supply_chain_networks

The US Census reports the average household **grocery bill was 30% higher** in 2020 than 2019.

<https://www.forbes.com/sites/blakemorgan/2020/10/19/50-statistics-showing-the-lasting-impact-of-covid-19-on-consumers/?sh=5b4c5d8261f6>

Technology helped maintain buyer/seller communications but limited the depth of connection

With almost all communication moving to a virtual space, the buyer/seller relationship relied heavily on technology to keep the supply chain moving. For many, this shift felt overdue. It quickly reduced resource expenditures related to in-person meetings and encouraged more efficient communications. Some felt virtual communications lack connection and the opportunity to build personal relationships. Partners who were transparent about issues, proactive about solutions, and managed communication efficiently were more successful overall.

- **The ways in which buyers and sellers communicated fundamentally changed**, with technology as the primary means. Travel and in-person interactions came to a halt which, until the pandemic, were still used heavily to manage relationships and the supply chain. Many saw this as the industry playing catch up, ending antiquated practices and putting resources to better use. Organizations invested in technology and teams faced a steep learning curve to interact effectively, stay connected, and develop new relationships.
- **The frequency of communication changed due to a squeeze on available time**, with larger financial relationships becoming the priority, while other tiers experienced varying levels of service. Interactions were driven more by the demands of the day. Discussions focused on the immediacy of the needs of the business – product, supply chain, and out-of-stocks. There was less time for other topics, and the buyer/seller relationship suffered under the stress.
- **Deeper and next-level interactions suffered from the lack of human connection.** There was consensus among survey participants that relationships matter in the buyer/seller interaction and they did not see this changing in the future. There was still a need to find the balance between transaction and trusting that the individual and/or company would deliver on commitments. Related, there has not been significant success in adjusting to a virtual environment for product sampling, trade shows, and other events that allow others to experience products in-person.

Do the analysis.
What's the virtual
environment saving you?

	In-person Meeting	Zoom Meeting
Cost of time spent traveling	\$	\$
Travel expenses	\$	\$
Cost of meeting room	\$	\$
Total meetings per year		
Total meeting cost per year	\$	\$
Annual savings		\$
ROI		%

Pandemic fears and new ways of working increased stress and decreased motivation for employees

This year was difficult for employees in all industries. Maintaining connection among teams and keeping employees motivated was challenging. People had to adjust to new ways of working and in many instances, the remote nature of work impeded personal lives, adding to the general stress around the pandemic. Despite employers' best efforts, concern over contracting the virus in the workplace remained high. Across the board, industries had to rethink offices, work from home policies, meeting approaches, organization structure, and general resource allocation.

- **The majority of organizations took safety precautions** to combat the spread of COVID-19 and created safe spaces for employees to continue working but fears over catching the virus remained. Many leaders increased company-wide communications, adjusted long-standing policies, and upgraded facilities to further reassure employees of their commitment to a safe work environment.
- **Motivation waned** and employees experienced burnout. Major causes for burnout with remote workers were worry about contracting COVID-19, a lack of separation between work and home life, feeling disconnected from teams, and increasing workloads. (Source: [Microsoft Survey](#)) However, for buyers and other roles that previously spent a significant amount of time traveling, some reported having more time for focused work.
- **While moving to a remote workforce had challenges, it also allowed organizations to consider restructuring** in ways that benefit the company and employees. Much of the workforce appreciated moving to remote work, which saved companies in overhead costs. Some team members from geographically dispersed teams actually felt more connected to other team members because of the ease in connectivity in the virtual environment. A surprise for leaders was how effective working in a non-office environment was for employees, with many organizations rethinking traditional policies and practices, and structures. In addition, the shifting interactions of buyers and sellers challenged sales coverage models and traditional beliefs of needed resources.

A Microsoft survey illustrated the **blurred boundary between work and home life**

<https://www.microsoft.com/en-us/microsoft-365/blog/2020/09/22/pulse-employees-wellbeing-six-months-pandemic/>

48% increase in Teams chats per person

55% increase in number of meetings and calls per week

2x share of Teams users sending after hours chats

69% more Teams chats per person after hours

CPG industry went back to basics in assortment and looks to rethink promotional spending practices in the future

In the first waves of the pandemic, CPG suppliers and retailers shared a common goal to keep core products on the shelf. Almost a year later, as organizations adjust to pandemic purchasing behavior, companies are rethinking product and organization strategies and overall services offered to the market. They are also evaluating which products deserve to remain in the portfolio and deciding which promotional tactics are worth the spend.

- **For CPG, the immediate reaction to the pandemic was to keep core products on the shelf**, with less emphasis on variety, assortment, and innovation. Most retailers suffered out-of-stocks due to supply chain issues and suppliers devoted their limited resources to producing only top-performing products. Because demand increased so dramatically across CPG with consumers spending more on products overall, retailers and manufacturers have begun to rationalize SKUs and adjust their assortment for the long-term.
- **Promotional spending was either suspended, reduced, or delayed** with suppliers lacking inventory to support additional purchase activity. Retailers were aligned with changes in promotional spending as they too were trying to keep shelves stocked in the initial wave of increased consumer demand. Months later, the industry has realized promotional strategies need to be reconsidered as well as how increased online shopping has impacted demand. This rethinking of promotional spending norms created tension in the industry because of traditional practices. Many believe the uptick in e-commerce will be a major driver in how promotional spending is allocated in the future, with organizations looking for a balance between traditional retail and e-commerce.

The average number of product offerings in grocery stores declined **7.3%** by June 2020.

<https://www.fooddive.com/news/less-is-more-why-retailers-and-cpgs-are-moving-toward-selling-fewer-products/581200/>

Almost **80%** of consumers reported shopping for groceries online after the COVID-19 outbreak, **up from 39%** before the pandemic.

<https://www.supermarketnews.com/online-retail/nearly-80-us-consumers-shopped-online-groceries-covid-19-outbreak>

How to Win in the Next Normal: Buyer/Seller Interface

Both buyers and sellers in the future need to be subject matter experts, able to deeply explain features and benefits and not rely on in-person chemistry to make meaningful connections. They should be tech-savvy and able to present effectively in a virtual environment. It is especially important now across the buyer/seller interface to build trust, provide support, and look for better ways to do business.

- **Have a strong digital presence.** In the future, trending shows that most regular meetings will happen virtually with in-person meetings reserved for those of greater importance and instances that require product interaction. Improve individual skill sets including presentation skills, reading a virtual room, communicating virtually, and upgrading technology knowledge and usage. Buyers and sellers with high EQ are more likely to succeed, as well as those who can stay engaged and connected.
- **Be a better partner.** Offer proactive, transparent communication and solutions to problems. Help partners understand the supply chain and other critical impacts on the business. Regardless if the news is good or bad, organizations have a better chance of winning if they are presented with the truth in a timely manner. An understanding that both buyers and sellers are encountering their own hurdles and helping one another find new ways to solve challenges will place the industry in a stronger position for the future.

Buyers and sellers should be able to...

Project a
strong digital
presence

Build
connections in-
person or
virtually

Present and
communicate
effectively on
all platforms

Continually
improve and
deepen
relationships

Communicate
in a proactive
and
transparent
manner

Bring solutions
to the table

How to Win in the Next Normal: Investment in the Future

Buyer and seller teams of the future should be better aligned on messaging, tighter in presentation materials, and produce compelling data and insights. They use the virtual environment to their advantage – presenting meaningful information, insights, and subject matter expertise to deepen relationships. Organizations must embrace and invest in technology, tools, and training to support future efforts.

- **Invest in technology tools, training, and selling materials.** Organizations must equip teams with tools to enable successful virtual communication and train on effectively using new technology. High quality audio and video and a professional workspace are important. Those who have worked longer in the industry will likely have a harder time adjusting because of the need to change habits. It will be harder to connect with new contacts over technology (new buyers, new sellers, etc.). Deep expertise will win the day regardless of the side of the desk you are on. Organizations should streamline their approach to meetings, develop consistent messaging, tighter presentations, and adapt materials to be effective in a virtual environment.
- **Provide meaningful data and insights – and utilize others' expertise.** One benefit of the virtual environment is the ability for multiple content experts across organizations to participate in discussions. Buyers and sellers can bring experts from their organization to meetings where historically they were limited based on travel expenditures. Proactive, regular delivery of sophisticated category data and experts can help partners make more informed decisions.

Organizations should invest in...

Technology
and tools to
improve
communication

Upgrading
selling
materials and
consistent
messaging

Training in new
technology and
how to win in a
virtual
environment

New data
sources that
can substitute
market visits

Advanced
category data
and insights

Making content
experts
available for
important
meetings

How to Win in the Next Normal: Rethinking Local Market Support (Food Brokers)

While not all buyer/seller interactions include third-party representation, the topic surfaced throughout our findings. Survey respondents offered perspective about the role of food brokers as relevant to this study. Food brokers can play an important role in the future by expanding capabilities to offer more local market insights, digital perspective, data analytics, and other creative solutions relevant to the changing landscape.

- **Proactively share local data, trends, and market information.** Participants in the survey commented on the value brokers can bring because of their location. In the future, there will be even more opportunity for the broker community to proactively bring the local market to life for those who cannot travel. Brokers providing data, analytics, and insights combined with local market conditions and creative marketing approaches will be best positioned for the future.
- **Provide guidance on assortment and promotion spending.** Connected to data and insights, brokers can help reassess portfolio prioritization and recommend the optimal assortment. They can also help buyers and sellers plan and reallocate promotion spending by staying current on trends and finding the right balance between digital market presence and local in-store activities. In addition, local market representation can provide creative solutions for product demonstrations and sampling.
- **Help lower tier or innovative brands gain visibility.** In a time when essential products and top brands are given preference, brokers can aid lower tier brands and new product innovations fight for shelf space.

Brokers should...

Rethink the value proposition

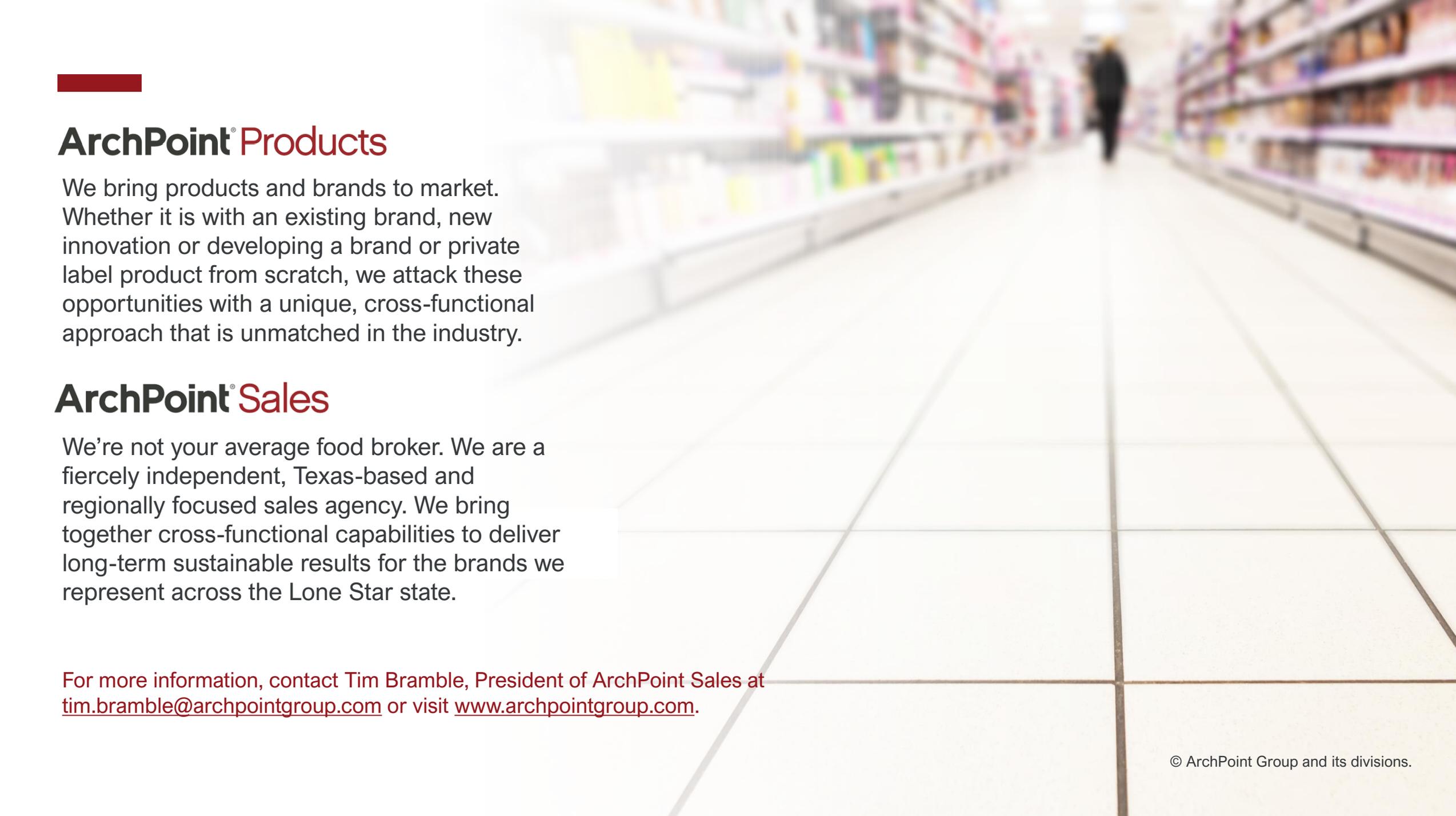
Share data, analytics, trends, and insights

Provide guidance on promotional spending, assortment, and e-commerce

Provide creative local market visibility

Develop creative brand/product experiences

Help lower tier brands and product innovations onto the shelf



ArchPoint® Products

We bring products and brands to market. Whether it is with an existing brand, new innovation or developing a brand or private label product from scratch, we attack these opportunities with a unique, cross-functional approach that is unmatched in the industry.

ArchPoint® Sales

We're not your average food broker. We are a fiercely independent, Texas-based and regionally focused sales agency. We bring together cross-functional capabilities to deliver long-term sustainable results for the brands we represent across the Lone Star state.

For more information, contact Tim Bramble, President of ArchPoint Sales at tim.bramble@archpointgroup.com or visit www.archpointgroup.com.