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Response

**Future-Proof  
Your CPG Strategy:**  
Trends to Get You  
Ready for 2025

WHITE PAPER



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## Executive Summary

The world is evolving fast, and with it, the Consumer-Packaged Goods (CPG) industry faces a complex landscape shaped by changing consumer behaviors, economic volatility, and shifting market dynamics. As we approach 2025, it's crucial for CPG brands to stay agile, adopting forward-thinking strategies to remain competitive amid these rapid changes.

Traditional strategies alone are no longer sufficient to ensure sustained growth. Now, more than ever, CPG companies need a future-proof, data-led approach to thrive amidst uncertainty. This white paper explores critical marketplace shifts and offers actionable insights into building robust, data-led strategies to drive sustained growth and resilience. Only 31% of marketers are fully satisfied with their ability to unify customer data. But for those that get it right, the rewards are significant: deeper insights, better forecasting, optimized supply chains, and personalized customer experiences that drive loyalty.

Following these insights can help brands navigate the complexities of the current market and position themselves for sustained growth in the years to come.

**Only 31% of marketers are fully satisfied with their ability to unify customer data.**

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# The Changing Consumer Behavior and Market Dynamics (if you think you know consumer behavior, think again)

## Economic Pressures Remain a Problem

Despite prices easing in recent months and recent interest rate cuts, inflation's cumulative effect has exacted economic strain on many. Families are grappling with a higher cost of living and slower income growth. Inflation has cooled from decades-high levels, with groceries up about 1.1% year over year as of June, according to data from the US Bureau of Labor Statistics. However, food at home costs have risen 26.2% since June 2019.

A new YouGov survey finds that for the third year in a row, the problem Americans are most likely to see as very serious – among 32 issues polled – is inflation. In 2024, 67% of Americans considered inflation as a serious problem. In 2023, 68% viewed this as a severe problem; in 2022, 64% did. As we recently saw, concern about the economy played a significant role in the presidential election.

What are consumers doing in response?

**In 2024, 67% of Americans considered inflation as a serious problem.**



## Brand Exploration is At an All-Time High

Pandemic-era supply chain disruptions made it difficult for consumers to find what they needed. More than one-third of consumers have experimented with different brands. 36% of consumers changed retailers in pursuit of better prices and discounts. This behavior is only exacerbated by today's current economic uncertainty.

During inflationary periods, consumers re-evaluate their spending. They perceive private-label products as offering better value for money and often believe that quality is comparable to their (former favorite) national brands. Many national retailers are also increasing their investment in the quality, variety, availability, and marketing of their private labels to gain consumers' confidence in the product offerings, further incentivizing purchases during economic uncertainty.

In fact, 36% of consumers plan to buy private-label products more frequently in 2024, with 60% believing these products offer equal or better quality than branded items. If private-label brands are seen as a step down from premium products without significantly sacrificing quality, they will appeal to consumers looking to stretch their dollars.

To effectively leverage AI in CPG marketing, brands must prioritize building a robust data ecosystem. While AI has transformative potential, the technology is only as effective as the quality of data it learns from. A strong data ecosystem involves consistently capturing, cleansing, and organizing data from multiple sources to ensure accuracy and relevance. By investing in data integration and governance, brands can develop a foundation that supports AI's predictive and personalization capabilities, enabling them to deliver more actionable and impactful results across their marketing efforts.

## Changes in Affordability Creating Changes in Values

Just as inflation and high prices drive consumers to prioritize cost over brand loyalty, high inflation can lead shoppers to forgo many personal values that they might prioritize in more stable economic conditions.

When looking at the reality of what consumers are doing, value for money seems far more important than the value of sustainability. The percentage of younger consumers in the US who consider sustainability an important purchase factor has declined from 2023 to 2024. Consumers might choose products with less environmentally friendly packaging or from companies with less transparent supply chains if it helps them save money.

Consumers will likely cut back on purchasing health and wellness products, such as organic foods, supplements, or specialty diet items, due to their higher costs. Instead, they might opt for more affordable, conventional options.



## The Future Consumer: A Changing of the Guard?

The US population is projected to reach a high of nearly 370 million in 2080. The Census Bureau projects America's population will then edge downward to about 366 million in 2100. This is unsurprising as global fertility rates have declined in all countries since 1950. In 2023, the global total fertility rate – the average number of children a woman is projected to have over her lifetime – reached 2.3, just above the 2.1 replacement rate, as reported by the United Nations. All this suggests that within this century, we will likely reach “peak population,” after which global numbers will begin to decline, resulting in a weighty demographic shift.



## Younger Generation Growing Spend Power

In the US, the immediate impact of this demographic shift will be aging populations and declining birth rates, posing challenges for welfare and healthcare systems. Brands will need to adjust as well. As older consumers start to dominate the market, the focus will shift away from the younger demographics that brands of marketing efforts have traditionally targeted.

In the meantime, however, the spending power of the younger generation in the US continues to grow. The lifestyle of younger generations is significantly influenced by digital. They expect seamless experiences, regardless of industry. And, interestingly, our volatile world fosters a lifestyle that balances saving and splurging.

## Major Shifts in Population Migration and Multi-Cultural Population

The New Great Migration is named after the original Great Migration, the largest and perhaps most significant demographic shift in US history. During the Great Migration, millions of African Americans emigrated away from the South to the North, Midwest, and West. At the beginning of this migration, most African Americans resided in the South, while cities like Chicago and Detroit had only small Black populations. By the time it concluded, these cities had thriving African American communities that influenced Black culture, politics, and economics, with lasting effects into the present.

And then the reverse started after the Civil Rights Movement; from 1975 to the turn of the century, the South experienced a net increase in Black migration, reflecting the region's growing appeal.

However, The New Great Migration is not just a Black American phenomenon. The US is becoming a more multicultural country overall. By 2025, Hispanic and Asian populations will constitute 24% of the US population. By 2030, international immigration to the United States will drive the country's population growth. And, for decades to come, individuals who identify as two or more races will make up the fastest-growing racial demographic in the United States.

Multicultural consumers frequently have distinct preferences and needs regarding products, whether based on taste, lifestyle, or traditions. Brands should leverage consumer insights to identify these preferences and develop products or variations catering to these diverse groups. Reflecting multicultural needs signals that brands value inclusivity and innovation, reducing the likelihood of brand switching to competitors who may better address these preferences.

From a communication standpoint, beyond simple representation, brands should create marketing campaigns that authentically reflect diverse cultural groups' values, traditions, and experiences. Showing that a brand is aware of and respects different cultural identities – and avoiding stereotypes and cultural appropriation – can foster stronger emotional connections and build loyalty.

***“Brands are executing multicultural marketing wrong. Typically, it is an event-type approach: Black History Month, Hispanic Heritage Month. Yet, when you think about population growth and where most spending is happening, it is within these multicultural communities. How we reach these individuals should be a bigger part of the overall strategy.”***

**—Dr. Alvin Glay, Chief Strategy Officer, Response Media**

# Where Things Are Headed: Trends to Get You Ready for 2025

## **Brands that Excel at Personalization will Soar**

As highlighted earlier, seismic shifts are happening in our world. That said, it is too simplistic to shift marketing in that direction entirely.

Why?

Despite broad changes in the market, consumers are highly diverse in their preferences, behaviors, and values. Even considering the previously discussed shifts, a one-size-fits-all approach risks alienating important market segments. A singular strategy often fails to recognize these nuances, resulting in missed opportunities, lost sales, and increased customer churn.

Hyper-personalized experiences are becoming a cornerstone of successful CPG marketing. Research reveals that brands incorporating personalization as a core experience strategy has risen 50% since 2022 and that brands expect to increase their annual personalization budgets by 29% this year compared to the previous year.

Leveraging personalization allows brands to tailor their messaging, products, and experiences to the needs and interests of different customer segments, leading to higher engagement and conversion rates.

In fact, compared to peer brands with low personalization maturity, brands that excel at personalization are 48% more likely to have exceeded their revenue goals and 71% more likely to report improved customer loyalty.

***“In today’s complex market, a seamless omnichannel approach isn’t just an option; it’s a necessity. Consumers don’t think in silos, and brands shouldn’t either.”***

**—Ami Sirlin, Chief Customer Officer, Response Media**

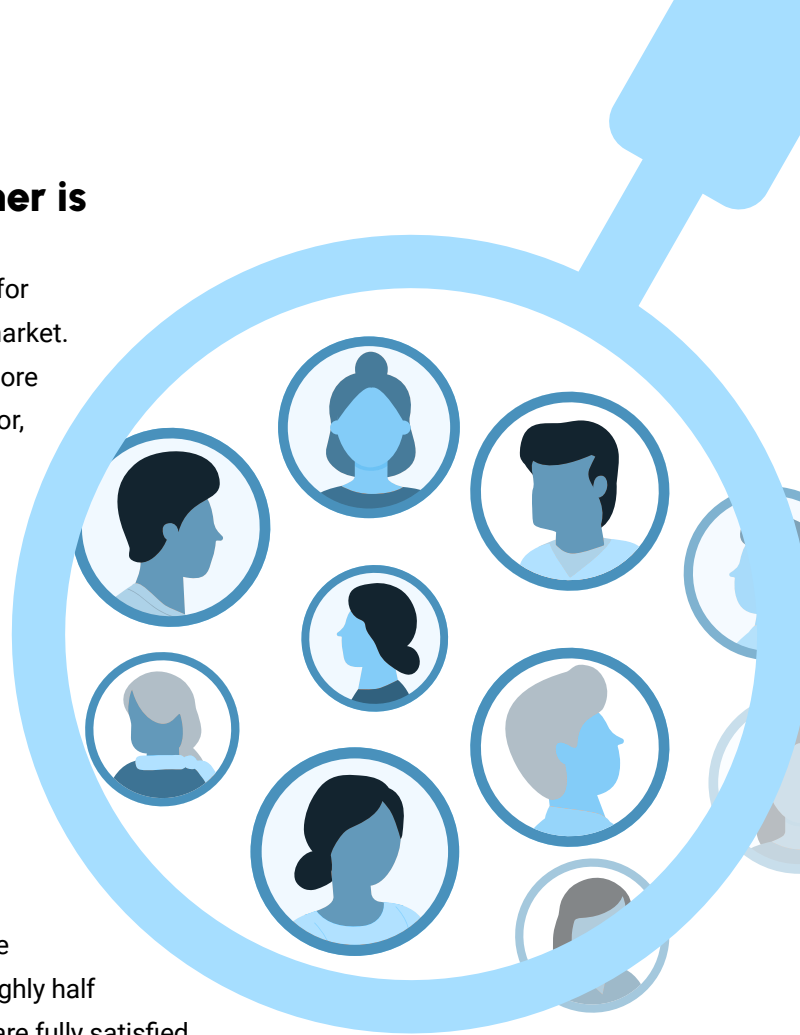
## A Detailed View of the Customer is A Clear Priority

Building a detailed view of the customer is crucial for brand growth in today's increasingly competitive market. Leveraging data from multiple sources fosters a more comprehensive understanding of customer behavior, preferences, and purchasing patterns. Brands can create a more detailed profile of their customers by integrating data from social media, website interactions, loyalty programs, email programs, transactional data, and even third-party data providers.

The challenge is acquiring quality data at scale and fully integrating this data to glean insights, plan campaigns, and suppress messages from reaching the wrong audiences. While most marketing teams have at least partially integrated data for these tasks, roughly half or fewer have done so fully. Only 31% of marketers are fully satisfied with their ability to unify customer data.

With a fragmented view of the customer, brands risk delivering generic experiences that don't engage their target. On the other hand, a detailed customer profile enables marketers to segment their audience more effectively, identify emerging trends, and predict future behaviors. These capabilities enhance marketing performance and allow for proactive customer service and deeper engagement throughout the customer journey.

In the coming year, prioritizing a detailed customer view – and growing the number of customers brands can connect with – will be essential as market dynamics continue to evolve.



***“Often we see analytics done for quarterly or yearly reviews and strategies for the next fiscal year. But culturally, we are seeing very quick changes in preferences, and your analytics need to be able to be updated in near real time, with a strategy to execute in real time, to adapt to quickly changing trends.”***

**—Benjamin Filip, Senior Director of Analytics and Engineering**

## **Predictive Analytics Makes for More Impactful Marketing**

Some have suggested that CPG companies must become fully insights-led in the next 5-10 years to maintain – let alone grow – market share. As markets become more competitive, brands are shifting from reactive to proactive marketing strategies, with predictive analytics playing a pivotal role. While much of the conversation around AI in marketing has focused on generative AI, 2025 calls for a stronger emphasis on predictive capabilities to build more robust data insights. Leveraging predictive analytics allows marketing teams to make more informed decisions, reduce uncertainty, maximize return on investment (ROI), and drive business growth with greater confidence. In fact, analysis shows a 32% increase in price-to-earnings ratio for CPG leaders who scale data, analytics, and AI strategically.

A primary advantage of predictive analytics is its ability to scale personalization, meeting modern consumers' high expectations for tailored experiences. By analyzing vast amounts of data, AI-driven models can identify patterns beyond human detection, allowing brands to deliver the right message at the right time. In fact, analysis shows a 32% increase in price-to-earnings ratio for CPG leaders who scale data, analytics, and AI strategically.

Building a comprehensive data ecosystem is essential for CPG brands to make the most of AI in marketing. Although AI has transformative potential, its success hinges on high-quality data. Consistent data collection, cleansing, and organization are necessary to maintain accuracy and relevance. With a well-integrated data foundation, brands can support the predictive and personalization capabilities of AI, yielding impactful results and deeper customer connections across their marketing efforts.

***“To gain effectiveness from predictive analytics and artificial intelligence, you must focus on the data strategy that feeds into the model and fits your business needs. What data do you need? Who do you need data from? If there’s a data gap, no model will truly represent your customer.”***

**—Dr. Alvin Glay, Chief Strategy Officer, Response Media**

## Cross Channel Integration Is Needed to Make Marketing Connect

It is well established that digital has fragmented consumers' attention. Channels are multiplying and blurring while customers' expectations are rising. However, in many cases, companies are not delivering. While marketers think, plan, and execute in distinct marketing and communication channels, that's not how consumers think or shop. Consumers care about needs not channels. What does this mean?

A cohesive omnichannel strategy is crucial because consumers interact with brands across multiple platforms and channels. While we've seen that integrated campaigns combining offline and digital media can improve conversion rates by up to 60%, almost 6 in 10 (58%) of marketers say that today's complex network of marketing channels is having a negative impact on their marketing operations.

In 2025, omnichannel strategies integrating data across digital and traditional channels will be essential, as consumers expect seamless shopping experiences across touchpoints.



Building a deep understanding of consumer behavior to map the consumer journey accurately.



Leveraging predictive analytics to pinpoint the key "Moments of Meaning" most likely to drive conversions.



Crafting personalized offerings and engagements in a seamless manner across channels.

***"In today's fragmented digital landscape, a unified, omnichannel strategy isn't just a nice-to-have; it's essential. Brands that fail to connect with consumers seamlessly across platforms risk losing relevance. We've already addressed many building blocks for successful cross-channel marketing campaigns."***

—Ami Sirlin, Chief Customer Officer, Response Media

If you've read this far, we'll throw in a bonus trend and prediction...

## After a Red-Hot 2024, Will Retail Media Space Cool Off in 2025?

Retail media networks are currently worth \$45 billion and are projected to reach \$100 billion in three years making them the next big thing in advertising. This so-called "Third Wave of Digital Media" is transforming how brands interact with consumers and how retailers operate.

However, a glut of retail media models in the market has led to confusion and (quite frankly) a money grab. In 2024, there has already been a shift in terms of industry rationalization (at least in terms of the brands who are being asked to fund or invest). With the release of the IAB/MRC Retail Media Measurement Guidelines, the industry now has a comprehensive framework and roadmap to enhanced transparency and consistency in retail media measurement.

By 2025, clear winners and losers of retail media will begin to emerge. Growth will hinge on the ability to turn shopper behavior models into verticalized, intent-based solutions with incremental ROAS that compete favorably against existing media buys and measurement models.



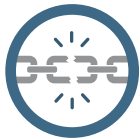
# Getting You Ready for 2025

The world – and the marketing landscape – is evolving at an unprecedented pace. Marketers face constant changes, from macroeconomic pressures to demographic shifts, fickle consumer behaviors, emerging platforms, and algorithm updates.

And then there's the presidential election of 2024 and what that means for 2025. While it is too early to tell, here are three possibilities:



The labor market saw layoffs increase and job openings fall in September to the lowest level since early 2021. A new administration's policies and further interest rate cuts may make businesses more confident about the economy, leading to greater hiring and investment.



The Trump administration's aggressive immigration policies and tariffs on foreign goods could disrupt labor markets, particularly in retail, which might result in labor shortages, affecting supply chains and operational efficiency.



Deregulation could impact environmental policies, potentially affecting retailers' sustainability initiatives. While deregulation might reduce compliance costs, it could also lead to backlash from environmentally conscious consumers, influencing brand perception and marketing strategies.

As they say, the only constant is change. Marketing (and life) is subject to transformation no matter how much we want things to stay the same. According to behavioral science, people resist change due to a natural human inclination towards stability and a fear of the unknown. Adapting is critical to marketing success (and your overall well-being).

Marketing success in 2025 isn't just about keeping up with trends. It's about developing processes and systems to understand what drives results best. The most rational advice we can offer is to embrace a continuous learning mindset to learn and adapt your marketing for the environment.

And, as discussed, set clear KPIs, focus on data-led strategies to understand your customer, leverage marketing technology to identify the optimal mix of channels, and deliver personalized messaging to maximize ROI.

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