



Consumer Transformation Leaders: How Five Companies Are Turning Disruption into Opportunity

By Brian Hindo, Kristen Colella, and Claudia Pardo

An updated look at value creation in the sector reveals challenges and disruptions, yet five standout companies show that transformational innovation is happening and rewarding.

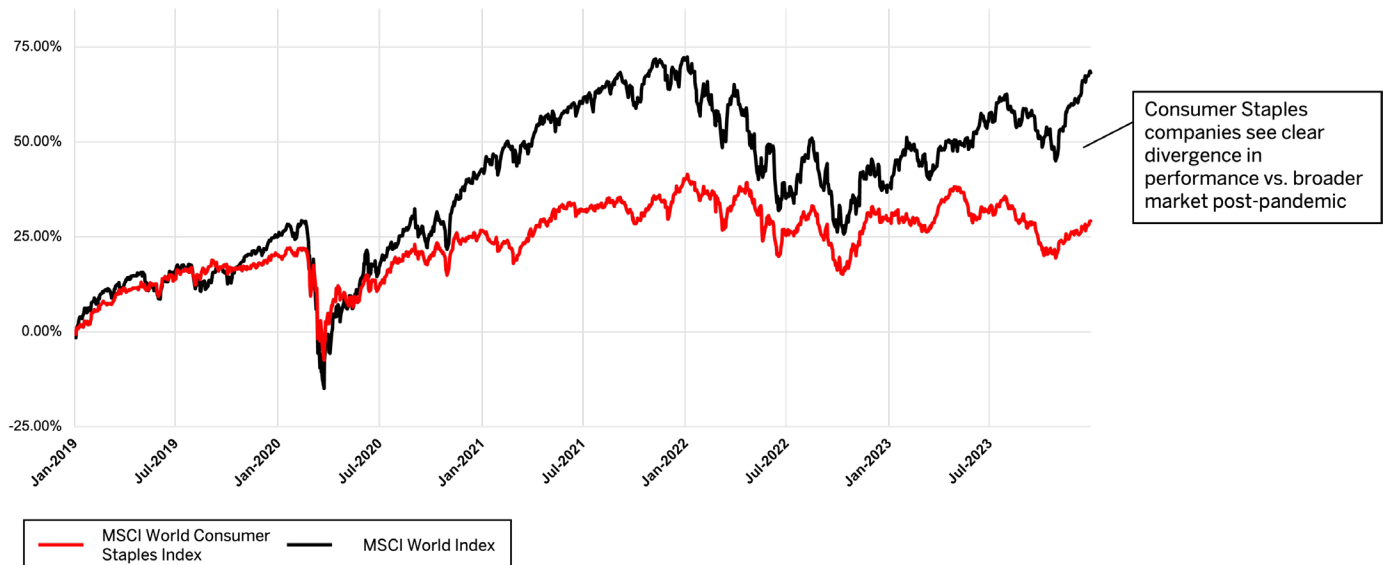
For the past several years, consumer goods companies – including manufacturers and retailers – have had to navigate a world of change and uncertainty. To create and capture value in this environment, companies will increasingly need to reposition their businesses for resilience and turn disruptive threats into opportunities by building new growth engines. In this report, we examine how a set of standout consumer goods companies are navigating disruptive change and creating value in new ways.

The period from the beginning of 2019 through 2023 was a challenging one. As a group, consumer goods companies underperformed the broader market and other sectors. Over the 5-year period, the MSCI World Consumer Staples Index rose 29%,

compared to 68% for the broader MSCI World Index. That performance also lagged sectors such as information technology (181%), healthcare (54%), and industrials (65%).

Several factors explain why consumer goods companies underperformed. Much revenue growth was driven by price increases, as inflation surged, yet volume growth has been harder to achieve – and for many big names in the space, it has been negative. In many categories, there is evidence that shoppers have traded down to private label, while at the same time many incumbent consumer goods companies have faced challenges **scaling new products and other innovations**. In 2023, as well,

Exhibit 1: Total Shareholder Return MSCI World Index vs. MSCI World Consumer Staples Index, 2019-2023



Data: Capital IQ; Jan 2, 2019 – Dec 29, 2023; Index = 0

as investor anxiety around the macroenvironment subsided, there was a natural cycle out of more defensive stocks such as CPGs and a rush back to big-picture growth stories like large-cap tech.

Of course, for the industry, getting through to the other side of the global pandemic is in itself remarkable. Across the industry, from corporate leadership to front-lines of retail, the past five-year period has presented perhaps the most challenging operating circumstances anyone has faced.

Disruption at Work in Consumer Goods

Yet the pandemic and its aftermath have only exacerbated and accelerated major disruptions that are changing the competitive environment. In our [2022 consumer transformation report](#), we identified three disruptive trends shaping the industry, and these continue to be in full force today: value chain disintermediation; the erosion of scale

advantages; and rapidly changing global consumer demographics and preferences.

Meanwhile, e-commerce and other data-enabled players continue to make inroads in the ecosystem. Even as the direct-to-consumer boomlet fizzled, those companies have shown that barriers to entry have fallen across the sector; that there is a market in micro-targeting and super-serving rabid fans; and that a company can make emotional connections with and design inspiring experiences for consumers in basically any product category.

Looking more broadly across the consumer goods value chain at how these trends and emerging players continue to remake how value is created and captured, we can identify ruptures at every point.

What does it all add up to? Big brands no longer play the de facto orchestrator role in the ecosystem, as many other players in the value

chain have even more access to data to drive and direct demand and closer ties to consumers. And legacy retailers, despite the resilience of their business model, risk a waning influence over many aspects of the shopper experience including search and discovery. Many new players in the ecosystem have emerged to create and capture value in novel ways, and technologies such as AI will continue to enable them to battle industry incumbents. Augmenting these dynamics, a more demanding set of consumers expect more from their products and value more than just basic functionality and cost.

Moving Faster than Disruption: Five Consumer Transformation Leaders

Which companies are transforming as fast – or faster – than the overall market? To answer that question, we looked at total shareholder return for all public consumer staples companies with

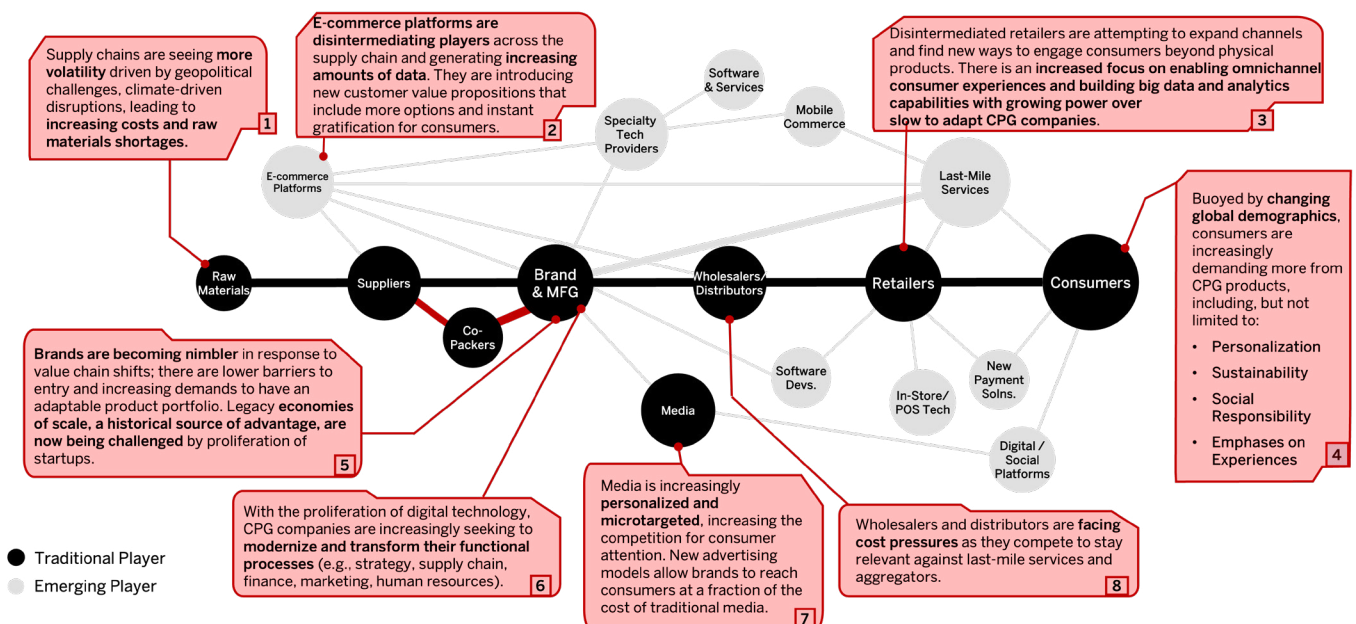
\$5 billion or more in market capitalization from 2019 through 2023. To mitigate the effects of market momentum and geography, we then analyzed which companies outperformed their industry peers, both in their relevant subcategories and in their region. Then, from that list of outperformers, we identified five companies that drove that outperformance via meaningful business model transformation. (For details, see [About the Methodology](#)).

The five standouts for 2024 are:

- **Alimentation Couche-Tard (ACT)**, the Canada-based operator of convenience stores in North America, Europe, and Asia
- **Emmi**, a producer of dairy and fresh food products based in Switzerland
- **L'Oréal**, the French multinational cosmetics and personal care company

Exhibit 2: Disrupting the Consumer Staples Value Chain

Shifts in the consumer goods ecosystem increase the importance of efficiency, insights, and decision making for key stakeholders



- **Performance Food Group Company (PFG)**, a U.S.-based distributor of food-related products to foodservice and convenience stores
- **Tata Consumer Products**, the India-based beverage company focused on tea, coffee, and mineral water

These transformation leaders span geographies and represent many parts of the industry landscape. This demonstrates that outperforming the pack is about more than riding a category or market tailwind – it can be a deliberate choice to occupy new parts of the value chain to drive growth in novel ways.

Exhibit 3: Five Consumer Transformation Leaders

Company	Geography (HQ)	2019-2023 Cumulative TSR	Transformational Moves
 Couche-Tard Convenience store operator in North America, Europe, and Asia	Laval, QC, Canada	133%	Rethought store experience from a consumer-centric perspective, incorporating healthier offerings and expanding into EV charging
 Emmi Producer of dairy and fresh food products	Lucerne, Switzerland	64%	Set transformation journey from Swiss dairy player to a global food and beverage company with increased focus on premium and plant-based
 L'ORÉAL Global maker of cosmetics products	Clichy, France	128%	Redefined itself as a “beauty tech” company, launching a number of digitally-enabled products and services, while diversifying portfolio to include premium skincare and luxe beauty
 PFG Performance Food Group Distributor of food-related products to foodservice and convenience stores	Richmond, VA, USA	110%	Major M&A to build new platform in convenience store distribution and bolster core foodservice distribution
 TATA CONSUMER PRODUCTS Beverage company focused on tea, coffee, and mineral water	Mumbai, India	368%	Created a new business model via joint venture with Starbucks; also, expanded core product portfolio

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 Data: Innosight Analysis

To be sure, there were top performers in the consumer goods space that drove impressive shareholder returns through stellar execution in areas such as product, distribution, and pricing. For example, Celsius, an energy drink brand, posted the highest 5-year TSR of all companies in the set, an astounding 4,535%, driven by a product that perfectly anticipated its target consumer's preferences and an equity-for-distribution deal with PepsiCo that enabled wide access to shelf space globally. And in the beauty care space, e.l.f. saw a 1,796% 5-year return, using savvy direct-to-consumer and **premiumization strategies**.

Yet the five consumer transformation leaders are largely established incumbents that took decisive and substantial actions to get ahead of disruptions in the industry. For example, **ACT** has aggressively moved to build on its long-standing convenience store format to meet the consumer of today, investing in everything from EV charging to fresh food and planning for the business model changes those moves bring. **Performance Food Group** has used transformational M&A to build substantial new positions in food service and convenience distribution.



In a completely different consumer neighborhood, **L'Oréal** has used digital tools to create new shopping experiences and be the data-driven tech leader in consumer beauty. **Emmi** has expanded beyond its core dairy offerings into premium

categories such as prepared chilled desserts, ready-to-drink coffee, specialty cheese, and plant-based dairy. And **Tata Consumer Products** continues to benefit from partnerships such as its tie-up with Starbucks in India as well as a wide range of food and beverage products.

Lessons from the Consumer Transformation Leaders

A set of common themes unite the five transformation leaders, linking vision, strategy, and culture to focus relentlessly on consumers.

1. They develop a long-term strategic vision to guide transformation.

These leaders crafted a clear vision for business model transformation, guiding internal efforts and external communications to position the company for future success.

L'Oréal is a few years into its transformation into a “beauty tech” company, marking a shift from traditional cosmetics product manufacturing to integrating advanced technology into products and services. This repositioning has led to a stream of continuous innovation that has included product launches such as the Colorsonic hair-coloring device and the AirLight Pro hair dryer; new partnerships, for example, with Verily (an Alphabet company) to advance precision skin health; and led to a keynote address at the 2024 CES, a first for a beauty company. Ultimately, this shift can enable valuable connections with a more diverse set of global consumers and lays the foundation for **L'Oréal** to deliver more personalized, engaging experiences.

Alimentation Couche-Tard has taken a “future-back” approach to its strategy, thinking first about what future consumers will really need from a convenience store in light of major macro trends. This approach has guided many strategic

initiatives, from moves into premium and health-conscious food and drink, EV-charging networks, quick service restaurants, and automated car wash services. ACT's vision is "to become the world's preferred destination for convenience and mobility," according to their FY23 annual report.

2. They actively manage their portfolios.

M&A and partnerships that supported their North Star were critical levers for the transformation leaders. As were making the tough choices to sell off businesses that no longer did.

Performance Food Group, which prior to 2019 had a negligible presence in convenience store distribution, has made transformational acquisitions, Eby-Brown (2019) and Core-Mark (2021), to become the largest convenience distributor in North America. Now, convenience store distribution accounts for 42% of sales and 20% of EBITDA.

PFG leaders had conviction around the deals – despite initial skepticism from Wall Street – because the company had deliberately tested the convenience channel for a couple years prior through its existing foodservice platform. They learned a couple things: first, that the channel could be a source of high growth, and second, that M&A was a preferred route to be successful at scale, given the different capabilities required to succeed in convenience.

Another company that owes much success to building external capabilities is **Tata Consumer Products**. The India-based company continued its partnership with Starbucks to add 71 new stores in 2023, bringing the total to 333 stores in 41 cities across India. The Tata Starbucks partnership revenue grew 71% year over year and now generates greater than USD \$120m annually.

And **Emmi** has responded to changing consumer preferences by moving away from more commoditized products toward premium offerings, while setting more ambitious sustainability targets. It recently divested its German milk brand Glaserne Molkerei and Italian cheese brand Ambrosi, giving it the capacity to invest in new businesses such as Emmi Caffè Latte, premium chilled desserts, and plant-based offerings. These higher end offerings satisfy increasing consumer desires for selective indulgence and time-saving convenience — and also command higher margins.



3. They build relevant digital connections with consumers — meeting them where and how they want to shop.

Many leading consumer companies have responded to the proliferation of data and the ongoing advancements in AI to accelerate digital transformation. The ones that are driving outsized value through transformation are not only doing so to create efficiencies but also to drive growth via innovation and greater consumer connection.

As part of its beauty-tech strategy, **L'Oréal** is connecting with consumers via video consultations with medical aesthetic professionals to create personal skincare routines, leveraging AI to create bespoke lipstick and foundation shades from in-app virtual try-on services. The company is

also designing at-home beauty tech such as the Colorsonic and the L'Oréal HAPTA computerized-lipstick applicator for people with limited mobility. Similarly, its Modiface technology allows virtual try-ons for makeup, which is integrated into platforms like Amazon for a seamless consumer experience.

ACT's global mobile app has more than 2 million downloads in the US and 1 million downloads in Europe to participate in its loyalty program and improve customer experience. ACT provides 3000 AI smart checkouts in North America and Europe to speed up the shopping process. These checkout systems place, space, pay & go allowing shoppers to purchase their items without scanning them.

Tata Consumer Products' e-commerce platform increased 32% year over year, grew 21%, and accounts for 14% of India sales (FY23). The company's self-service sales order portal manages all orders in real-time ordering system for its distributors.

4. They create a culture that embraces non-stop change.

To support bold strategic choices, transformation leaders also pursue an organizational and talent change agenda. They also foster a culture of smart experimentation.

L'Oréal has anchored in its DNA and entrepreneurial founding and embedded innovation into its purpose, "Because beauty is a permanent quest, we harness the power of our innovation to continually enhance the performance of our products and services." In addition to fostering an internal culture of innovation, the company is also investing in creating the data foundation, operating model, and tools to make more agile, data-informed decisions.

Another key part of the beauty tech transformation has been a recognition of the need to supplement its talent with external partnerships, collaboration,

and acquisitions. It recently led an investment in Zuvi, a disruptive hardware startup whose underlying tech powers L'Oréal' AirLight Pro hair dryer. So far, though early in its journey, the company has been patient with its experiments, taking a test-and-learn approach before introducing a common business model across its efforts.

Tata Consumer Products is a champion of experimentation and innovation. Project Elevate is an organizational learning program, and two of the four core objectives are enabling more efficient pathways for innovation and equipping leaders with digital acumen to meet the company's ambitious innovation goals. In 2023, the company launched 34 new products.

PFG has continued to manage its segments separately, with its legacy foodservice and vending- distribution businesses operating relatively autonomously alongside the newer convenience business. Each is accountable to metrics that make sense for the business lines; for example, operating margins for convenience were 13% in 2023 and 33% for foodservice. After the acquisitions, the company embraced the slogan "We're on the Move" to reinforce the logic of the transformational deals – moving goods, making deals, pursuing growth – which serve to redefine and broaden the company's purpose internally and externally.

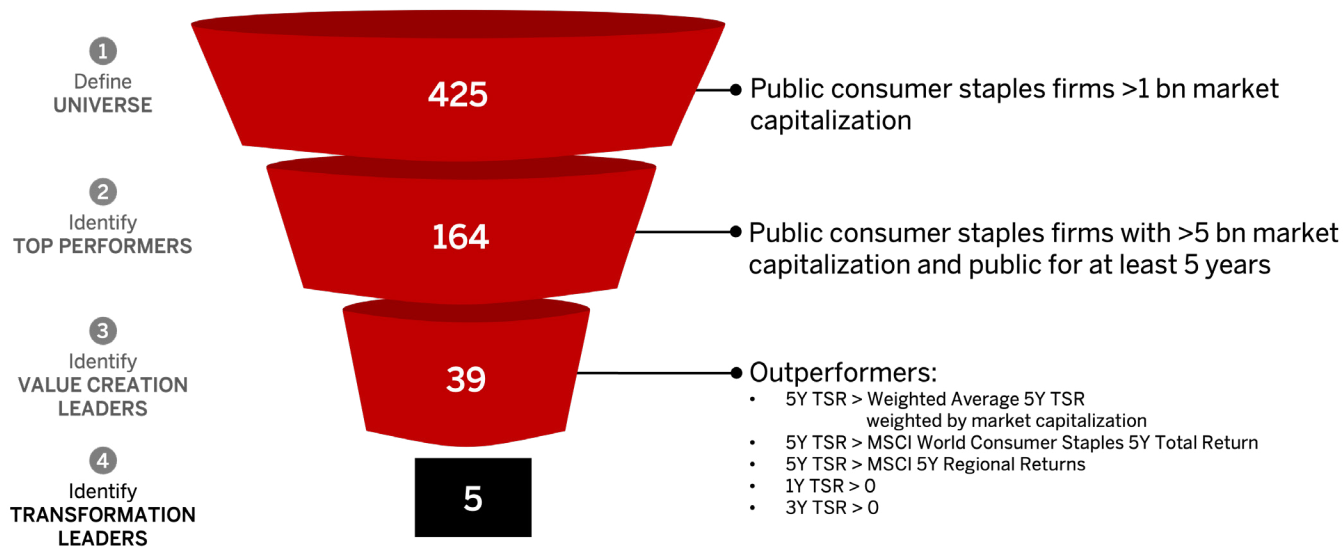
Even in the face of disruption, these consumer transformation leaders show it is within every incumbent's ability to innovate and drive a growth agenda that delivers shareholder value.

ABOUT THE METHODOLOGY

To identify the consumer transformation leaders, we reviewed the performance of 425 leading global consumer staples companies. Among those were brewers (28 companies), distillers and vintners (36), food distributors (16), food retail (58), household products (25), packaged foods and meats (195), personal care products (40), and soft drinks and non-alcoholic beverages (27). We identified 164 companies that had more than USD \$5 billion in market capitalization and had publicly reported results for a 5-year period. Next, we identified the 39 finalist companies that had: positive 1-, 3-, and 5-year total shareholder returns (TSR), outperformed their specific regional index, outperformed the MSCI World Consumer Staples Index, outperformed subsector peers as measured by company TSR vs. weighted average TSR of peers from the 164-company list.

Our last step was a qualitative screen to identify those companies that drove growth from initiatives outside their legacy core business lines and/or from entirely new business models, resulting in the five transformation leaders we've highlighted in this report.

Four-Step Screening Process to Uncover Transformation Leaders



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