NEW REPORT

FMCG CHALLENGER BRANDS 2019

Tito's Handmade Vodka

Mikkeller

L:A BRUKET

HALO TOP creamery

HAMBURG fritz-kola

graze

FEVER-TREE

KIND

DOLLAR SHAVE CLUB

Veganz

JUST SPICES

INSIDE:
Key questions answered + table of contents

How to launch a successful new product development or premiumise a whole category

DECEMBER 2018

Introduction

Food & groceries is one of the largest industries in the world. Established FMCG players are losing market share and are bad at innovating. And we are also seeing an explosion of action in the long-tail. So are we headed for the next golden age of CPG?

Undoubtedly change is in the air for FMCG – but whether this change will mean a golden age for small players is far from assured. To us it looks like especially the smaller players will find it harder to get a listing – despite social media and direct selling – than in the past. It will get much harder to get on retailer shelves, especially if the products don't have a serious claim to being innovative, and by implication off shelves, and if current Vertical Integration trends in retail continue.

What is the way out for small scale producers?

Alternative distribution channels
They could ignore mass retail and try to get their products into hipster coffees hops, gastro pubs and so, so basically betting on alternative distribution strategies. They could also look to partner up, through M&A or looser agreements to gain scale.
Another option is of course to go direct and there the best option will be provided by the marketplaces (Amazon etc). Here the problem is not so much getting listed but getting noticed. Among the FMCG challengers profiled in this report there are a number that have opted for a D2C model, basically operating a club model such as used by Dollar Shave Club, using online to establish a direct relationship with the shopper.

Another alternative distribution strategy is to open one's own flagships but in many cases these work better as a marketing ploy rather than a proper route to market. They are great for brand building and there is an opportunity on the high streets as many traditional retailers give up on superfluous store locations. But in themselves they will not be enough to reach proper scale. And obviously the distribution channel is only part of the solution.

A Focus on product
What seems to work is a focus back on product quality and differentiation. The Maker movement (in FMCG for example Tito or Mikkeller) is well known for authenticity, product innovation, high quality ingredients and of course great story telling (often state of the art social media) and being defined as anti mass market. So this tie in well with the millennial turn towards personalisation, experience and radical individualism. The best innovators and entrepreneurs start with the product – and they take a tired stale category to disrupt (for example: supermarket spices and seasonings which is crying out for innovation).

Surfing the wave
Another success factor in launching a new product and brand is focussing on on trend topics such health & wellness, environmental consciousness, or dietary requirements such as adding protein, being gluten-free and especially the niche of veganism. Despite this welcome return to focus on the product, being unique isn't enough, companies have to be unique in a way that matters to consumers. And for this brand and (eco-friendly) packaging are paramount.

Being agile through contract manufacturing
Marketing the brand and great story telling is easier in today's social media universe, but so are speed and agility. Start up challenger brands should keep the pioneer spirit and outsource the manufacturing – quite often a decision initially dictated by cash flow constraints. But this helps with being flexible, innovative and fast. And if a NPD doesn't work out, not too much money will have been lost or committed to a factory and production run.

What will happen in future
Challenger brands will continue to take share from big brands in most categories. In most cases the mass market category-leader brand will remain on top, but this is not guaranteed as the examples of Halo Top, Tito's or Fever Tree demonstrate. Secondary and tertiary brands have most to fear and there will also be a interesting impact on private label.
The FMCG majors will buy into this growth through cooperation agreements building stakes or outright take-overs. Major food companies will increasingly use their corporate venture-capital arms as innovation and R&D investment.
Many of these players will also simply try and copy the upstarts. That said, the majors will have an authenticity problem and usually the original will be better than the copy.

Key questions answered

- How do you launch a NPD, to come from nowhere to become a category leading success?

- Where are the obvious gaps and tired categories in today's grocery retailers? Where are the opportunities for disruption?

- Which trends need to be served to be relevant? Can unhealthy products still benefit from millennials focus on green issues?

- Which distribution strategy makes the most sense?

- What is important for brand building and marketing in a FMCG environment?

- Will the golden age for small start up FMCG brands continue?

- What is the longevity of challenger brands?

- Is it best to ignore traditional mass retail in the start up phase?

Features & Benefits

- Calculate the risks and obstacles that need to be circumvented and gain a glimpse into what the future of FMCG will look like

- Benchmark against the best in class operators, obtain hard to find data

- Gain insights into some of the lesser-known challenger brands

- Future proof your business by finding new strategic innovations

- Actionable insights and detailed recommendation for FMCG and retail players how to cooperate or compete

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