fractal

Strategic Foresight: Consumer Brands 2025

Process Highlights

June 2022

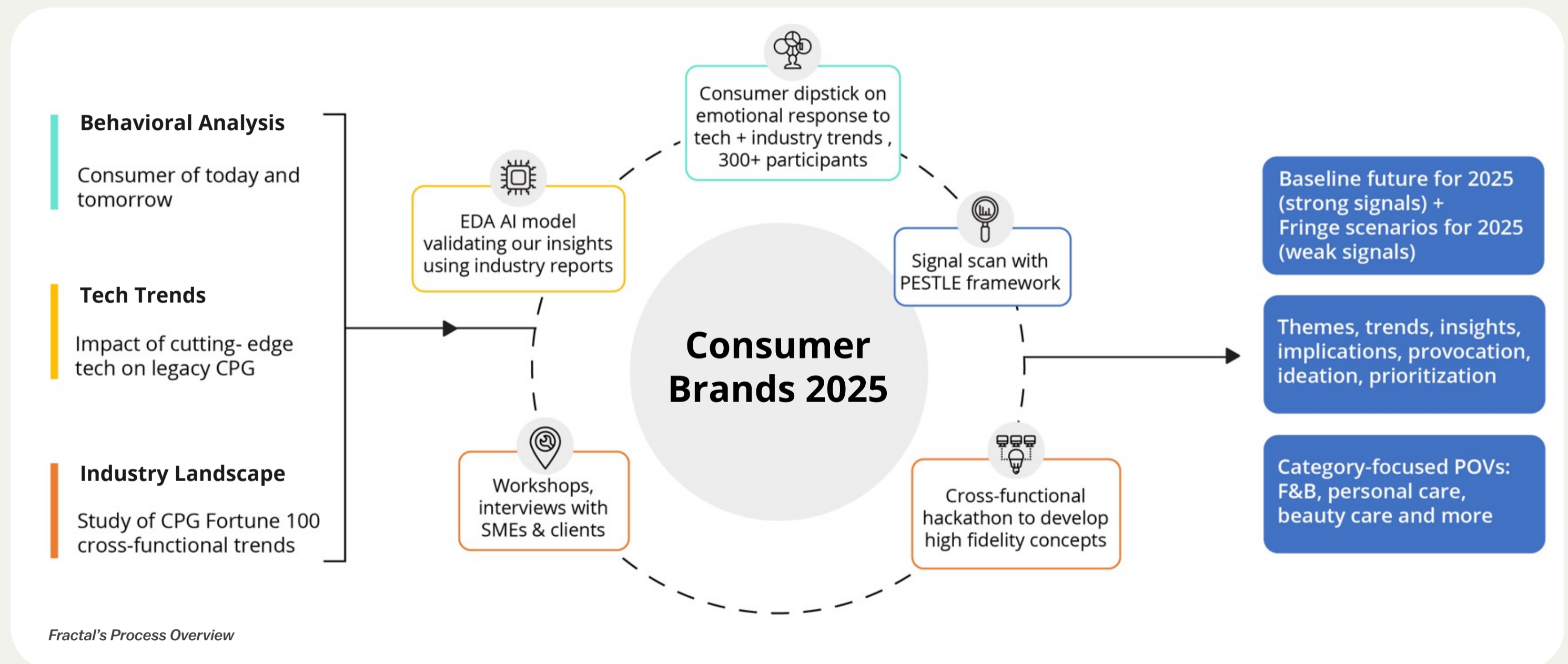# Index:

Note: This paper focuses on the process and approach. If you'd like to go through our key insights, findings and solution directions from this study, **click here**

Strategic Foresight is not about predicting the future, but rather it is a structured approach to exploring possible future scenarios, opportunities, and risks based on the information we have today. In the words attributed to Alan Kay – "It's easier to invent the future than predict it".

To generate these insights, our team used a variety of tools including the PESTLE signal scan, a mixed method consumer dipstick, subject matter expert (SME) connects, AI models for exploratory analysis and design-led workshops.

Behavioral Analysis

Consumer of today and tomorrow

Tech Trends

Impact of cutting- edge tech on legacy CPG

Industry Landscape

Study of CPG Fortune 100 cross-functional trends

Consumer dipstick on emotional response to tech + industry trends , 300+ participants

EDA AI model validating our insights using industry reports

Signal scan with PESTLE framework

Consumer Brands 2025

Workshops, interviews with SMEs & clients

Cross-functional hackathon to develop high fidelity concepts

Baseline future for 2025 (strong signals) + Fringe scenarios for 2025 (weak signals)

Themes, trends, insights, implications, provocation, ideation, prioritization

Category-focused POVs: F&B, personal care, beauty care and more

Fractal's Process Overview

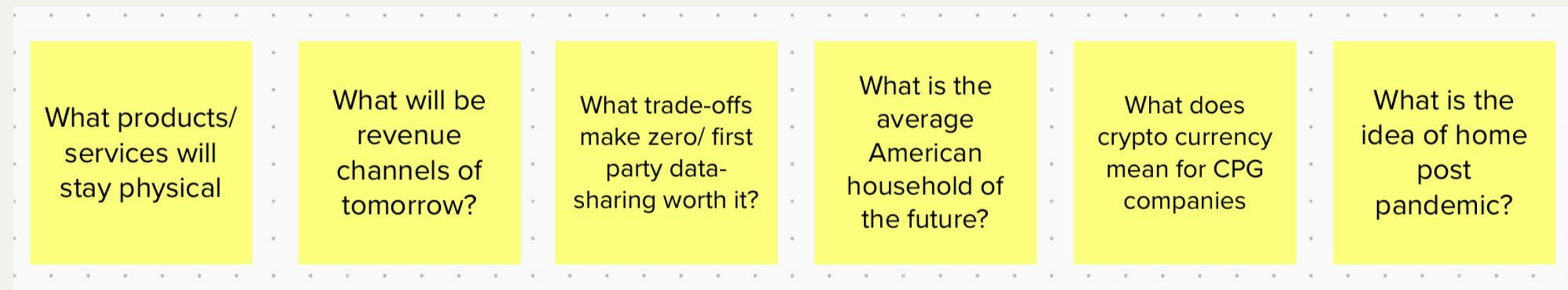**Strategic Foresight: Consumer Brands 2025**

Guardrails

We at Fractal initiated this study by setting necessary guardrails: We set our horizon as 2025, with a sharp focus on the United States market. We chose this timeframe as we're living in a particularly volatile period with a multitude of uncertainty. Thus, 3 years would be far enough for new technologies and behaviours to emerge, and close enough for the insights and recommendations to be immediately actionable. We broke down our findings into Now (1 year), Near (3 years) and Next (3+ years).

We started by working with SMEs to gather 3 sets of hypothesis to guide our Outside-In exploration:

1) Consumer-focused: Demographic, Psychographic, Behavioural

2) Technology-focused: Baseline, Advancements, Disruptions

3) Industry-focused: Developments, Priorities, Risks

Illustrative Snapshot: Initial Areas of Exploration

What products/ services will stay physical	What will be revenue channels of tomorrow?	What trade-offs make zero/ first party data-sharing worth it?	What is the average American household of the future?	What does crypto currency mean for CPG companies	What is the idea of home post pandemic?

Illustrative Snapshot: Prompts for Trend Mapping

How pervasive is this trend? (strong-weak signal)	Where is it happening? (industry/ region/ cultural context)	What segments of consumers are experiencing it/displaying it?	How are companies responding to this?	Why is it unique/ what is disruptive about it?	How does it relate to the future/why does it matter now?
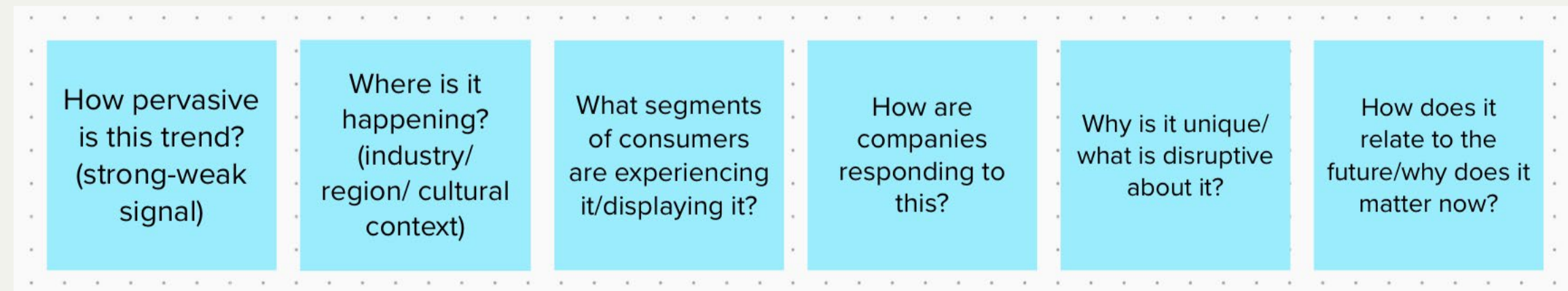
Acknowledging how multidimensional the near future will be, we took an integrated mixed-method approach, bringing together the best of qualitative and quantitative research.

Behavioural Architecture™- Fractal's proprietary framework to decode preferences, behaviors and trends. This included a 300+ cross-cultural consumer dipstick with global participation; 15+ one-on-one *hot state* interviews with consumers and 5+ collective dialogues within smaller groups of 4-5 participants each. For the online study, we used scenario-based questions, projective techniques, emotion-driven prompts and triggered open ideation to avoid people giving us rationalized or constrained answers.

1

Over the last 1-2 years, you: *
(Pick as many as are true for you)

- Made the switch to shopping online for everything small, big and in between
- Trusted ads less and less, trusted other consumers and reviews more
- Tried to support local vendors and brands more, but sometimes failed to do so
- Became more open to experimenting with brands and products, didn't stick to old favorites
- Tried to support local brands, and found enough options that were comparable if not better
- Researched products much more before buying them
- Cared less about the price of things because it was okay to indulge once in a while
- Made a conscious effort to change some aspects of my lifestyle and spending habits
- Tried something new after seeing it in a show/movie/youtube

4

What is an emerging trend in CPG that you disagree with? *
(Something you think won't be as big as people say it will, or something you think shouldn't become mainstream)

Note: Can't think of any trends? You can refer to the list in the previous question.

6

What is a recent shopping/product experience you have narrated to friends and family? What made it so special and memorable for you?

Illustrative Snapshot: Questions from our Consumer Dipstick

7

Tell us what you think most consumers in a similar context as you behave like: *
(Pick as many as you think are true for the **majority** of consumers like you)
What we mean by similar context - geography, life stage, lifestyle, home environment, economic status
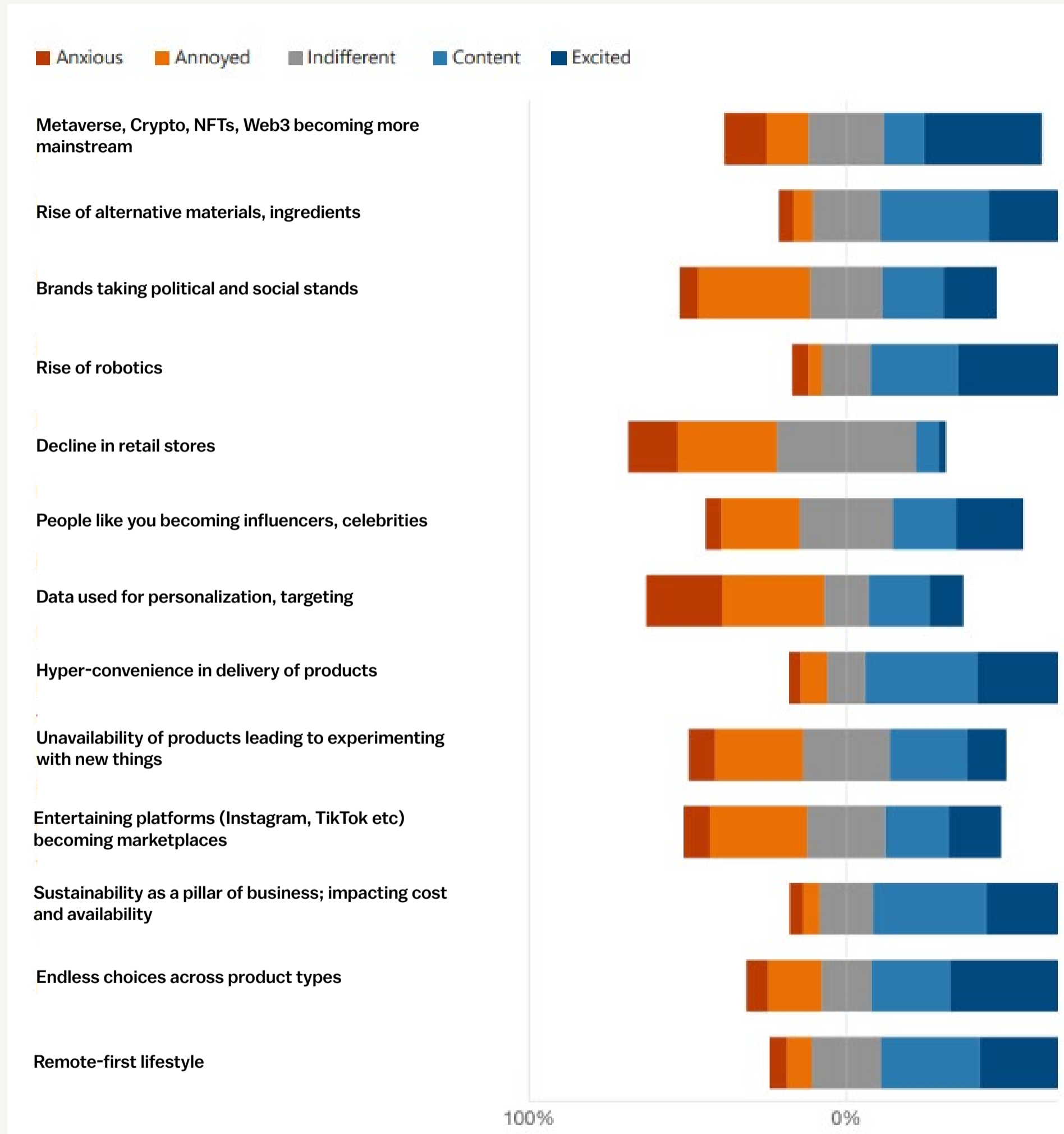

- People tend to trust the classics more, fads come and go
- At the end of the day, as a consumer convenience matters above all
- People are more forgiving of start-ups than of legacy brands
- Consumers today are unforgiving of bad experiences
- Most people aren't really aware of what drives their purchase decisions
- Most consumers are overwhelmed and would prefer lesser choices
- The world of omni-channel experiences is exciting
- Technology today scares people
- Environmental concerns and sustainability is more of the brand's responsibility
- Most people don't really understand food and product labels
- People wish they were more conscious consumers, but find it hard to maintain
- Most consumer preferences are pretty stable over time, regardless of context factors

8

Your big idea for the future - as a consumer, what's one thing you'd love to see happen for CPG brands and products in the next 3-5 years? *

(Don't think about what's feasible - get crazy with it! Could apply to Food & Beverage, Beauty Care, Toys & Games, OTC Pharma, Home Goods or the Industry as a whole)

Snapshot of Consumer Dipstick Responses

Strategic Foresight: Consumer Brands 2025

Legend: ■ Anxious ■ Annoyed ■ Indifferent ■ Content ■ Excited

- Metaverse, Crypto, NFTs, Web3 becoming more mainstream
- Rise of alternative materials, ingredients
- Brands taking political and social stands
- Rise of robotics
- Decline in retail stores
- People like you becoming influencers, celebrities
- Data used for personalization, targeting
- Hyper-convenience in delivery of products
- Unavailability of products leading to experimenting with new things
- Entertaining platforms (Instagram, TikTok etc) becoming marketplaces
- Sustainability as a pillar of business; impacting cost and availability
- Endless choices across product types
- Remote-first lifestyle

100%   0%

Emotional Analysis: Consumer Responses to Tech & Industry Trends

"My husband has decided to **stop buying from Amazon** all together, because seeing the **packaging pile up** at home was too much to take" – 45 years, Female, US

"My big idea is that **stores will become experience centers** like Ikea Showroom area where consumers can browse, taste, experience.. Big manufacturers will start creating such experience centers specifically for their products" - 25 years, Male, US

"**Influencers** have reached their **peak**. There are too many out there to even differentiate. Everything becoming **too commercial**, every platform has ads, **people need spaces where they're not consumers**" - 20 years, Female, India

"**Sustainable is the new sexy**. Quality over quantity. I imagine in 2025 we'll have malls with no brands- just a great curation of meaningful and responsible products. Less terrible design (aesthetically)" - 36 years, Female, Canada

"I wish instant foods and **quick eats** could be **healthier**" - 36 years, Male, India

"When I don't find products I like at the store, even though I don't want to, I end up ordering from Amazon. I always **check all the reviews** though. Sometimes they're not even delivered by the actual brand! In the last two years because of **unavailability**, I ended up trying **lots of alternatives**" - 72 years, Female, US

AI Enabled Exploratory Analysis: To validate the discoveries made during our primary and secondary research, we designed an AI exploratory analysis tool to calculate the relevance of the signals from our trend scan. This tool quantifies the relevant strength of each signal, helping substantiate our qualitative analysis by using NLP (Natural Language Processing) techniques. This also enabled us to scrape through a high number of papers and create a summary for all the topics we were interested in exploring.
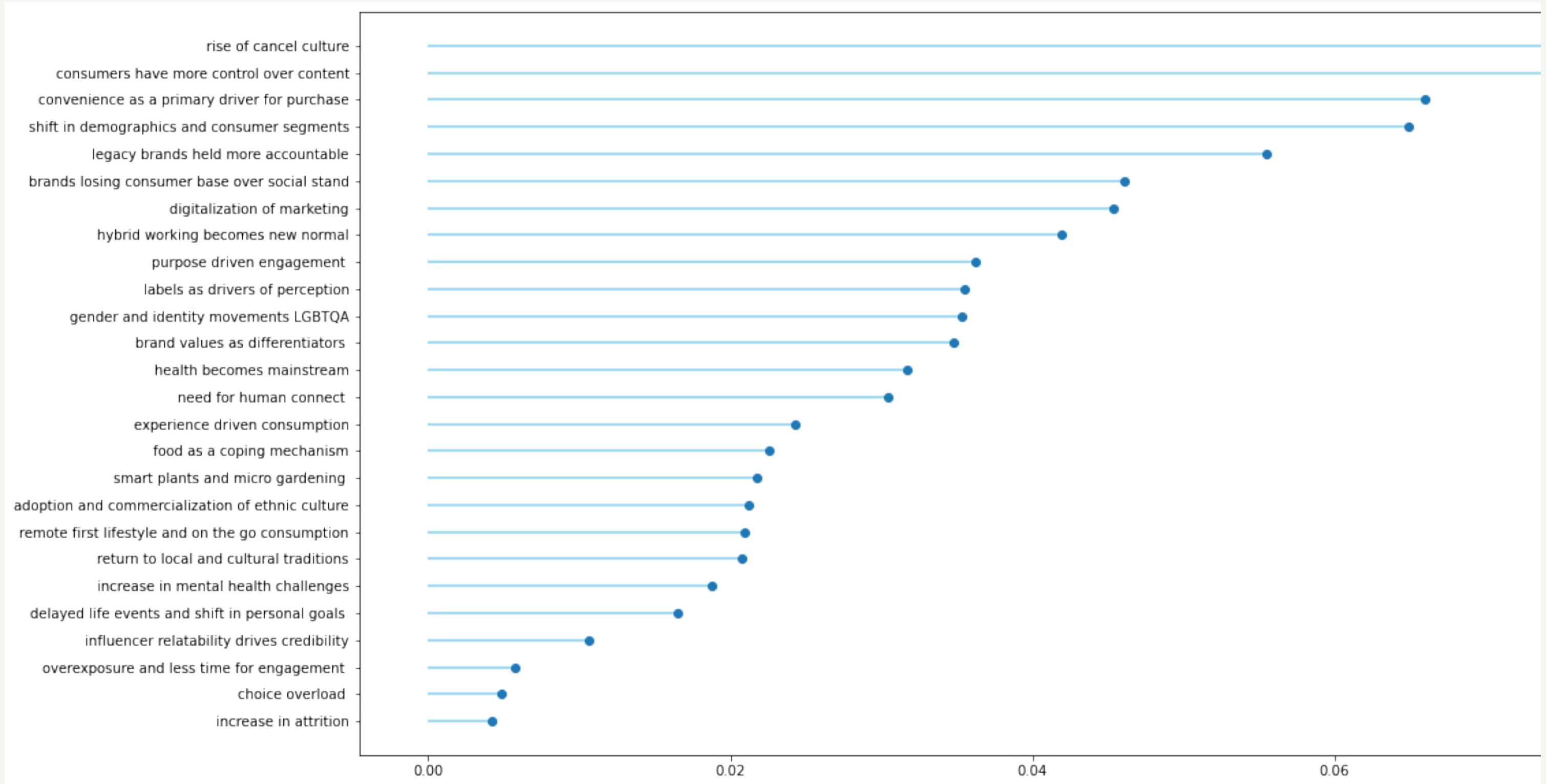
Our AI tool scanned through 20+ reports and ranked the relevance of each signal based on the data, enabling us to factor in what the industry is thinking

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// SIGNAL SCAN WITH PESTLE

We combined primary and secondary research with consumers, clients and SMEs to map strong signals, fringe signals and drivers of change for Consumer Brands 2025. We structured and analyzed these signals through the lens of PESTLE (Political, Economic, Social, Technological, Legal and Environmental). This is a strategic framework that scans macro-environmental factors driving disruption and incremental change in business.

Strong Signals

Weak Signals

Drivers of Change

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To see an interactive version of the full Signal Scan, <u>click here</u>

Workshopping Trends and Implications with SMEs

We conducted a 2 day workshop on Trend Prioritization and Idea Generation. The criteria was based on 1) likelihood, 2) horizon and 3) relevance to legacy consumer brands.
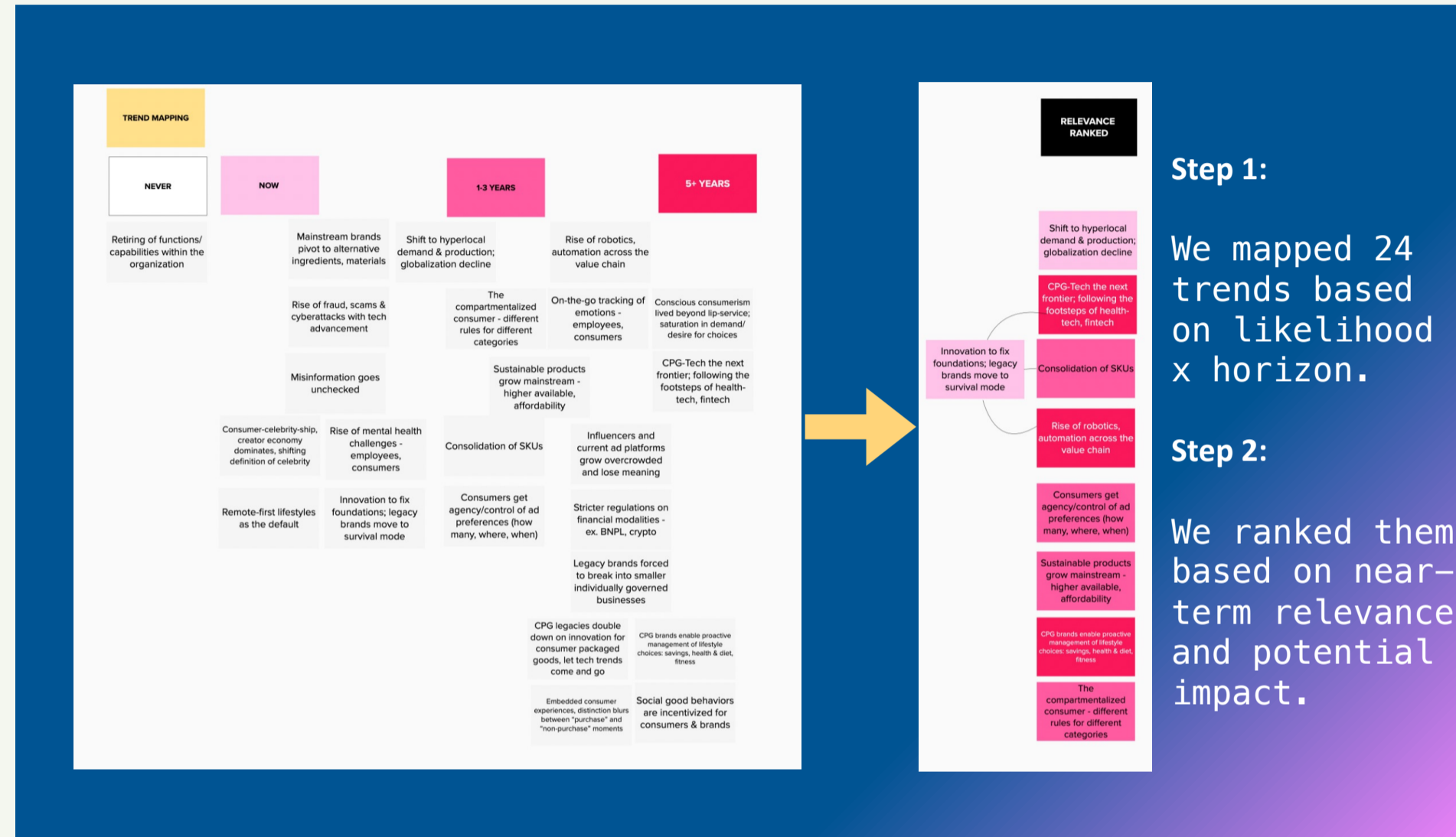
Step 1:

We mapped 24 trends based on likelihood x horizon.

Step 2:

We ranked them based on near-term relevance and potential impact.

Cross-functional Hackathon

To concretely develop the directions in which our research impacts consumer brands, we conducted a hackathon with cross-functional experts from the domains of AI, Engineering, Industry and Behavioral Science. The brief was to ideate on ways in which the industry can leverage these trends and drivers of change in the next few years.

Through this hackathon they built specific use cases to help businesses invest ahead of time to experiment and disrupt in their industries. We then evaluated and prioritized these use cases based on the lenses of Feasibility, Viability, Desirability and Sustainability.

Day 1: Ideation & Clustering

Day 2: Refinement & Detailing

Fractal Offerings

	WHAT WE'LL DO	WHAT YOU'LL GET
Advisory *About 1 to 2 days*	• Lunch & Learn • Curated Futures Point of View (POV) • Foresight Strategy Sprint Workshop	• Team Awareness • Leadership Perception • Vocabulary Building • Rough Estimations • Opportunity Mapping
Experiment *Between 2 to 4 weeks*	• Proof of Concept (POC) • Foresight-Driven Experiment • Map-and-Gap Exercises • Proof of Value (evaluation for further investment)	• Project Framing • Concept Generation & Testing • Cross-Functional Collaboration • Opportunity Qualification • Process Education
Strategy Lab *About 8 to 12 weeks*	• Evaluate Readiness / Resilience • Minimum Viable Product (MVP) (prototype on specific use cases) • Roadmap for Investment & Value • Sandbox Set-up	• Capability Building • Project Initiation • Business Alignment • Solution Design & Blueprint • Mechanisms for Value Realization

Team

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