

Unlocking
Innovation
through Supplier
Collaboration



If we had to summarize the key to CPG success today in one word, that word would be “innovation.”

Why “innovation”? Because it’s the secret to long-lasting resilience for a brand.

Why such a pronounced emphasis on innovation?

Take a look at what we’re seeing today: Sector and macroeconomic pressures loom large. Brands are increasing MAP/MSRP to continue to protect profits amid inflation, leaving both retailers and consumers more intolerant to price increases than they’ve been in a long time.

A brand that doesn’t get innovation right — right now — is likely feeling trapped between struggling to maintain brand loyalty and relying on near-constant promotions to move product. Rock, meet hard place.

As a leading supplier and partner to top CPG brands in the industry, Ardent Mills wants to talk about what your supplier should be delivering to you today and tomorrow. And it starts with a few simple questions:

Is your supplier initiating a conversation about innovation?

Are they providing data relative to consumer expectations that could guide innovation strategy?

Have they introduced you to ingredient and product solutions that could help with your innovation strategy?

If the answer to any of these questions is “No,” keep reading.



Brands are increasingly looking for strategies to improve consumers' perceived value for products on the shelves, and we're seeing innovation play a significant role in creating that value. Something as subtle as a product attribute change — like being tied to regenerative agriculture or sustainability initiatives — can shift a consumer mindset toward a willingness to pay more for that product and a greater feeling of alignment with that product's value long-term.

From our point of view, incremental innovation — tied to consumer trends and preferences — remains a central component of sustained, long-term growth. And the most surprising, flexible and successful kinds of innovation can come in the form of partnership with a best-in-class supplier like Ardent Mills.



Nourishing innovation to help you grow profitability

Innovation is imperative for brands that want to effectively navigate the changing business climate, capitalize on emerging opportunities, and secure their position as industry leaders. [Deloitte's 2023 Consumer Products Industry Outlook](#) highlights the importance of innovation in helping CPGs grow profitably. The most profitable growers were significantly more likely to prioritize the introduction of new products/services (+40%) and invest in product innovation (+35%).

Improving product innovation	Profitable growers	All others	Percentage point (pp) difference
Prioritizing the introduction of new products/services*	86%	46%	+40pp
Investing in product innovation	77%	42%	+35pp
Using sophisticated analytics to identify opportunities for new brands and products	77%	56%	+21pp
Investing in health and wellness trends	72%	53%	+19pp

Based on Deloitte's analysis of executive interviews for the 2023 consumer products industry outlook. *N = 53: Comparing responses of One of our very top priorities and A clear priority. N = 150: Comparing responses of Increased Somewhat and Increased Significantly. N = 150: Comparing responses of Agree and Strongly Agree. N = 150: Comparing responses of Significant and Moderate investment.

Source: Deloitte's 2023 Consumer Products Industry Outlook

But innovation for innovation's sake doesn't quite do the trick. Long-term growth from innovation must be deeply rooted in the unique attributes, benefits and values that help make your products competitive — **which are likely (at least partially) informed by experienced partners outside your organization.**

In the past, a robust in-house team would typically identify opportunities for innovation without seeking outside counsel. But today, the stakes are higher.

The need for fast, informed decision-making and a high level of risk avoidance has tightened the innovation loop. You need answers and ideas, and you need them in near-real time. Any advantage that can help brands make better and more innovative decisions is a must, and the right supplier collaboration is often that advantage.

Macro and sector trends impacting innovation today

Macro Trends



Climate Change

The climate's impact on CPG operations extends from electricity shortages due to climate change policy to the effects of drought in the U.S. on transportation. (Deloitte)



Surging Inflation

U.S. consumers are adjusting purchasing patterns, with a focus on purchasing cheaper pantry items (33%), packaged snack foods (30%) and bread (28%), among other categories. (Insider Intelligence)



Economic Slowdown

The combination of inflation, instability and recessionary risk is affecting consumer behavior and delaying a return to normalcy. (Deloitte)



Geopolitical Instability

Eight in 10 CPG executives feel neutral or are leaning pessimistic about the global economy and geopolitical stability. (Deloitte)

Sector Trends



Changing Consumers

Eight in 10 CPG executives consider the changing consumer as one of their greatest challenges, and 93% say keeping up with changing consumer demands is a priority. (Deloitte)



Private Label Competition

Forty-one percent of CPG executives recognize a new consumer openness to buying private label brands.



Supply Chain Issues

Sixty-two percent of companies expect supply chain issues will be quite or extremely challenging in the upcoming year, and about half plan to shorten their supply chains to de-risk. (Deloitte)



Labor Shortages

Forty-two percent of companies have a problem with higher-than-normal levels of voluntary attrition. (Deloitte)

Reach new heights in innovation with a boost from supplier collaboration

Ardent Mills is putting innovation in the spotlight because we know that's what drives value for brands.

If you want your share of coveted shelf space, you need to convince retailers that your products are the ones their customers prefer. An innovative product with a compelling story behind the marketing makes it easier for a retailer to choose you, and an experienced supplier can help you identify and pursue both near- and long-term opportunities.

At Ardent Mills, we invest in innovation as both an art and a science. Led by insights into macroeconomic and consumer trends, we help you place the consumer at the center of your innovation strategy and execution. Our deep insights, research and technical expertise empower innovation that is solution-centered, purposeful and focused on solving the pain points that matter most.

The result? A path toward innovation that strengthens your unique competitive advantages and helps you secure benefits that will propel your growth.

Benefits like...



Maintaining brand loyalty

Changes in consumer preferences and behaviors place pressure on CPG brands to reinforce brand loyalty — or risk losing market share to brands perceived as a better value.

Collaborating with a supplier can help you inform your choices around loyalty drivers like **quality, pricing, availability, values (environmental, social and corporate governance)** and consumer ingredient preferences, giving you an opportunity to position your product as the top choice.



Mitigating risks

Balancing innovation with supply chain requirements is a challenge for every CPG brand. An experienced supplier can help you efficiently and strategically navigate the opportunities and risks involved in developing innovative products.

For example:

- A product like **BakeSafer™ Treatments** can increase food safety by addressing risk mitigation relative to recalls.
- A product like **Egg Replace** can reduce the reliance on dried and liquid egg by up to 100% in multiple bakery applications and lower ingredient costs as much as **50–65% annually** when compared to using an equivalent amount of dried whole eggs.
- Deep industry experience you can call on to help you avoid “misfires” which can increase the odds that your next strategic choice is a success.
- A dedicated risk management team that works with customers to understand, measure and mitigate risk exposure, helping to protect businesses from price and supply volatility.





Decreasing price elasticity

Shifting consumer trends and preferences have the power to instill greater price inelasticity into some product traits than others. Strategic research and development based on supplier collaboration can help you identify the most valuable and desirable product attributes.

Consumers want healthier, more sustainable options:



Source: December 2021 PwC Global Consumer Insights Pulse Survey, Q: Before considering/making a purchase with a retailer, how often do you consciously consider the following factors? Respondents who answered "often" or "very often." Base: 502 US respondents

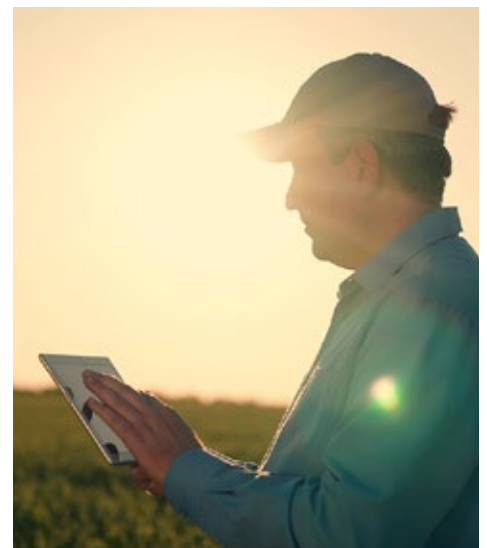


At Ardent Mills, we see these trends and preferences affecting consumer behavior in very tangible ways:

Environmental, social and corporate governance	2/3 of categories, products that made ESG-related claims grew faster than those that didn't. (McKinsey)
Sustainability	69% of consumers state sustainability has become more important to them in the last two years. (NielsenIQ)
Regenerative agriculture	74% of U.S. consumers have a positive perception of food companies and brands that participate in regenerative agriculture. (Ardent Mills Proprietary Research)
Plant-based protein	1 in 5 consumers is already participating in making plant-based protein choices. (Ardent Mills Proprietary Research)

An experienced supplier like Ardent Mills can provide information to help you navigate which sources of price inelasticity might make the most sense for you, including:

- Gluten-free
- Grain-free
- Ancient grains
- Keto-friendly
- And more





Increasing distribution

Optimizing for omnichannel sales (i.e., both in-store and online) is a critical component of success in today's competitive retail landscape. A partner that's in tune with your purpose and informed about developments in the CPG space can help you identify strategic and successful distribution opportunities, such as through new channels or incremental sales.

Channel innovation

Expanding your product distribution into new channels can help you **meet consumers where they want to see you — in new markets and categories.**

For example, a partial shift in focus from brick-and-mortar distribution to build e-commerce and direct-to-consumer platforms. Or, if you've primarily invested in these channels, consider making new inroads with brick-and-mortars as a part of the "return to retail."






Incremental sales innovation

Expanding your product distribution through incremental sales can also help you meet customers where they are. For example, you can work with a supplier to review your current distribution strategy and help you identify opportunities to expand product lines and SKUs with existing retail partners and increase sales via:

- New SKUs in the store
- New or superior shelf space and end cap real estate
- Expanded (and/or prioritized) inclusion within retail media networks, loyalty programs or third-party apps like Shipt and Instacart

A peek into profitable growers

What do the most profitable CPG brands have in common? When Deloitte analyzed the specific actions profitable growth companies are taking to get results, it discovered that profitable growers share the following priorities, all of which benefit from a focus on innovation:

	Investments that help adapt to the demands of the changing consumer
	Attempts to grow market share through several means, including pricing differentiation and inorganic growth
	Creative approaches to transformation (including, in some cases, vertical integration)
	A focus on data capture and transparency to improve supply chains
	An emphasis on delivering against environmental, social and governance (ESG) goals

The most profitable growers also share certain commonalities when it comes to how they assess challenges and look at areas within the company. Here's what analysts observed about how profitable growers rate challenges:

<p>Profitable growers rate the following as a little more challenging than other companies:</p> <ul style="list-style-type: none"> • Supply chain • Digital transformation • Product innovation • Sustainability/ESG • Sales growth 	<p>Profitable growers see only two areas as less challenging than other companies:</p> <ul style="list-style-type: none"> • Margins (Profitable growers: 59%; All others: 76%) • Labor (Profitable growers: 24%; All others: 49%)
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Innovation is a strategic priority

The support that an experienced supplier can provide is often the missing piece of the puzzle needed to help accelerate a CPG brand's growth, profitability and competitiveness. Insights gleaned from such a collaborative relationship can help you deeply understand your brand's unique competitive advantages, identify industry opportunities and outperform competing brands at serving your customers – all while remaining in line with your organization's unique growth objectives.

At Ardent Mills, we power innovation with purpose. And our purpose is to serve our customers in ways that help them grow and become more efficient and effective at bringing products to market that consumers will love.

We're able to bring together the art and science of innovation because we put your brand at the center of all we do. With a partner focused on solving your unique challenges, in real time, using innovative solutions, you get help that is practical, purposeful and powered by a mission to grow together.

Partnership **It's ingrained in us.**

Sources:

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