

Industry Top Trends Update

# Consumer Products

## Seeking growth through digitization and innovation

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### What's changed?

**Strong brands and diversification lend resilience.** Branded consumer staples upped their market share on back of strong home consumption. While sales dropped in the discretionary and travel retail-reliant segments such as personal luxury and beauty, companies with strong brands and e-commerce managed to limit the impact on credit metrics with costs- and cash-saving measures.

**Scrutiny of product portfolios for strategic fit, sustainability, and growth objectives has intensified.** The pandemic prompted consumer goods companies to scrutinize and reshape their product and brand portfolios to a greater degree than before. Evolving consumption patterns and sustainability considerations will drive portfolio transformation through investment, bolt-on acquisitions, and disposals.

**Digitization increased as the shift in distribution channels gains pace.** Branded consumer goods companies are investing in technology to accelerate growth in e-commerce and direct-to-consumer operations. Digitization, however, goes beyond e-commerce and is helping garner insights into consumer needs and contribute to efficiencies and innovation in products, supply chain, marketing, and distribution.

### How is recovery taking shape?

**On-trade and out-of-home consumption are picking up.** While we expect home consumption to remain strong, ongoing vaccination rollouts and the resumption of travel and leisure activities will lead to sales recovery for impacted segments like personal luxury, beauty and alcoholic beverages.

**High household savings and pent-up demand will support spending.** European households accumulated excess savings of about 12 percentage points of disposable income last year, or €300 billion or 2.7 percentage points of GDP. This, together with pent-up demand, will support strong consumer spending, and premiumization trends in certain segments.

**Credit metrics should reach 2019 levels by 2022.** Diminishing COVID-19-related costs and efficiency measures should support recovery, as out-of-home activities, on-trade consumption, and discretionary sales recover.

### What are the key risks around the baseline?

**Uneven vaccine rollouts and new variants** could impede a return to normal activity and global recovery.

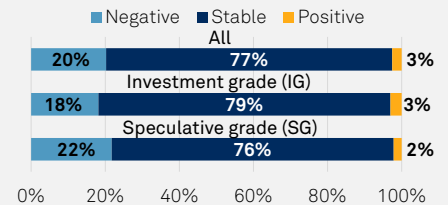
**Higher leverage on the back of a shift in financial policy.** Large debt-financed mergers and acquisitions to capture growth, with a continued focus on shareholder returns, given improving outlooks and low financing costs, could increase leverage.

**Though not our base case, the build-up in inflation is a risk.** Headline inflationary pressures will rise this year due to higher energy prices and a rebound in commodity prices on restocking and higher activity. Smaller companies with leveraged capital structures will have limited flexibility if inflation remains persistent.

### Latest Related Research

- [Premium Alcohol Beverages Flow Generously Amid The Global On-Premise Dry Spell](#), May 26, 2021
- [U.S. Menthol Ban Will Test Tobacco Companies' Preparedness For Future Restrictions](#), May 5, 2021

### Outlook Distribution



### Ratings Statistics\*

	IG	SG	All
<b>Ratings</b>	33	46	79
<b>Downgrades</b>	0	2	2
<b>Upgrades</b>	0	6	6

Ratings data as of end-June 2021. \*Year to date.

### COVID-19 Heat Map

#### Estimated Recovery To 2019 Credit Metrics

Packaged foods / personal and home care / agricultural products and ingredients (A&I)	No decline
Alcoholic beverages	2022
Luxury and discretionary	2022

#### Potential Neg. Long-Term Industry Disruption

Packaged foods / personal and home care / A&I	No
Alcoholic beverages	No
Luxury and discretionary	No

#### 2020 Versus 2019

Revenue decline	EBITDA decline	Incremental borrowings
Pack. foods / personal and home care / A&I		
No decline	No decline	No increase
Alcoholic beverages		
10%-15%	15%-25%	<5%
Luxury and discretionary		
15%-25%	25%-40%	<5%

#### 2021 Estimates Versus 2019

Revenue decline	EBITDA decline
Pack. foods / personal and home care / A&I	
≥2019	≥2019
Alcoholic beverages	
0%-10%	0%-10%
Luxury and discretionary	
10%-20%	10%-20%