

OPPORTUNITY #33

WHAT IF FMCGS BECOME FMRMS –
FASTMOVING RAW MATERIALS?

REINVENTED MANUFACTURING

Relying on advancements in 3D printing, consumer packaged goods makers become suppliers of raw materials, sellers and end users become manufacturers

WHY IT MATTERS TODAY

Profit in the consumer packaged goods (CPG) sector grew around 10% per year from 2000 to 2009 but fell by around 3% annually between 2010 and 2019.³³⁸ This trend was mirrored in the stock market, with the sector outperforming the S&P 500 from 2000 to 2009 and then underperforming from 2010 to 2019.³³⁹

Except for the bottom 30, which generally did not do well in the last decade, it was margin – not growth – that drove improvement in the Top 30 companies in the CPG industry.³⁴⁰ That is, top performing companies largely got better at eking out profit from making things more cheaply, not by adding new customers, despite rising production costs and a growing global middle class.

Challenges are likely to continue for this ever-changing industry.³⁴¹

Multiple factors are at play: manufacturing costs are up, due to a 50% rise in supply chain spending even though changes to raw material costs were minimal;³⁴² small CPG brands have grown faster than large brands recently;³⁴³ and a billion new middle-class consumers are expected in emerging markets while shifting consumer preferences are expected to influence growth in the future.³⁴⁴

Also, in the Middle East and North Africa (MENA), for example, more than half of the youth would support the boycott of a brand known to damage the environment.³⁴⁵

Developing markets are likely to generate new consumer sales of \$11 trillion by 2025 and local competitors will fight for that business in ways the multinational, fast-moving consumer goods businesses have not seen in the past.³⁴⁶

SECTORS

ADVANCED MATERIALS & BIOTECHNOLOGY · CHEMICALS & PETROCHEMICALS · CONSUMER GOODS
· ENERGY, OIL & GAS · LOGISTICS, SHIPPING & FREIGHT · MANUFACTURING · METALS & MINING



THE OPPORTUNITY TOMORROW

A new model is possible for producing and selling consumer goods.

New technologies – including modular 3D printers and new materials – can combine to make it possible for entire value chains to be decentralised. That is, local businesses can take on the role of manufacturers with the businesses that traditionally produced goods becoming suppliers of raw materials. From food and small consumer goods to fashion, manufacturers can become providers of raw materials and techniques that enable local companies or individuals to produce their own personalised goods on-demand.

Various technologies can combine to effect this transformation. Multipurpose substrates created from programmable biological and synthetic compounds are easier and cheaper to transport. Retail and logistics can be transformed as leading players switch from fast-moving consumer goods companies to selling raw materials and know-how.

Manufacturers can sell these ‘ingredients’ and produce ‘programmable recipes’ for use in 3D printers in hubs or in homes. Customers can order staple and more bespoke materials from retailers or specialist suppliers.

BENEFITS

Consumers benefit from round-the-clock supply. Environmental benefits accrue from more sustainable logistics as finished goods do not need to be shipped as far as they are today and less waste occurs because of the absence of inventory overhangs.

RISKS

Risks include poor-quality raw materials not being discernible to consumers, accidental production errors or deliberate sabotage or contamination of production centres and materials.