CORPORATE TRANSFORMATION SERVICES

When Scale Stops Working: The Fight for Volume Growth at Large Consumer Goods Companies

Finding volume growth at large multinational CPG companies amid demand fragmentation, private label penetration, and the rise of agile challengers

Shifting market dynamics are creating a knotty problem for large consumer packaged-goods companies trying to defend growth. Volume growth is stalling across many major categories as consumers tighten their purse strings and seek out cheap deals and private labels.

The significant price increases pushed through post-pandemic have so far helped CPG players stretch margins, but the strategy is reaching its limits, particularly as cuts to brand investment, new product development and innovation[1] give consumers fewer reasons to pay more.

While the instinctive response is to focus on cutting costs, that is not enough to address the deep-rooted, often structural issues that companies are facing. These initiatives have helped companies trim the excesses from the post-pandemic boom and streamline their operations, but clarity is needed on which growth capabilities require continued investment to support brand and consumer propositions.

Alvarez & Marsal's analysis across 23 leading CPG players found revenue growth as the single most powerful driver of shareholder value, accounting for roughly two-thirds of the difference in valuation multiples between companies. Increase in earnings achieved by top line growth is twice as much valued as the same earnings increase achieved through cost-reduction initiatives. That means higher valuation cannot come from efficiency alone – growth is vital.

To achieve sustainable volume growth in a way that puts the consumer at the centre, while also ensuring agility and smart cost efficiencies, companies must adopt a total performance approach: simultaneous, not sequential.

What the numbers show

According to A&M's regression analysis of 23 global CPG players with revenue of $10 billion or more, 64% of the variation in EV/EBIT multiples across the companies is driven by revenue growth. Excluding outliers, companies growing at 5–8% command 20x+ multiples. Those posting flat or negative revenue growth cluster at 9–13x. Margin levels show little correlation with multiples.

1 Across Europe, the number of CPG innovations fell 20% since 2023, according to a Circana report in late 2025. [Smaller CPG Manufacturers Are Leading Sales Growth in Europe | Circana]

What's eating volume?

We identify three main market forces taking away volume growth from large CPG companies:

1. Price is doing all the work

Across categories such as food & beverage[1] and beauty[2], we see the same pattern: revenue has held up, but volume is shrinking. Analysing data across key CPG players between 2021-2024, we found that the larger the scale, the sharper the volume growth decline. Companies with revenues above $40 billion saw volumes shrinking by 2.5% whilst simultaneously achieving the highest price increases at 5.5%[3].

2. Challenger brands are capturing disproportionate growth

The volume lost by large players is being captured by faster, more focused challengers. Previous barriers to entry have collapsed, eliminating the scale advantages that once protected large incumbents. Contract manufacturing, social media brand-building, and micro-influencer reach – not to mention the impact of e-commerce – have democratised access to consumers.

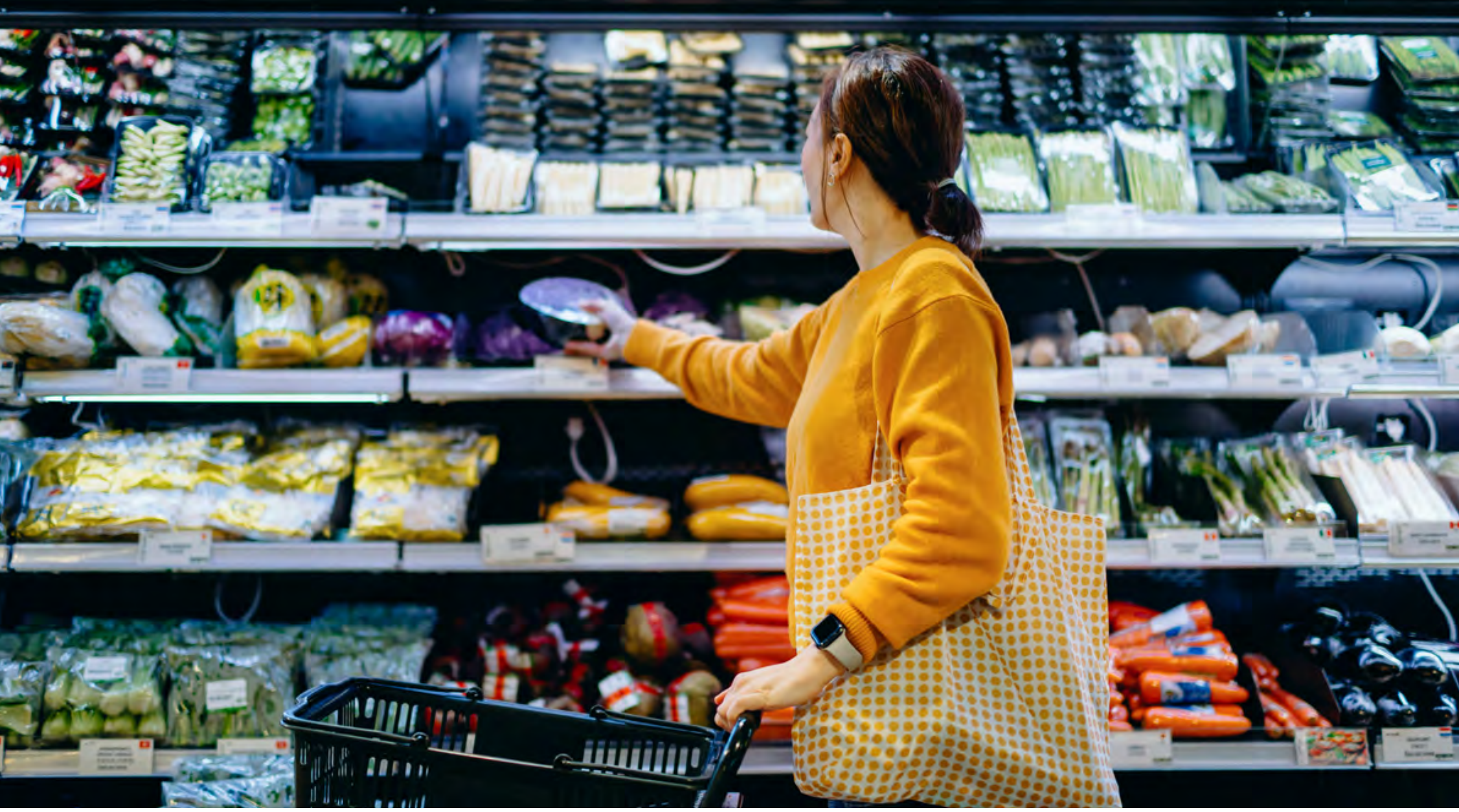
For example, independent brands now command roughly a third of the dollar sales in the U.S. beauty and personal care market, with growth exceeding 22%, compared with just 6.1% for conglomerates, according to Nielsen IQ[4]. While these numbers may be more extreme in a category inclined towards experimentation and exploration, the overall trend is visible elsewhere too, such as in food retail. All of this demonstrates a fundamental redistribution of where growth is created.

3. Private label is a structural disruptor

The growth of private label is also a threat CPG players must reckon with. While this trend has been playing out in Europe for the past several years, it is starting to gain traction in the US too. Retailer private label reached a record $282.8 billion in US retail sales in 2025, surging more than $9 billion from the previous year as it grew at nearly three times the rate of national brands. Store brand unit volume rose to a record 68.7 billion[5].

What makes this a unique threat to large CPG players is the information asymmetry. Retailers own transaction-level data that national brand manufacturers cannot access. They know which products are growing, which trends are emerging, and which consumers are underserved — often before brands themselves recognise it. Combined with mature contract manufacturing, this turns retailers into active competitors, yet partners that CPG players cannot afford to alienate.

1 A&M analysis based on companies representing over 70% of market volume
2 The Evolution and Future Trends of the Beauty Industry in 2025
3 A&M analysis of representative companies across various revenue brackets based on annual reports
4 The Indie Beauty Boom – NIQ
5 U.S. Private Label Industry Reached $282.8 Billion in Sales in 2025 | PLMA



The old CPG growth model is broken. What is needed now?

Large CPG supply chains were designed for efficiency at scale – long runs, low changeovers, and standardised stock-keeping units (SKUs) – and decision-making was built to coordinate large, multi-market launches on the assumption of volume growth.

These models no longer fit a market that calls for agility and speed. While cost-cutting helps margins in the short term, a blanket percentage reduction across every function only leaves organisations leaner, not faster or smarter.

Companies must focus on genuine transformation that involves simplifying and automating the work itself. By using artificial intelligence (AI) effectively, they can remove redundant decision layers, streamline approvals and reduce complexity. Cost reduction will automatically follow. This must go in parallel with an approach that identifies the capabilities that truly drive growth versus those centred around efficiency.

The right benchmarks also matter. Metrics such as finance or IT costs must be measured against actual activity volume – such as units produced or transactions processed – rather than as a percentage of revenue to reveal true costs.

Lastly, one operating model cannot serve every business. Whether it is the holding company model, the semi-integrated model or the fully centralised model, the efficacy of each depends entirely on the nature of the business it serves.

For example:

- A trend-driven beauty brand needs autonomy and entrepreneurial energy.
- A mature mega brand needs integration and cost discipline.
- A regional food brand needs proximity and freedom from global standardisation.

Winning large CPGs should consider deliberately running multiple operating models in parallel. This involves deploying different degrees of integration, centre-to-business-unit relationships, supply chain architectures, HR systems, incentive structures and talent profiles under one roof.

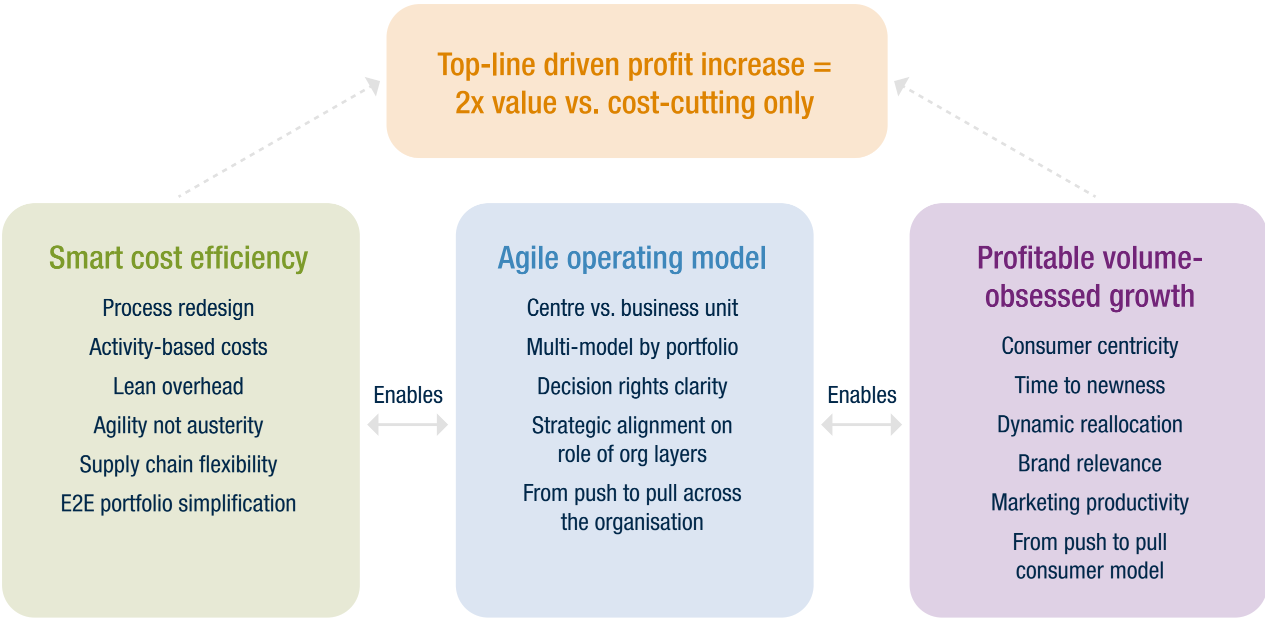
This calls for a shift in the corporate culture. Learning to tolerate the tension of incompatible systems existing simultaneously — protecting the autonomy of some businesses whilst integrating others — requires organisational maturity. If executed successfully, it will give companies a strong structural advantage that is not easy to replicate.

In the next section, we outline six key pillars to help CPG players build a new growth model that addresses the issues discussed so far.

The Total Performance Approach

Smart efficiency, the right operating model and volume-obsessed growth must all move simultaneously. Efficiency funds the agility required to grow. Growth validates the investment in a leaner, faster organisation.

Total performance: a simultaneous agenda



Source: A&M analysis

Large CPG players should focus on six distinct growth pillars to approach the problem holistically:

1. The consumer as the non-negotiable starting point

The shift required is from ‘who can we sell this to?’ to ‘which consumer and shopper needs are underserved, and what do we need to win there?’ Most companies already research consumers, but the question is whether their decisions consistently start with the consumer or merely use them to validate choices already made through a financial or channel filter. Genuine pull-thinking means making the consumer and the shopper the non-negotiable starting point, measuring growth by occasion, generation, and need state rather than just category and geography.

2. Co-own the consumer with retailers

Consumer-centricity demands closer partnership with retailers, shifting the relationship from adversary to growth partner. Too many CPG-retailer relationships are structured around the question of who has the better deal, turning negotiations into zero-sum contests over price and margin. The real opportunity is to grow the category together, by bringing insights into the retailer conversation and collaborating on category planning. CPGs that shift from adversarial commercial relationship to genuine joint ownership of the consumer can turn retailer partnership into a structural competitive advantage.

3. Build real-time resource reallocation capability

Annual planning cycles locked in eighteen months ahead cannot respond to a market that moves weekly. Building dynamic reallocation capability requires three things: real-time performance visibility, fast-decision governance, and incentive structures that do not punish managers when resources are redirected mid-year. If people are penalised for losing budget, they will fight for budget rather than for performance. Resource allocation must become a continuous process, not an annual ritual.

4. Reduce time to innovation

In our experience, large organisations can take three times as long as challengers to bring innovation to market. To improve speed, CPGs must examine three aspects: commercial, packaging and format, and full-product innovation. Commercial innovation (new claims, repositioned benefits, no formulation change), the most underutilised lever, can move in weeks; packaging and format innovation (new sizes, new occasions) is even faster. Full reformulation should be reserved for when consumer need genuinely warrants it. Platform-based product architecture — a stable core with rapidly iterable consumer-facing elements — makes this speed possible.

5. Unlock marketing and sales productivity

Large CPGs manage enormous budgets with remarkably limited visibility into what actually bring results. Today's AI and data tools make it possible to track productivity more precisely, showing which marketing and sales activities increase sales, what messages resonates and which promotions are worth spending on. This must be followed up with willingness to act on what the data reveals. Being able to model price elasticity and promotional ROI with much greater accuracy is a requirement in a market where every point of volume is fought for.

6. Portfolio discipline — shape, don't just shed

Every large CPG portfolio contains businesses that face challenges, such as categories in structural decline or positions too weak for recovery. Pragmatic decisions must be made to exit businesses without revival potential, but identifying those calls for caution. Many businesses that appear growth-less within a large organisation may unlock surprising returns when freed from it. Companies divested as "mature" have frequently posted CAGRs of 10%+ under genuine autonomy. Before selling, companies must question whether the business is truly trapped or only trapped by the operating model imposed on it.

In summary

As our analysis shows, cost improvements alone can only protect the current multiple at best, but revenue growth expands it. When in doubt, always prioritise top line over margin improvements. The winners of this new consumer-goods era will not be the CPG players that cut the most or hold margins the longest, but the ones that pursue transformation on both cost restructuring and the ability to grow at the same time.

About Alvarez & Marsal

Alvarez & Marsal is a global professional services firm with over 12,000 professionals across 95+ offices in 40+ countries. Our Consumer & Retail Practice works with leading FMCG companies, retailers, and private equity investors on commercial growth transformation, operating model redesign, revenue growth management, and M&A value creation.

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