BEVNET

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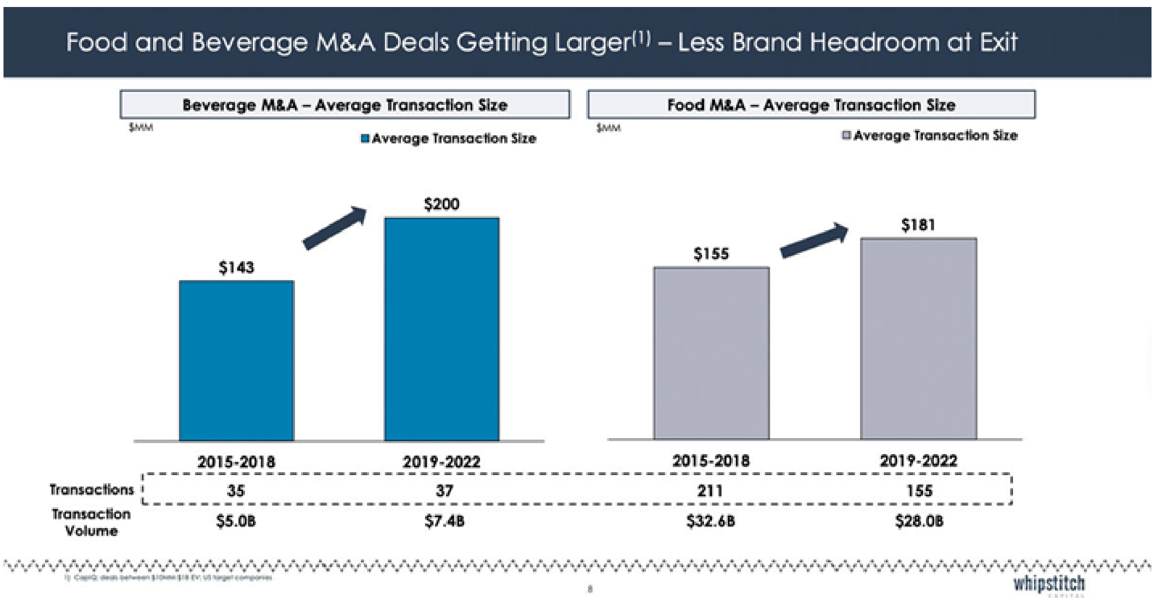
DAILY BRIEFING

Today's news & insights for the beverage industry

TODAY'S TOP STORY

Whipstitch Shines a Light on the Economy



Despite the lingering specter of inflation, supply disruption and recession, the economy – in particular for CPG – has shown itself to be more resilient than many gave it credit. In a presentation by Whipstitch Capital from this summer, the Massachusetts-based firm dug deep into the somewhat irregular (in a good way) peculiarities of this most recent economic downturn that have set CPG up for a rebound. According to founders Mike Burgmaier and Nick McCoy:

- Whereas past recessions saw low-income wage growth slow or get rapidly outpaced by higher income brackets, the pandemic-era recession saw the opposite: as of December 2022, low-income wage growth was up 37% year-over-year, outpacing all other income brackets. Compare that to 2009, in the shadow of the Great Recession, when that bracket was down -34%.

- This, of course, means lower income consumers had more cash on hand to spend on CPG products. While that doesn't mean that inflation didn't tighten some wallets, food demand was up 14% among households making under $25,000 a year, compared to 9.9% for those making over $100,000.
- At the worst point in the inflation wave, food and beverage demand fell -9.9% as prices rose around 15.3% in Q2 2022. By Q4 demand was flat against 6.9% inflation and in Q1 2023 inflation was at 3.7% with demand only down -0.4%.

- While M&A activity overall slowed, the top 15 consumer brands companies kept the same pace for acquisitions they've held for the past few years. In 2020, they made 14 brand acquisitions, followed by 16 in 2021 and 15 in 2022. Overall, beverage M&A saw the average transaction size increase to around $200 from 2019-2022, compared to $143 million from 2015-2018. (The Body Armor deal might have had a lot to do with that average number, of course).

- Sustainability remains a major sales driver. Dollar volume growth for ESG focused CPG brands rose 14.4% in 2022 compared to 11.3% total store growth. Repeat purchase rates for ESG brands were also stronger, with the highest rated products reporting 34% repeat compared to 27% for brands with the lowest ESG ratings.

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