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E-BOOK

**Solve Your Toughest
R&D Challenges with
Expert CPG Talent**

An average of five new CPG brands have launched every week in the past decade. Even before the new challenges brought on by the pandemic, that made for significant competition in a saturated industry.

To achieve or maintain industry leadership, CPG companies more often turn to marketing to come to the rescue. In fact, a recent survey shows that roughly 24% of CPG companies' budgets were devoted to marketing efforts in early 2021.

But what if research and development, and not marketing, is the true hero?

R&D investment is crucial to innovation and product survival. Yet, for years, big CPG companies have spent less than 2% of its net revenue on R&D. This level of investment doesn't allow companies to keep up with changing consumer behavior—much less stay ahead of it.

Greater R&D investment holds the key. But CPG companies must overcome a few persistent roadblocks—from accessing the right materials to accelerating innovation—that stand in the way.

Enter expert CPG talent. From technology breakthroughs that advance products to process changes that address sustainability, today's innovation comes from experts with the experience and expertise needed to drive real R&D progress.



Future-ready CPGs all have one thing in common: they **EMBRACE change and all that comes with it.**

CPG companies tend to stay the course. To compete today, they must get comfortable with change, accept failures as learning opportunities, and make big bets to reap the highest rewards.

SECTION 1

5 Challenges Slowing R&D at Today's Top CPG Companies





Challenge #1: Sourcing and Procurement

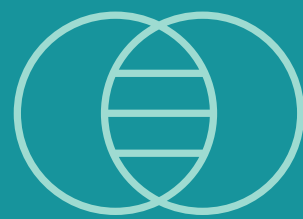
Getting the right materials—and enough of them—remains a CPG industry sticking point. For some products, pivoting to alternative materials is a viable option. But not for all. Especially if the material needed is considered best-in-class. As a result, testing program delays can occur, stretching from days to weeks to months.

Companies must develop interim plans for short-term supply shortages, taking advantage of the temporary delay to refine your approach so you can hit the ground running once resources are replenished. It could also be time to pivot your R&D strategy to account for using new materials—whether that's in the formulation, production, or redesign of the product.

Challenge #2: Rising Costs

Materials cost more. Products are pricier to produce. Consumers face ever-worsening sticker shock. As a result, loyal shoppers are abandoning go-to brands in favor of generic or lower-priced items. In fact, three-quarters of consumers are trading down across categories, with 50% citing inflation as the reason for seeking less expensive alternatives.

CPG companies are challenged to lower costs while preserving innovation and maintaining customer share. Clever marketing efforts, flash sales, and discounts can help in the short term. But in the end, the focus must be on improving the product itself.



Challenge #3: Technology Optimization

Gone are the days of manually intensive data entry and analysis. CPG companies can now leverage artificial intelligence (AI) and machine learning (ML) to gain insight into product development. The challenge comes in using the technology to its best advantage.

ML can combine outputs and correlate data points, but it can't yet connect the dots between analysis and outside industry trends to extract the "so what" from the data results to develop new product ideas.

AI faces similar limitations. Sure, it can think for itself. But can it draw conclusions based on past trends or nuanced industry developments? Can it ask the right follow-up questions to uncover a nugget of wisdom buried beneath data piles? One day, perhaps. But not now. And that's a problem for innovation.

Challenge #4: Marrying "Old School" and "New School"

There's a difference in how industry veterans and industry newcomers approach innovation.

Younger generations have always had technology, and have grown accustomed to using digital tools for data analytics. But while a lot of information can be generated in a short period of time, there's still the question of what to do with it.

There needs to be a bridge between those who cut their teeth using more hands-on, deductive techniques and those who've depended on automated technology methods. The challenge lies in embracing an interdisciplinary approach where all can come together to learn from one another.

Challenge #5: Becoming Comfortable with Change

With so many current challenges to overcome, it's hard to convince CPG executives to put the future in the spotlight.

But those who start thinking now about identifying newer materials for redesigned products, or finding suitable replacements to continue developing existing products, will maintain a distinct advantage over the competition.

This means growing comfortable with change, and the temporary issues like higher costs or longer research timelines that it can bring.



SECTION 2

Improving Your R&D Long Game: Insider Advice from a CPG Expert





Dr. Jim Reuther is a CPG expert specializing in chemistry and combustion. With 35 years in the CPG industry, he understands what it takes to support R&D over the long term. As he puts it, **“Revolution with enhanced evolution.”**



Aim for good. It’s impractical to think you’re going to hit home runs out of the gate. When it comes to R&D, you want to hit doubles—you want to get on base. That is what success looks like, even if it’s small steps. Set your goals based on a realistic, achievable playbook.



Let innovation unfold. Yes, R&D is urgent. But you can’t force ideas or buy time. Turning up the pressure won’t accelerate brilliance. It will only stifle creativity and lead to a poorer product. If you don’t take the time to do it right in the first place, you will not have the time to do it over.



Be thoughtful about who you hire. Don’t simply fill a position. Look for candidates who know how to innovate—those who can articulate their thought process and specify their game plan. Find experts who are able to exploit a range of ideas to achieve an R&D goal. Then match them with the best-fit role.

SECTION 3

R&D Crystal Ball: What the Future Holds



Now is not the time for tunnel vision. Those who fare best in R&D will be those who step back and consider the bigger picture—what’s best for products being developed and for the planet overall.

Resiliency doesn’t happen overnight. A plan for the next decade must be baked into your development blueprint now. This means considering:

Machine learning and artificial intelligence. In the next five years, more CPG companies will embrace ML and AI as these tools mature, and processes for successfully applying them to R&D will evolve. They will also embrace them for marketing newly developed products. Be ready to fold these technologies into everyday processes to stay aligned with your competition.

Sustainability. In the coming decades, CPG companies may have to do without certain materials. Resources are not infinite. Proactively planning now to create new formulations or products later will help ensure business continuity and competitive advantage. Products making environmental, social, and governance (ESG)-related claims averaged 28% cumulative growth over the past five-year period, versus 20% for products that made no such claims.

Additional technology breakthroughs. Landmark CPG technology breakthroughs are on the horizon. We don’t yet know what they will be. But we do know that creative R&D experts will be able to leverage them as next-generation problem-solving tools.

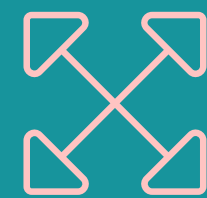


- CPG companies that do data-driven marketing at scale, well, can increase net sales value 3-5%.
- More than 60% of consumers would pay more for a product with sustainable packaging.
- According to McKinsey, “Developments in the metaverse of augmented and virtual reality open the doors to virtual R&D via digital twins.”

CONCLUSION

Finding and Engaging with the Right Experts





With niche product development in high demand, it can be incredibly difficult to find true CPG experts—or even know where to look for them. Today many of the most knowledgeable experts prefer to work as consultants vs. employees, engaging with a variety of CPG companies for specific innovation projects.

Finding these experts is a completely new skill set for most recruiters. Oftentimes, they don't realize the breadth of specialties a CPG expert can practice, so job requirements may not best represent an open role. Or applicants may not specify the type of engineer or scientist they are, making role alignment more challenging.

Who you think you need may not be who you actually need. If you make candles, you probably need a candle expert, right? Maybe not. Given you're dealing with flames, a combustion expert might be better suited for refinement of your product.

Seeking out a talent partner like Intellex can help you get the right talent in the door faster—and your next innovation out the door before the competition.



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ABOUT INTELLEX

Intellex is the world's most experienced, impressive consumer products brain trust. We accelerate and elevate CPG innovation and outcomes for businesses worldwide by providing on-demand, at-scale research, development, testing and delivery experts.

With two-to-three decades of consumer product life cycle experience, our 1,000+ CPG masterminds offer sought-after domain expertise in areas like food and beverage, health and beauty, household goods and apparel. Businesses engage our experts to solve complex product challenges and seasoned industry experts trust us to provide stimulating consulting opportunities at innovative CPG companies. Learn how our exceptional community of experts optimizes CPG products, possibilities, processes, and profitability at [intellex.com](https://www.intellex.com).

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