



CONSUMER AND RETAIL GROUP

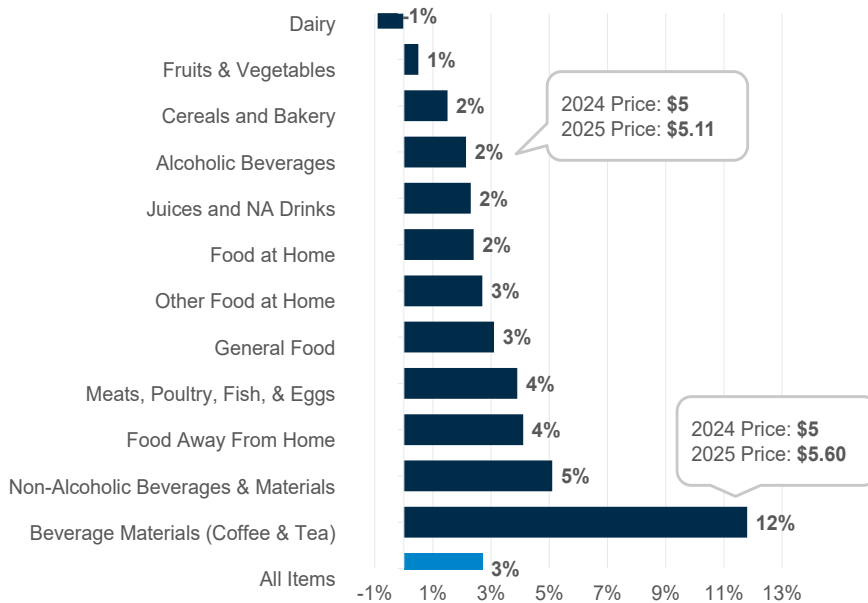
**FOOD AND BEVERAGE MARKET
PERSPECTIVE:
INSIGHTS TO NAVIGATE NEW
CONSUMER REALITIES**

Executive Summary



The economic landscape heading into 2026 remains sluggish, with weak growth and persistent inflation continuing to squeeze household budgets and limit consumers' spending power. As a result, consumer behavior in the food and beverage sector has changed, becoming more health focused and quality driven, buying fewer items overall but, in some cases, paying higher prices when they believe the product delivers meaningful value.

Annual Consumer Price Index Change¹ (2024 vs. 2025)

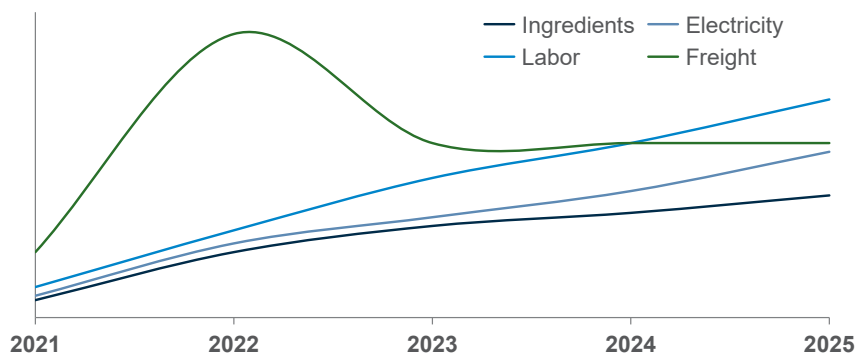


2025 Consumer Price Index shows modest year over year increases in some food and beverage categories

Industry forecasts indicate that the food and beverage sector will see minimal volume growth in 2026, if any, with any modest sales gains driven primarily by pricing and product mix rather than increased demand. At the same time, supply chain disruptions (e.g., tariffs and geopolitical instability) continue to raise costs, placing additional pressure on margins across the industry.

Given these challenges, food and beverage companies are becoming more targeted, quality driven, and operationally efficient to protect profitability and remain competitive in a tightening market.

Representative Operational Cost Trends²



Supply Chain costs are continuing to rise, placing additional pressures on margins across the food and beverage industry

1. [US Bureau of Labor Statistics, Consumer Price Index, January 21, 2026](#)
 2. [Unit labor cost for Manufacturing, Food Manufacturing, Electricity Monthly Update, Producer Price Index: General Freight Trucking](#)

What's Changing and Why it Matters

Consumer behavior in the food and beverage industry shifted beginning in the late 2010's with the rise of food-delivery apps, which heightened expectations of convenience and reshaped dining habits. To compete with these platforms, grocery stores added various ready-to-eat meal offerings over the past decade. These ready-to-eat offerings drive significant margin for grocers, and consumers perceive these offerings as healthier and more convenient alternatives. As the pandemic accelerated these preferences, the post-pandemic years saw younger generations driving demand for healthier, more nutrient dense foods - **a shift towards wellness and functional choices**. This health consciousness also contributed to the noticeable decline in alcohol consumption among younger consumers. In Alvarez & Marsal's Fall 2025 Consumer Sentiment Survey, nearly half of respondents (48%) reported that they are either abstaining from alcohol entirely or planning to reduce their consumption over the next six months.

More recently, the introduction of GLP-1 medications exacerbated the wellness trend, further pushing consumer choices that emphasize health and functionality.

Against these consumer changes, and amid the sluggish economy, consumers are prioritizing high-quality, health-focused products. While overall volume growth remains flat, consumers are increasingly willing to pay a premium for items that deliver strong taste or functional benefits; 56% of survey respondents say "good value" is defined by great taste⁴.

Macro-economic headwinds have not only affected consumers, but companies as well. Food & beverage brands are incurring structural changes to their cost structures. Since 2021, freight costs, labor costs, and some direct material costs (i.e., ingredients) have increased more than 20%.

To offset these pressures, companies are passing costs to consumers. According to a recent report⁵, 95% of producers and manufacturers are passing costs to consumers. How long can this continue?

With pricing locked, demand stagnant, and costs surging, Food and Beverage players must double down on performance improvement to win.



In The News: What Food and Beverage Companies are Doing

Food and beverage companies are responding to these consumer trends. Some **companies are trying to increase top-line growth inorganically (i.e., M&A)**, some are innovating, and others are prioritizing operational differentiators as margins are squeezed.

These strategies are playing out daily and here are three recent examples:

Mars Acquisition of Kellanova

Mars completed its \$35.9B acquisition of Kellanova in December 2025, significantly expanding its footprint in snacking and global packaged goods. The transaction expands Mars' brand portfolio and positions them firmly within key high-growth snack categories. This acquisition allows Mars to capture major supply chain procurement, and network efficiencies for greater distribution reach as well. With increasing activity in the F&B M&A world, Mars is well positioned to capture scale advantages along with cross-category leverage.

4. [2025 A&M Crave Report](#)

Mondelez International's \$1.2B ERP & Supply Chain Transformation

Mondelez is midway through a four-year, \$1.2B ERP and supply chain transformation initiative designed to modernize their enterprise systems. This investment is focused on improving demand planning accuracy, procurement visibility, and end-to-end operational efficiency. By consolidating legacy systems into an integrated digital backbone, Mondelez expects to drive reduced distribution spending and optimized working capital. This investment highlights the industry-wide push towards modernized, data-driven supply chain networks of the future.

Albertson's Investment in Automation

Albertson's focus is to increase efficiency within their distribution centers. By accelerating automation, they aim to increase throughput and reduce manual labor dependency. This strategy supports a more resilient and advantageous cost structure amid tight labor markets.

What You Can Do: Recommendations for 2026 and Beyond

Outside of the three examples, there are several areas where CPG brands can focus on driving top line growth and improving bottom line stability.

Top Line Growth Strategies:

Redesigning Commercial Strategy	<ul style="list-style-type: none">• Understand customer needs and decision drivers, translating insights into actionable go-to-market moves.• Translate these insights into clear value propositions, differentiated positioning from direct competitors, and targeted GTM action plans.• Align pricing, promotion, and channel strategies to maximize customer lifetime value and win market share in the most critical brand segments.• Ensure your brand's goals & KPIs reinforce strategic objectives rather than pure volume growth.
Focusing on Quality & Taste	<ul style="list-style-type: none">• Prioritize premium, quality products that differentiate on taste and functionality.• Align product innovation around cleaner ingredients, nutritional transparency, and formats that deliver both indulgence and functional benefits.• Ensure that product claims are backed by performance, sensory testing, and clear communication that resonates with evolving consumer preferences.• Command price premiums, drive mix shift toward higher margin SKUs, and build long-term customer loyalty.
Manage Portfolio Complexity	<ul style="list-style-type: none">• Reduce SKU proliferation by analyzing velocity, margin contribution, and operational complexity.• Eliminate low-performing or duplicative SKUs that increase manufacturing changeovers, inventory costs, and working capital.• Focus resources on high-value SKUs to your brand that drive revenue and margin.
Evaluate M&A Opportunities	<ul style="list-style-type: none">• Assess potential acquisition targets for your brand that strengthens core category growth or entry into high-growth adjacencies.• Focus on brands or capabilities that enhance the innovation pipeline, distribution reach, or premium positioning.• Conduct extensive diligence around potential synergies and risks of integration.

Bottom Line Improvement Strategies:

Increase Asset Utilization	<ul style="list-style-type: none">• Improve asset utilization by consolidating production into high-throughput facilities and reducing underutilized capacity.• Optimize production scheduling to maximize output and minimize downtime.• Align capital expenditures with demand forecasts to avoid stranded or redundant assets.• Reduce cost per unit and improve operating leverage.
Optimize Back-Office Operations	<ul style="list-style-type: none">• Streamline administrative and support workflows by leveraging AI to automate what are currently manual tasks.• Leverage shared service models where appropriate to eliminate duplication across functions.• Conduct role and span-of-control assessments to identify rightsizing opportunities internally.
Implement New Technologies	<ul style="list-style-type: none">• Leverage AI, predictive analytics, and automation to drive smarter decision-making across operations.• Integrate advanced analytics into sales planning processes to improve demand forecasting, inventory health, and service levels.• Use digital tools to enhance supplier collaboration, proactively identify disruption risks, and optimize procurement decisions. Technology investments should deliver measurable ROI through cost savings, agility, and resilience.
Improve 4-Walls	<ul style="list-style-type: none">• Enhance operational efficiency by standardizing processes and implementing continuous improvement methodologies.• Increase Overall Equipment Effectiveness (OEE) by reducing downtime, improving quality yields, and minimizing waste.• Invest in training and performance.
Optimize Network	<ul style="list-style-type: none">• Conduct scenario modeling to evaluate transportation costs, warehouse locations, service levels, and customer proximity.• Identify opportunities to rebalance 3PL footprints or shift to more strategically located distribution centers.
Manage Sourcing Effectively	<ul style="list-style-type: none">• Use data-driven insights to optimize sourcing decisions across cost, quality, and supply reliability dimensions.• Develop strategic supplier partnerships that balance competitive pricing with long-term resilience.• Diversify sourcing where appropriate to mitigate concentration risk.

Conclusion

The food and beverage industry is facing stalled growth, rising costs, and growing margin pressure across the value chain. Companies that act now – by accelerating commercial performance, optimizing cost structures, and modernizing operations – will be best positioned to outperform in this challenging environment.

At A&M, we have partnered with numerous food and beverage companies to deliver enterprise-wide transformations that drive top-line growth and margin stabilization. If transformation is on your agenda, or if you are finding it difficult to keep pace with industry headwinds, we'd welcome the conversation about how we can support your goals.



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