



Trends & Insights Report: The Evolution of Revenue Growth Management

Introduction

Profit margins in the consumer-packaged goods (CPG) and food and beverage (F&B) industries are more strained than ever. Companies are turning to Revenue Growth Management (RGM) to fix it.

What is RGM, and how does it differ from traditional pricing strategies? RGM is the strategic approach to maximizing a company's revenue by optimizing pricing, promotion, product assortment, and distribution. Specific to a company's needs, RGM is a holistic strategy that drives sustainable growth by aligning decisions with consumer demand, market conditions, and the competitive landscape.

In this edition of our Trends & Insights report, we explore the rise of RGM, its components, and future state in the CPG and F&B industries. Plus, hear from RGM leader Patience Mutiso on how organizations can drive excellence through effective RGM strategies.



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Why RGM is Needed Now More Than Ever

Traditional revenue growth models no longer cut it. Today's companies, especially in the F&B and CPG industries, need to be able to quickly adapt to constant organizational challenges that show no signs of easing.

This includes:

- **Inflationary pressures:** Margins are under pressure like never before, especially with heightened inflation across the supply chain including raw materials, energy, and labor costs.
- **Consumer behavior:** Consumers are increasingly price sensitive and expect more personalized experiences and products.
- **Upgraded technology:** New technology and AI capabilities are enabling companies to make quicker, more accurate, data-driven decisions, rather than operating on assumptions.
- **Competition and market saturation:** Markets are more crowded, and companies need to differentiate themselves by targeting the right channels, promotions, and segments.
- **Supply chain disruption:** Supply chain challenges have increased the costs of transportation, packaging, and logistics, forcing companies to adjust their revenue models.
- **Changing retail dynamics:** Organizations are navigating the rise of e-commerce, direct-to-consumer channels, and private label growth.

Additionally, promotional effectiveness is dwindling. Traditional promotions have diminishing returns and many companies struggle to determine if their trade spending has a favorable ROI at all.

Consider This:

- In a hypercompetitive market, 20-40% of the CPG profit pool is at risk.¹
- Since 2020, supply chain disruptions have caused \$1.6 trillion in missed annual revenue growth.²
- CPG companies worldwide invest about 20% of their annual revenue in trade promotions, but 59% lose money on trade spending.³
- Data-driven companies are 23x times more likely to top their competitors in customer acquisition and 19x more likely to stay profitable.⁴
- Companies that successfully use RGM see a gain in annualized gross margins of 4-7%.⁵

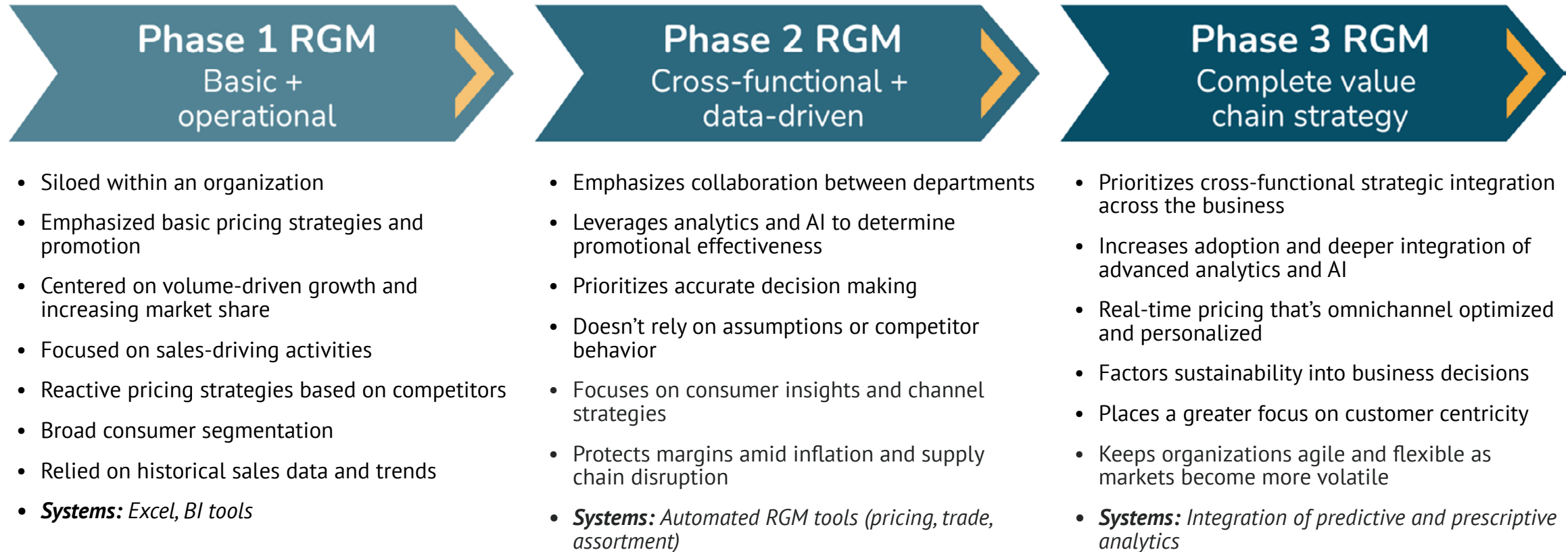


RGM is about finding the optimal balance between volume, price, and profit using data and strategic insights to make better business decisions. RGM is not a tool; it's an approach to strategic planning and execution."

Rich Medrano, Practice Director, Revenue Growth Excellence at Catena Solutions

RGM Phases: A Framework for Growth

We consulted with our team of experts for visibility into the evolution of RGM phases.



The Ultimate Goal: Achieving an RGM Mindset Across the Organization

Achieving an RGM mindset across an organization requires fostering cross-functional alignment and integrating data-driven decision making into everyday operations. Though a complex process, the work is worth the effort: Studies show that companies with an organization-wide RGM culture report revenue growth of up to 5-10% annually through better collaboration across marketing, sales, finance, and supply chain functions.⁶

When teams across departments work together to optimize pricing and promotional strategies, businesses can identify new revenue opportunities and avoid margin erosion. Embedding RGM principles into daily processes ensures all functions work toward the same growth objectives and make informed decisions that support long-term profitability.

From Foundational to Transformational

Though RGM is tremendously beneficial, we realize the path to an effective strategy is daunting. Companies should start with building foundational capabilities and transition into more developed, transformational practices. A typical evolution looks like:

TRANSFORMATIONAL

Price Pack Architecture

Strategically designing product sizes and price points to optimize sales and profitability

Channel Pricing Strategy

Setting product prices across distribution channels to maximize revenue and market reach

Active Mix Management

Proactively adjusting product assortment to optimize sales, profitability, and market share

Promotion Optimization

Analyzing and optimizing promotional activities to maximize ROI

Trade Strategy & Execution

Implementing a trade funding and spending strategy customized to each project

FOUNDATIONAL

The Importance of Consumer Insights

We also want to highlight the importance of consumer insights during the RGM evolution. Ultimately, the heart of RGM lies within understanding consumer behavior, preferences, and purchasing patterns. With a data-driven approach, companies can target consumers with the right products at the right time.

What insights do businesses with top RGM practices monitor?

- Price sensitivity and elasticity
- Purchase behavior and patterns
- Promotion responsiveness
- Channel preferences
- Brand loyalty and switching behavior
- Consumer demographics and psychographics
- Sustainability trends and ethical preferences



“Insights enable companies to adjust prices and offers dynamically, ensuring they maximize revenue without alienating their customers. Also, by using data-driven strategies, RGM becomes more than pricing—it becomes a comprehensive growth strategy that aligns with shifting consumer preferences and market trends.”

Christine Bart, Senior Consultant Engagement Manager, Revenue Growth Excellence at Catena Solutions

Getting There: Asking an Expert

For insights on getting started with your RGM journey, Catena Solutions met with [Patience Mutiso](#). Patience is a seasoned RGM strategic veteran with 25+ years of experience within numerous large CPG and supply chain companies.

Q: What are the most significant challenges companies face in implementing RGM strategies, and how can they overcome them?

A lot of companies don't have an RGM or even a foundational strategic pricing team. Additionally, RGM is not widely represented in leadership. RGM needs agency, and that comes from the company's leadership. Agency and representation will enable everyone to work together to ensure strategy is the top priority.

Q: How can companies create value in the F&B industry?

Organizations need to be able to understand if trends are fleeting or if they are creating sustainable long-lasting value. Determining consumer value comes from truly understanding customers and bringing that to your strategy. Combining what the customer values with what you sell becomes your revenue. Think of price as the statement of the customer and value as the willingness to pay.

Q: What is the importance of consumer insights in effective RGM?

Insights tell us what consumers want and what they're willing to pay for it, then we execute in alignment with that.

For example, at one organization I was with, we did a value study amongst our customers, which helped us realize we were charging too little. There was a big gap between what customers were willing to pay and the prices we were charging, at every junction of what the category was. It was only through consumer insights that we identified that gap and determined how to close it—both with value definition and creation and ultimately with price and strategy.

Patience Mutiso

Transformative Enterprise Commercial Excellence & RGM Leader

Board of Directors,
Professional Pricing Society



Q: What advice would you give to a company starting its journey from basic RGM to advanced strategies?

First, they should prioritize creating a baseline of their existing status. In my experience, organizations that have been the most successful have hired an RGM leader or at least established a Revenue Center of Excellence (RCoE) to take stock. This may mean taking a year or a specified amount of time in the beginning to understand where they are and what they've done in the past.

The RGM leaders will help organizations draw out a nascence to maturity road map. Someone with RGM experience will be able to build on the foundations the company already has instead of starting from scratch.

Q: What do you believe will be the next frontier in RGM?

RGM is a somewhat young discipline, but it's going to continue to grow, likely faster than other disciplines since it drives greater tangible results. It may be called something different, like strategic pricing or revenue management, but it remains a journey from cost-plus to dynamic value-based pricing that encompasses every aspect of the business.

Organizations will need more RGM professionals to help them transcend that complexity. The consumer is also getting more complex, so more data is needed to understand consumer behavior and even influence it.

[Click here](#) to read the full Q&A.



Adopting an effective RGM strategy is challenging.

We're here to help. Catena Solutions is dedicated to the Food & Beverage industry, with 30+ years of expertise supporting local, national, and global CPG brands.

With our network of industry experienced consultants, we focus on driving growth, optimizing operations, and navigating industry challenges.

For more information, visit us at catenasolutions.com



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