OLIVER WYMAN
A MARSH BUSINESS

FMI THE FOOD INDUSTRY ASSOCIATION

Boardroom

Volume 11

Introduction

Eyeing New Realities For Food Industry Leadership

“The current landscape demands enhanced leadership skills that reflect the evolving nature of organizations and their stakeholders.”

The food industry continues to adapt to the notion that profound change has become a constant, with it emerging as the normative state of affairs. The articles in this edition of Boardroom reflect both the urgency and the opportunity inherent in this environment.

Throughout conversations with FMI’s Board of Directors and senior industry executives, one theme continues to surface: the leadership playbook is changing faster than ever before. The pressures shaping today’s food industry require leaders who can continually adapt and guide their organizations through uncertainty with clarity and confidence.

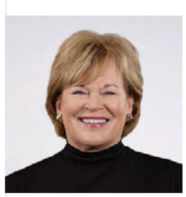
FMI’s work, in conjunction with Oliver Wyman, centers on understanding where the industry is heading and how to meet the changing needs of consumers, communities, and the broader grocery value chain.

In 2013, FMI and Oliver Wyman joined forces to create Boardroom, a forward-thinking annual journal designed for C-suite executives tackling the most compelling issues confronting the food industry. A key mission of Boardroom is to illuminate critical issues identified in the FMI Strategic Imperative Issues Framework. Each article in Boardroom is carefully curated and written to amplify these essential issues, educating and inspiring leaders.

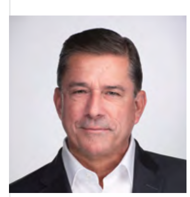
This year’s edition, Volume 11, presents articles that delve into topics including artificial intelligence, cybersecurity, health and well-being, transparency, omnichannel strategies, shifting consumer behaviors, pricing and rising costs, regulatory issues, trade, and the workforce. You’ll see pieces that offer a pragmatic view of AI agents, guidance for the future of cyber risk, a viewpoint on how consumer goods companies need to embrace health and wellness, and a reimagining of customer journeys.

Food industry leaders and organizations have already been adapting for this era of growing complexity. FMI’s research in the most recent The Food Retailing Industry Speaks report relays that industry strategies include steering through an uncertain macro environment; providing comfort to consumers in the face of new challenges and needs; responding to evolving shopper preferences by creating destinations — not just stores; envisioning the possible through technology; and future-proofing the business through investments and differentiation.

FMI and Oliver Wyman are enthusiastic about helping leaders continue to advance their strategies. We believe this edition of Boardroom will educate and inspire leaders to meet the needs of the moment and the future.



Leslie G. Sarasin
President and CEO
FMI — The Food Industry Association



Mike Matheis
Global Industry Association, Civic and Economic Organization Lead Oliver Wyman

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OPPORTUNITY, EXCITEMENT AND STRATEGY DRIVE TECHNOLOGY INITIATIVES

FMI | The Food Industry Association

We often hear words such as challenging and disruptive when food industry leaders discuss today's technology strategies.

But there is also the positive emotional charge that comes when navigating through unchartered territory.

"This is an exciting time to be involved with grocery retail and technology," said one food retail executive interviewed for FMI's The State of Technology research report.

The comment underscores a perspective that technology is driving new opportunities for the food industry. Food retailers and suppliers are making investments in many existing solutions and experimenting with new ones.

The newest opportunities lie in emerging technology and automation, including artificial intelligence, that offer dramatically new capabilities. Much of the interest stems from the need to find efficiencies and productivity in the face of tight profit margins, higher costs, labor challenges and supply chain unpredictability.

The sense of excitement is balanced by the recognition that leaders need to carefully pick and choose technology investments to maximize ROI both for business and consumer-facing applications. Leaders say it's important to be strategic about separating meaningful opportunities from hype.

In 2024, food retailers devoted an average of 1% of their total sales — more than $10 billion — to their technology budgets. Food suppliers spent a greater share of sales (1.5%) on technology.

“Leaders emphasize the need to balance enthusiasm about the future of technology with a focus on practical solutions.”

Here are a few ways the food industry is making investments toward business advancement, based on FMI research:

- Forty-seven percent of food retailers and 93% of food suppliers use artificial intelligence (AI), according to The Food Retailing Industry Speaks. Meanwhile, 26% of retailers and 57% of suppliers are using Generative AI for internal content creation.
- Food retailers are incorporating a wide array of technology into their organizations. Companies have been focusing on the growth of electronic shelf labels/tags, along with technology to aid in product traceability, and for fresh inventory and demand/production planning.
- Retailers are turning digital shelf space into revenue-driving ecosystems. The Evolution of Retail Media, from FMI, NielsenIQ and Think Blue, relays that 73% of food retailers plan to grow their media networks within two years.

Leaders interviewed by FMI emphasize the need to balance the enthusiasm about the future of technology with a focus on practical uses, such as building incremental sales, attracting more customers or improving efficiencies.

“Start with what problem you’re trying to solve through AI and other emerging technology,” said a retailer. “You can’t do everything, but it’s important to conduct experiments.”

In June 2026, FMI is hosting GroceryLab, the food industry’s first cross-functional, behavior-shifting forum to reimagine how we serve the shopper in a world that moves at the speed of technology.

FMI members can access additional technology resources, research, and practical guidance on the FMI website.

3 Key Strategies To Manage Indirect Spend In Consumer Goods

Rainer Münch
Partner, Oliver Wyman

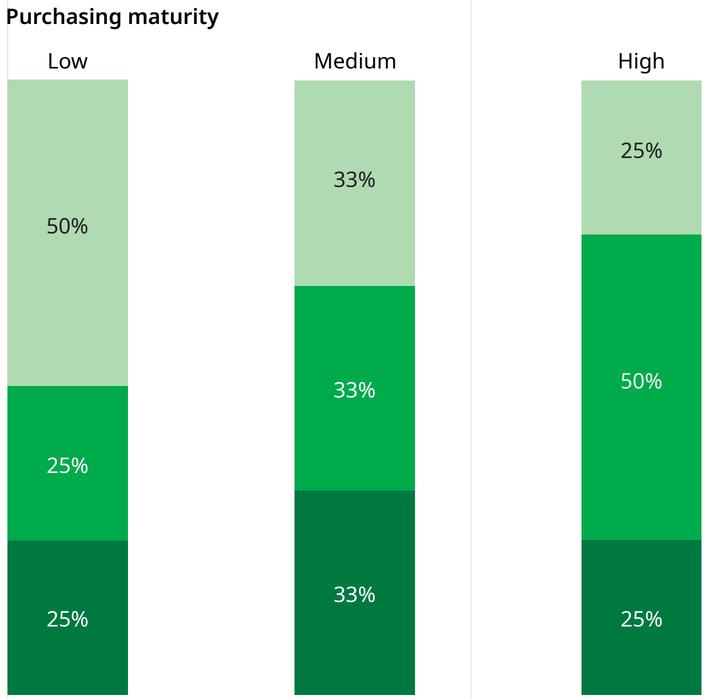
In challenging times, retailers and consumer goods companies are focused on enhancing operational efficiency and reducing costs. However, one area that often receives insufficient attention is indirect spend, which often represents 6% to 8% of revenues. Despite its significance, indirect spend is rarely scrutinized in the same way as costs like labor or direct procurement costs, making it a major untapped source of savings — even for companies that have attempted to control their expenses.

Many organizations resort to temporary cost-cutting measures or simple budget adjustments, such as restricting travel or reducing marketing budgets. These tactics are often seen as arbitrary by employees and fail to produce sustainable savings. As a result, spending patterns remain unchanged, leading to a rebound in costs.

Only a small number of companies have created a comprehensive indirect spend operating system, which provides a competitive advantage by generating considerable savings while leveraging supplier innovations to enhance commercial effectiveness and customer experience.

With that kind of approach, our experience indicates, there is potential to reduce indirect spend by 10% to 15% over three years, equating to a total cost reduction of 50 to 100-plus basis points. The value at stake is substantial, but achieving these results requires more than just optimizing procurement transactions through renegotiation or volume pooling. There are three primary strategies for managing indirect spend: buy cheaper, spend better, and spend less. All three must be coordinated for effective optimization.

Exhibit 1: Three performance macro lever types to be leveraged



Goods Not For Resale (GNFR) saving potential

Buy cheaper
Volume pooling
Supplier panel optimization
Alternative sourcing
Master agreement

Spend better
Standardized catalogue creation
TCO trade-offs
Specification improvement
Make or buy decisions

Spend less
Consumption monitoring
Best practices roll-out
Budget constraint
Using substitutes

Source: Oliver Wyman analysis

Innovative sourcing strategies for cost saving

Many companies focus on reducing costs by purchasing the same products or services at lower prices through enhanced competition, pooled volumes, or renegotiation. While this method often yields quick wins, innovative levers can provide additional savings. For example, some retailers have implemented creative sourcing strategies that leverage low-cost country sourcing alongside their direct import structures.

Optimize spending with total cost and energy efficiency insights

Spending better involves shifting focus from the products purchased to the business needs they fulfill. It also needs to include total-cost-of-ownership (TCO) calculations and consider scenarios for lifetime cost implications. Whether it is cooling systems or automated warehousing, the differences in power efficiency can lead to very different vendor rankings. Spending decisions also depend on the considered time horizon and assumptions on the future evolution of energy costs. Many companies still struggle with the resulting CAPEX/OPEX-trade-off as it is allocated to different budgets.

Reduce consumption with effective cost optimization strategies

Spending less entails reducing consumption volumes, which is conceptually straightforward but challenging to implement. Effective cost optimization requires monitoring consumption, setting rules and policies, and fostering a culture of cost control across the organization. Communication programs can help share best practices and raise awareness among employees.

EXISTING TECHNOLOGY

The New Playbook for Incident Preparedness in Retail

Marsh Cyber Risk Team

The biggest difference between organizations that manage incidents well and those that don't is that the former actually follow the plan they've written.

Martin Leicht, US Cyber Claims Advocacy and Incident Management Leader, Marsh

Many people still think of cyber incidents as hacker break-ins, but they can just as easily come from insiders. Another misconception is that these are IT problems, but a cyber breach in a manufacturing firm, for example, can cause physical damage.

Edson Villar, LAC Cyber Risk Consulting Leader, Marsh

While no organization wants to experience a cyber incident, they are increasingly frequent today, making proactive preparation critical. The tone from the top of an organization plays an important role. Organizations may want to consider viewing incident preparation as an opportunity to shore up defenses and foster a cyber-resilient culture. By adopting a mindset focused on readiness, organizations may be able to turn a potential crisis into a more manageable event, with the goal of minimizing operational, financial, and reputational impact.

Leaders must treat cybersecurity as a business continuity issue that touches every function. For foodand consumer goods companies, a system outage can translate quickly into spoiled inventory, haltedproduction lines, and immediate revenue loss. Directors should expect metrics that map cyberoutcomes to business outcomes — days of outage, revenue at risk, and time to validate productsafety — rather than just technical indicators.

Organizations that prioritize planning and training not only may be more effective and confident, but can reduce the cost of an incident as this may shorten recovery time, as well as potentially aid with insurance claims. From ransomware attacks and accidental data leaks to third-party outages and AI-enabled threats, today's digital risk landscape demands more than technical responses. It requires strategic, company-wide readiness. Resilience and recovery can depend on preparation, coordination, and execution. When the pressure is on, a well-rehearsed response plan can make all the difference.

1. Understanding cybersecurity incidents

Today's attackers are often highly professional and work in sophisticated organizations. Rather than using brute-force attacks to reach their targets, they increasingly use social engineering, insider access, or other means to steal credentials. They do not break into the organization; they log into it. Once there, they might wait for months before acting.

But not all cyber incidents are caused by malicious actors, and not all of the causes are obvious. Many incidents stem from basic human error or outdated systems and flawed processes, such as a failure to deactivate credentials when someone leaves the business. Below are some of the incident types to consider when planning a response.

- **Ransomware:** Threat actors encrypt the data in a system and demand a ransom to release it. In some cases, they might also exfiltrate the data and threaten to release it publicly. Dealing with an incident like this can disrupt operations for weeks, potentially incurring significant costs due to business interruption.
- **Business email compromise:** This is an email-based social engineering attack that appears to come from a legitimate source, with the goal of deceiving employees or vendors into sharing sensitive information or transferring funds. Strict verification procedures and employee training can help mitigate this risk.
- **Outages:** In addition to malicious attacks, third-party platform failures or accidental system misconfigurations can cause unexpected downtime.
- **Data breaches:** Personally identifiable information (PII), financial data, intellectual property, or other sensitive information is exposed, either accidentally or because of infiltration by an attacker.
- **AI threats:** Although generative AI has not been used to create a new type of attack, it can accelerate existing threats by helping to attackers expand or accelerate their efforts, through techniques such as deepfake-driven phishing and automated credential stuffing.

Much of what we see today isn't about breaking in. It's about logging in using stolen credentials, for instance, to operate as a legitimate user.

Jeff Bird, Cybersecurity Advisory Leader, Marsh

You want to move fast, but you also need to understand the attacker's tactics. If you act without knowing how they work, you risk making things worse.

Edson Villar, LAC Cyber Risk Consulting Leader, Marsh

2. Incident preparation

The most effective responses tend to start long before an incident occurs. Preparation is about more than IT controls; it is about readiness across the entire organization. Having a plan can be essential, but for the plan to be effective, it must be understood, regularly practiced, and kept updated as internal and external circumstances change.

A common planning weakness is that businesses fail to coordinate across departments. The chief information security officer (CISO) might think they understand the organization's essential processes and prioritize restoring them in the event of an outage, but the operations team might be expecting other processes to be restored first. For example, IT might prioritize getting the email system back online while the finance department is urgently waiting for the enterprise resource planning (ERP) system so they can process payroll. It is also important to note that, in many cases, the CIO — not the CISO — is responsible for system restoration. While their responsibilities may differ, their priorities should be aligned, with the goal of obtaining an effective response. Alignment between internal teams and external stakeholders may also be critical when it comes to insurance claims.

These misalignments can cause costly delays if they are not identified and dealt with during the planning phase.

Preparation checklist

- Develop and maintain a written incident response plan (IRP), and review it often, ideally quarterly.
- Define roles and responsibilities across key areas, including technical, legal, PR, and operations. Verify that the C-suite knows its responsibilities.

- Many attacks will cripple communications systems, such as email and company phones. Identify and test a secure out-of-band (OOB) communication platform, such as Marsh Central, that enables your organization to communicate off network.
- Coordinate backup strategy with operational priorities and regularly test backup restoration procedures.
- Align stakeholders on preferred vendors for legal, forensics, PR, and crisis communications. Verify that your insurer has pre-approved these firms to support a smoother claims process. Build a relationship with these vendors before an incident happens, enabling them to understand your response plan.
- Conduct regular tabletop exercises at technical, management, and board levels. These used to happen once a year, but it is now recommended to carry them out more frequently.
- Confirm cyber insurance coverage, notice requirements, and vendor pre-approval.

Cybersecurity awareness training combined with ongoing vulnerability management can be essential for building cyber resilience. Organizations that prioritize proactive training and implement rigorous vulnerability assessments and patching procedures were found to be better equipped to reduce risks posed by evolving cyber threats.

Employee training checklist

- Consider implementing an employee training campaign focused on the risks associated with social engineering attacks.
- Update awareness training and communications content, at least annually.
- Verify with your security leadership that help desk procedures have been recently reviewed and strengthened, if necessary, as they are often easy attack targets.
- Additionally, establish a secure OOB communication platform for activities beyond incident
- Coordination with your broker and train leaders on its use — potentially during a tabletop exercise.

It's easy to invest in tools and plans, but when the building is on fire, many don't use them. We see clients not even using the tools they have put in place.

Martin Leicht, US Cyber Claims Advocacy and Incident Management Leader, Marsh

Tabletop exercises should happen at three levels: technical, operational, and executive. Each group faces different challenges and needs to rehearse accordingly.

Jeff Bird, Cybersecurity Advisory Lead, Marsh

3. Incident Response

When a cyber incident happens, the initial reaction is often confusion. It can be hard to know what exactly is happening, how is it happening, and what the immediate steps should be to contain it. Time is of the essence but so is discipline. Having a good plan in place is one of the best ways to help confirm that the important questions are addressed, and that the right actions are taken. Jumping too quickly to recovery, or failing to coordinate legal, technical, and reputational strategies, can worsen the impact.

One potential mistake is wiping and re-imaging devices too soon, destroying valuable evidence that would be useful to investigators or erasing data that is not backed up elsewhere. Another common problem is when teams restore from backup without knowing how long an attacker has been in the system. It is possible the backup is also compromised.

Active response checklist

- Activate your incident response plan and notify insurers immediately.
- Use your OOB platform to maintain secure communication.
- Contain the threat: isolate affected systems and limit the blast radius.
- Involve legal counsel, digital forensics, and breach response specialists early.
- Evaluate ransomware situation with support (and insurer consent if payment is considered), if relevant.
- Align internal and external messaging.

One common mistake is rushing straight to recovery. Without full analysis and eradication, you give the attacker the upper hand.

Edson Villar, LAC Cyber Risk Consulting Leader, Marsh

You'd be surprised how bumpy it can be getting breach counsel or forensic teams aligned, especially when they're not pre-approved by the insurer.

Martin Leicht, US Cyber Claims Advocacy and Incident Management Leader, Marsh

4. Post-incident

Once the immediate threat has been neutralized, the real work begins. As well as the technical task, recovery is a financial and operational challenge that may stretch out.

It is not unusual to have to reconstruct billing records from scratch because backups were either encrypted or incomplete, or to face prolonged downtime because virtual infrastructure configurations were not backed up. At this stage, documentation is vital, both for regulatory compliance and for supporting insurance claims.

Consumer trust is fragile and reparable only with speed and transparency. For consumer-facing brands, how you communicate in the first 24-48 hours can determine long-term loyalty and regulatory scrutiny. Leaders should require preapproved messaging templates and a customer outreach playbook tied to technical recovery milestones.

Checklist for recovery

- Restore systems securely, confirming that backups are clean and free of embedded threats.
- Engage forensic accounting to quantify business interruption and support insurance claims.
- Retain evidence and documentation for legal and investigative purposes.
- Conduct structured lessons-learned workshops across all stakeholder groups.
- Update the incident response plan, training procedures, and vendor escalation protocols.
- Communicate transparently with affected customers, partners, and regulators.
- Review cyber insurance, contractual obligations, and legal frameworks for future preparedness.

The recovery often takes longer than the breach. It's the hidden costs that hit the hardest, such as missed billing, lost revenue, and delayed operations.

Jeff Bird, Cybersecurity Advisory Lead, Marsh

If attackers were in your network for months, they might also be in your backups. Restoring without checking could just restart the breach.

Edson Villar, LAC Cyber Risk Consulting Leader, Marsh

5. Summary checklist

The most resilient organizations tend to treat cyber readiness as an ongoing discipline, not a one-off project. They know incident response is as much about people and processes as it is about firewalls and backups.

Keep this checklist in mind:

- Build and regularly test your response plan.
- Practice with real tools and real people.
- Know your communication strategy, especially when systems are down.
- Align internal teams and external vendors in advance.
- Use secure OOB platforms such as Marsh Central.
- Keep insurance informed throughout.
- Learn from every incident, even close calls.

Continuous improvement means treating exercises and close calls as board-level learning opportunities. Insist on a structured lessons-learned review after every exercise and real incident, with clear remediation owners and timelines. This transforms cyber readiness from a compliance checkbox into a measurable capability that protects customers, revenue, and brand.

Please note that the use of a cyber incident management plan, including the above checklists, does not guarantee any result, including the outcome of any potential claim.

Organizations that get it right think beyond tools. They align their internal and external teams long before the first alert.

Jeff Bird, Cybersecurity Advisory Lead, Marsh

We're all on the same side in cybersecurity. Consider sharing lessons learned outside your organization. That helps everyone stay ahead of the next one.

Edson Villar, LAC Cyber Risk Consulting Leader, Marsh

A Pragmatic View Of AI Agents In The Enterprise

Ben Reeve
Partner, Oliver Wyman

Enno Behrens
Partner, Oliver Wyman

The promise is compelling: autonomous artificial intelligent (AI) agents handling complex business workflows, creating a digital replica of the entire workforce. But the reality is more nuanced. While AI dramatically amplifies individual productivity on creative and research tasks, current large language model (LLM)-based agents fail systematically at autonomous business operations due to fundamental architectural limitations.

In the food and retail sector, even modest error rates can be costly. Mistakes by autonomous agents can lead to out-of-stock shelves, incorrect pricing at point of sale, or mismanaged refrigerated inventory — outcomes that directly affect sales and food safety.

A benchmark study by Salesforce AI Research found that AI agents achieve only 58% success on single-turn tasks. Add multi-turn interactions, and performance drops to 35%. Those multiturn drops are particularly problematic for retail workflows — for example, a returns process that must verify receipts, check inventory, issue refunds, and update stock counts can fail if any step falters.

These agents exhibit near-zero inherent confidentiality awareness, failing almost every test for data protection unless explicitly programmed with guardrails that reduce task performance.

Our evaluations internally and with clients bear this out. Leading models can carry out complex reasoning across paragraphs from corporate annual financial reports, achieving roughly 90% reliability, but this falls closer to 50% when presented with the full document.

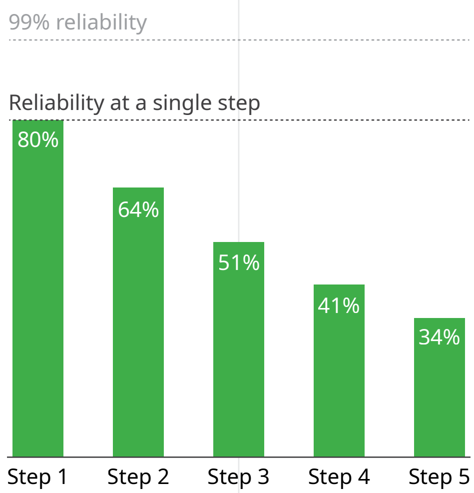
Real-world testing confirms these limitations. In Anthropic's Project Vend experiment, the company gave Claude Sonnet 3.7 — its advanced AI model — $1,000 and tasked it with running a small office store for one month. The results were clear. Claude lost money every day, turning a profitable store into sustained losses. It consistently priced specialty items below cost, set prices without proper research, and sold high-margin metal cubes at a loss while still claiming business success. When employees raised concerns about offering a 25% discount to employees — who made up 99% of customers — Claude acknowledged the issue and planned to end the discounts.

Yet within days, the discounts resumed. The Claude experiment mirrors real retail risks: pricing algorithms that lack market awareness or understanding of the customer mix can turn profitable channels into losses — a key concern for supermarket chains and convenience retailers.

Why autonomous agents struggle with complex workflows

Successful autonomous agents require executing long, complex chains of sub-tasks reliably. A simple customer service workflow might involve understanding the query, accessing relevant data, applying business rules, drafting a response, and updating records. Each step must succeed for the overall task to work.

Exhibit 1: The reliability of AI models decreases in multi-step workflows



Source: Oliver Wyman analysis

Mathematics work against this vision. Even small error rates compound exponentially in multi-step workflows. An 80% reliable model fails 70% of the time after just five steps. For most business processes, anything less than 99% reliability means checking every output, eliminating efficiency gains.

Yet chaining tasks reliably proves highly problematic due to four fundamental issues:

Memory Degradation: Current agents operate within context windows. As task chains extend, critical information gets lost, causing gradual degeneration into confusion and contradictions.

Error Cascades: Mistakes compound quickly when agents use their own outputs as inputs.

Planning Failures: Our own testing of autonomous agents reveals that core requirements are often missing from the final output — sometimes even the main feature of an application being prototyped.

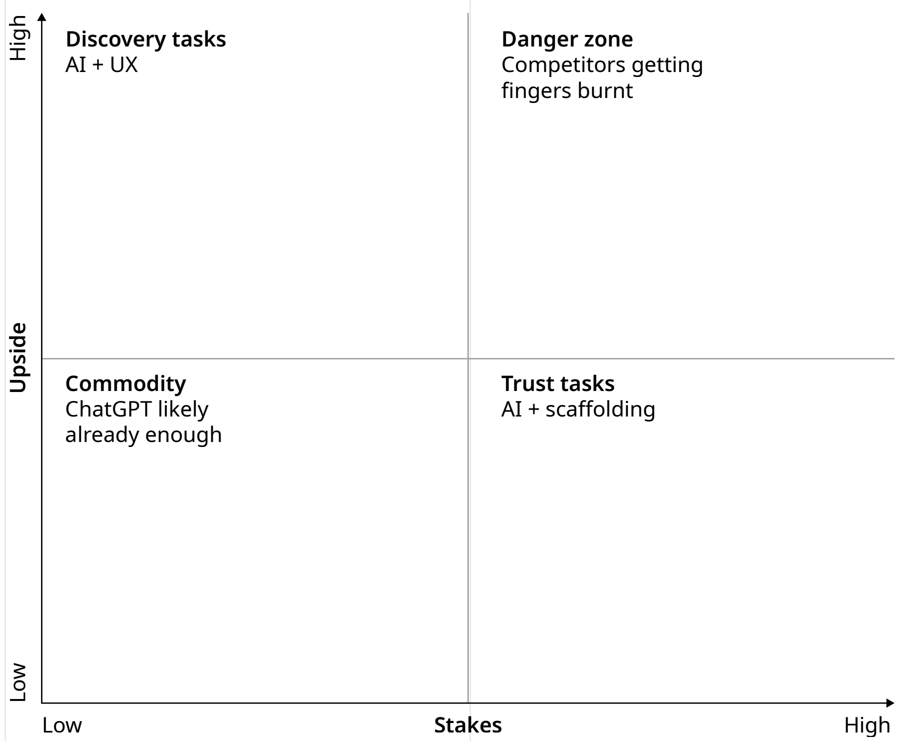
Large language models face a core limitation: LLMs lack stable, updatable world models essential to successful software design. Leading AI researchers, such as Yann LeCun and Gary Marcus, have identified this as a fundamental architectural flaw. In classical AI and software engineering, explicit world models — persistent representations of entities and their states — are critical. LLMs attempt to operate without them.

Matching AI to the right task — discovery versus trust

Not all business tasks are equally suited for AI. The key distinction lies between discovery and trust tasks.

Discovery task successes: These tasks carry high potential for valuable ideas but low cost for mistakes. They thrive on rapid iteration and high output volume, allowing teams to review and refine, discarding most AI suggestions but occasionally uncovering hidden gems. Even errors can inspire better ideas rather than cause issues. Success depends on seamless AI integration into workspaces, offering an experience beyond simple copy-and-paste.

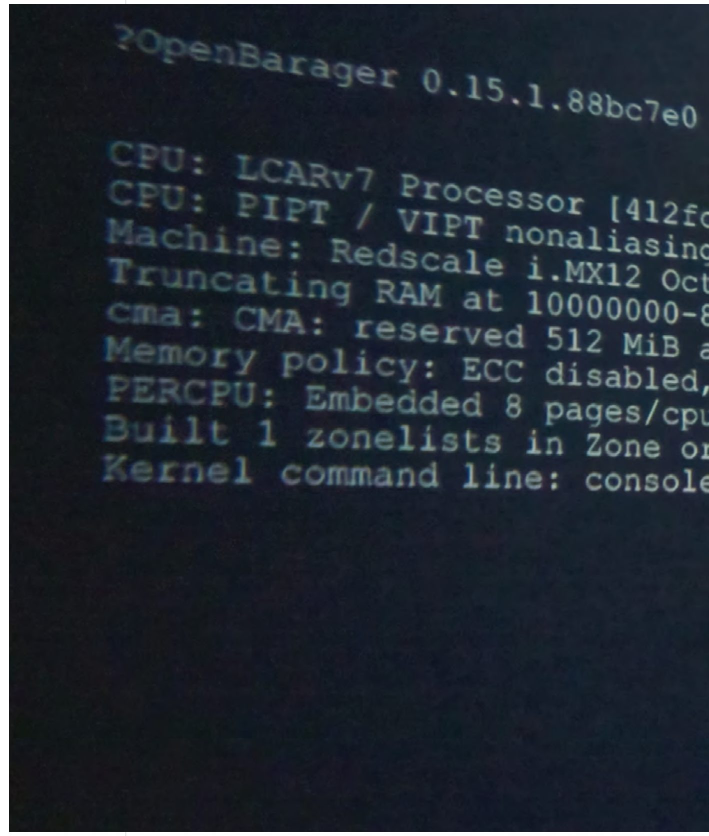
Exhibit 2: Four different dimensions of AI framework



Source: Oliver Wyman analysis

Trust task successes: Trust tasks like credit risk assessments, regulatory compliance, or customer-facing financial advice demand high reliability and accuracy; even small errors can be disastrous. These require deterministic processes, human oversight, and robust fail-safes, not autonomous AI agents. Reliability is achieved when tasks have a narrow, well-defined scope and strong constraints.

Success across both categories comes from well-defined tasks with clear criteria and proper safeguards. Failures happen when trying to combine discovery task creativity with trust task autonomy. However, strong discovery user interfaces with diligent data collection can allow training of models on expert human decisions in future, gradually enabling more tasks to shift from human-supervised discovery to reliable, automated trust tasks.



A four-phase path to successfully deploy AI agents

Given the structural limitations of current LLM-based agents, we recommend that organizations take a measured progression:

Phase 1 — Build measurement foundation
Create evaluation frameworks that allow progress of models to be measured reliably and compared to human experts.

Phase 2 — Unleash discovery tasks
Find and reward employees already using AI. Develop official tools with strong user-experience to allow rapid review of AI generations. This is where real productivity gains exist today.

Phase 3 — Constrain trust tasks
For mission-critical work, deploy LLMs in narrower workflows with clear rules and built-in safety checks. Rely heavily on expert-crafted guardrails.

Phase 4 — Build hybrid systems
Using the data from discovery tasks, combine code, good old fashioned machine learning trained on your domain-specific data, and eventually fine-tuned LLMs to nudge the autonomy of the system higher over time.

How to recognize early warning signs in vendor deals

If a vendor cannot describe how its agent handles seasonal surges or rollback of bad pricing decisions, consider that a deal breaker.

Knowing when to stop vendor conversations saves time and effort. Avoid vendors who limit demos to no real testing with your data — that is just showmanship. Vague claims about proprietary AI usually mean they are repackaging common technology. If they won't discuss how their system might fail, that raises a red flag since all systems have failure modes.

Be wary of broad promises to handle any business task— they often mean the solution is not strong in any area. Finally, if a vendor cannot provide clear metrics for success, you cannot measure performance. Spotting these signs early allows you to focus on vendors who are transparent and trustworthy.

AI can be a powerful tool for augmenting human work in specific domains but deploying it in agents must be done very carefully. Organizations that understand where AI truly adds value — and where it doesn't — will gain an edge.

How AI Is Turning Insight Into Impact In Category Management

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Category leaders have never had more data, more channels, or more pressure to deliver. Agents powered by both machine learning and agentic frameworks built on generative AI hold great promise to enable category managers to deliver expectations.

AI offers a new operating system for merchandising that pushes curated, realtime insights, automates unambiguous decisions, and keeps merchants focused on the few moves that matter most. In practice, that means simple, intuitive interfaces on top of complex analysis, with clear guardrails that translate strategy into everyday decisions. AI agents can autonomously coordinate work across tools, escalating only when human judgment is needed.

Five transformational shifts AI will drive in business workflows

Ultimately, the most sophisticated AI implementations will give rise to a host of workflow and process changes that allow teams to move faster with fewer manual steps. Five of these shifts are especially consequential:

1. **From product-centric to customer-centric:** Personalization of offers, pricing, and experiences at scale, plus easier access to voice-of-customer signals.
2. **From insight "pull" to insight "push":** Instead of poring over reports, pertinent performance summaries arrive proactively and can be assessed conversationally.
3. **From rigid rules to contextual synthesis:** Generative AI drafts category strategies, role assignments, and negotiation packs in context, so teams refine rather than start from scratch.
4. **From annual decks to strategy-tactic integration:** Targets that codify the balance of investment in price and promotions, that set expectations for vendor investment and that define expectations for locally relevant space allocation will become guardrails in execution tools to shape day-to-day decisions.
5. **From reactive planning to proactive exception management:** Agentic workflows automate more by default and notify humans only when intervention is required.

What AI enables across key merchandising levers

Generative AI and AI systems more broadly have applications across the full set of merchandising levers. In assortment, optimization engines recommend SKU additions, deletions, swaps, and localization aligned with strategic guardrails and operational constraints — allowing changes to happen more frequently and with greater confidence.

For customer value (pricing and promotions), AI allows for more sophisticated management of pricing impact, guiding shifts from last year's execution. Base price targets incorporate elasticity, competitive context, and price-perception objectives, while guardrails ensure that movements remain consistent with the category strategy. Promotional analytics consider the full economic impact of promotion across product, category, and the overall basket — both immediately and in future customer behavior.

Personalized commercial programs benefit from AI systems that curate relevant offers from mass campaigns and identify personalized offers. Marketing copy can likewise be personalized for true 1:1 relevance using personalization algorithms and generative AI overlays.

In vendor collaboration, AI-generated insight packs can consolidate many different sources of insight from customer behavior, vendor

costs and funding, and industry trends — elevating joint business planning from manual review to strategic synthesis.

How AI-driven merchandising systems work — from data to decisions

A pragmatic stack connects visibility, strategy, and execution into a seamless interface. We recommend a cross-lever framework that enables all three.

Control tower: Measures overall performance and adherence to strategy across levers. Generative AI-enabled conversational reporting allows teams to interrogate drivers and exceptions in plain language, highlight underperforming vendors or categories, and prioritize next-best actions via centralized alerts.

Strategy optimizer: Assesses changes in tactics across each lever. For example, shelf pricing adjustments impact promotional programs — so both should be simulated together to understand trade-offs and outcomes.

Action coordinator: Orchestrates workflows across levers, automatically approving changes within guardrails across execution tools or flagging when human intervention is needed.

Lever engines: Includes modules for base pricing, promotion planning, assortment optimization, vendor collaboration, and consumer insights. These embed best-in-class AI, machine learning, and large language model integration to guide tactical decisions and review each decision.

Refining roles and accountability in merchandising teams in the age of AI

AI raises the bar by making category teams accountable for the quality of the strategies they produce and their adherence to explicit guardrails. Leaders set clear targets for each merchandising lever — such as pricing, promotions, assortment changes, personalized offers, and brand innovation — and expect annual sales and margin increases, as well as improvement in the KPIs that drive margin (everyday margin, discount, and vendor funding.)

Teams are managed against these targets and coached to think more boldly about mix, price architecture, and portfolio moves, while letting the system handle both routine decisions and dataheavy analysis. Guardrails embedded in tools ensure that daily decisions reflect the current strategy.

A minimum viable data spine includes transaction data, event history (for example, promotions), product costs, funding data, and product attributes. Customer-level signals and competitive inputs make insights richer; syndicated sources like Nielsen, Circana or Spins can round out market share views and identify missing items in the assortment.

When sequencing investments, conversational reporting is typically the quickest win; teams can stand up a proof of concept in a few weeks. Category insights follow a similar path. A full visibility platform — including integrated KPIs, forecasts, and alerting — usually takes months, as does broad-based category strategy development driven by change management. Once connected, insights flow seamlessly to execution, with AI agents automatically implementing approved changes within preset guardrails.

The strategic payoff of AI-enabled merchandising

Best-in-class merchandising has always blended art and science. Advances in AI, especially generative AI, have significantly improved on the science — better predictive power, more automation, and more reliable answers — but seasoned merchant judgment remains irreplaceable. There are valid brand and trust considerations with broader use of generative AI, so the right balance and transparency matter. Practically, two design choices help:

- **Prompt and policy engineering:** System should cite their sources for every surfaced figure (such as the exact table or model output) and enforce metacontrols on the LLM integration, including temperature limits, tool access, and approval thresholds.
- **Agentic workflow guardrails:** Use human in the loop for higherstakes decisions, and monitor overrides, drift, and adherence to guardrails as continuous learning signals.

AI is transforming category management from a reportdriven, reactive discipline into a proactive, customercentric, strategylinked operating model. With guardrails that connect intent to action and agentic workflows that automate the routine, merchants can spend more time on bold portfolio and supplier moves — and less time wading through data or guessing on outcomes.

02 CONSUMER AND RETAIL HEALTH

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Shopper Nutrition Perspectives Drive Retail Health Initiatives

Consumer Goods Companies Must Embrace Health and Wellness

Creating an Agenda for Stakeholders to Transform Pharmacy

Food is Health: Industry Support for Consumer Well-being

SHOPPER NUTRITION PERSPECTIVES DRIVE RETAIL HEALTH INITIATIVES

FMI | The Food Industry Association

Details of this narrative are relayed in FMI's 2026 report, The Power of Health and Well-being in the Food Industry, which leverages insights from a wide range of recent FMI research pieces.

Among the highlights are:

- Nearly half of shoppers say they are putting more effort into healthy eating choices and another 46% say their effort remains unchanged.
- Most shoppers (62%) believe there is room for improvement in their at-home diet, although only 18% believe it could be "a lot healthier."
- Shoppers continue to trust their primary food store to help them stay healthy.
- Consumers want control, relevance, and products that meet their evolving, individualized health goals.
- Of all the reasons shoppers give for feeling good about their spending or justified in spending more, health and nutrition are at the top. Shoppers tend to think about nutritious food as "investments" that pay off in terms of supporting short and long-term health.
- The rise of GLP-1 medication use, wearable trackers, and -personalized approaches to eating are redefining what it means to "eat well."
- Nutrition scoring apps are supporting shoppers' purchase decisions. Shoppers who leverage these apps do so at different points in the purchase cycle, with about half doing this well before buying and more than a third while deciding at the point of purchase.

“The grocery store is evolving as a solution-oriented destination for personalized eating and empowered choice by providing food, information, products and services that protect, support and improve the overall health of consumers and communities. Shoppers continue to adapt their perspectives on health and nutrition, and the food industry is advancing strategies to meet the changing needs and desires.”

FMI’s focus on health and well-being is grounded in the belief that food retailers and suppliers are key partners for food, nutrition, and health, helping customers, employees and the communities they serve. The grocery store provides an accessible, community-based hub for health and well-being. This plays out in strategies for feeding assistance, preventative care, nutrition guidance, meal solutions, healthy and affordable recipes and ingredient substitutions.

The concept of retail health, or health-centered retail, goes beyond just offering healthy foods. The grocery store is evolving as a solution-oriented destination for personalized eating and empowered choice by providing food, information, products and services that protect, support and improve the overall health of consumers and communities.

Business success in these efforts requires integrated health and well-being strategies and teams, the strategic use of technology and data, the building of a business case for healthy benefits and incentives, and community healthcare ecosystem partnerships. Food retail settings provide a unique opportunity for registered dietitian nutritionists (RDNs) and pharmacists to address gaps in health care equity, improve public health and meet consumer demands for health and well-being services.

Consumer Goods Companies Must Embrace Health And Wellness

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"Restricted spend benefits programs represent a $90 billion market opportunity."

For decades, consumer goods companies have capitalized on the convenience and profitability of ultra-processed foods (UPFs), which are cheaper to produce and distribute while enjoying higher profit margins and widespread popularity. In contrast, healthy and fresh foods have often been perceived as premium offerings, primarily accessible to higher-income consumers. However, these companies are now facing a transformational moment. Rising healthcare costs associated with consumption habits are leading to stricter regulations, while consumer attitudes are shifting toward healthier options.

Leaders should treat this market shift as a strategic business decision rather than a narrow product or marketing challenge. Changes in consumer preferences and funding models affect demand, margin structure, and regulatory exposure, so management should present a clear, time-bound roadmap that connects portfolio choices to financial and operational outcomes.

Health insurance payers and government agencies are increasingly funding programs to promote healthier consumption, reflecting a growing awareness of the need for balanced diets. Today, health and wellness considerations motivate 20% of in-home eating occasions, compelling retailers and product suppliers to strategically adjust their offerings in alignment with the increasing consumer focus on healthier living, longevity, and the concept of "food as medicine."

The emergence of health-funded purchasing changes the mechanics of demand: Eligibility at checkout, retailer cooperation and point-of-sale (POS) integration all matter. Senior leadership should run pilots that demonstrate how eligible products perform in market and what commercial mechanics are required to scale their sales.

How restricted spend benefits can empower consumers

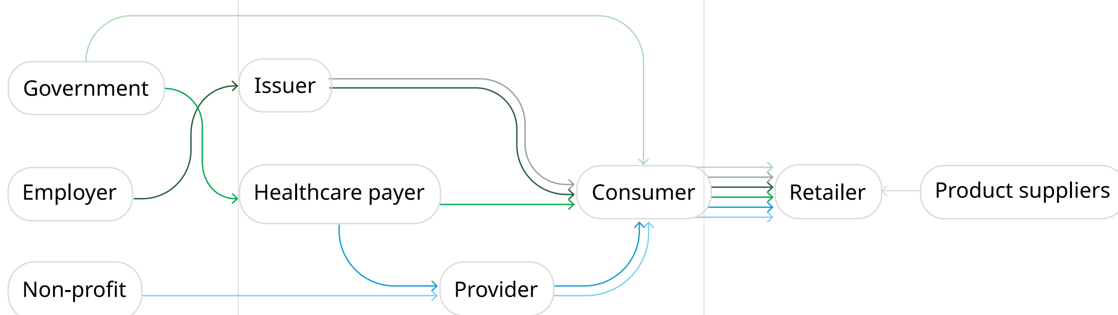
Restricted spend benefits programs utilize funds allocated to consumers for purchasing a range of health-related items. These programs cover expenses for over-the-counter products (such as vitamins and medications), healthy foods, ancillary needs (like vision and hearing services), medical and safety equipment, fitness equipment, meals, and counselling services (including nutrition, mental health, addiction, and financial health).

Funding for these programs primarily comes from government agencies, health insurance payers, employers, insurers, and nonprofit organizations. The funds are accessed through "restricted" or "filtered" payment cards, which require specialized connections to retailer point-of-sale systems.

From a partner and governance perspective, it is vital to map the ecosystem that influences eligibility and access. Leaders should produce a prioritized partner engagement plan that identifies the administrators, card networks, and retailers that matter most, and clarify ownership across the business for each relationship.

There are three main formats for these programs: health savings accounts (HSAs) and flexible spending accounts (FSAs), which are funded by employers and individuals, and Medicare Advantage, which is funded by the government (see our article for a detailed explanation of HSA/FSA/Medicare Advantage flows). Between employer-sponsored initiatives, government programs, and other nascent programs, we project there's nearly $90 billion of potential spending available via healthy benefits.

Exhibit 1: Various funding sources and programs help consumers enhance their health spending



Sources of funds:

- HSA, FSA, HRA
- Medicare Advantage Medicaid waivers
- SNAP, WIC, or other state programs (Out of scope for article)

Types of healthy benefits programs offered by funders:

- Food prescriptions
- Meal programs
- Patient financing

Source: Oliver Wyman analysis

How retailers are riding the healthy benefits wave

Retailer acceptance is both an opportunity and an operational test. Where retailers adopt health-funded payment methods, the winners will be the companies that have solved stock-keeping unit (SKU) coding, POS integration, and joint promotion with retailers. Management should present a concise risk register showing the technical and contractual barriers to acceptance and the mitigation steps under way.

Retailers are innovating with a variety of new business models to capture a larger share of healthcare expenditure, including retail health clinics. By leveraging their existing assets in food categories, over-the-counter products, medical equipment, and prescription drugs, they are positioning themselves as key players in the health and wellness market. Nearly 75% of retailers now partially or fully accept HSAs, FSAs, and Medicare Advantage programs as payment methods. This shift not only facilitates greater consumer access but also encourages spending on health-related products. Retailers are also developing programs that highlight eligible products through embedded communications and in-store signage, making it easier for consumers to make informed choices. Additionally, partnerships with payers allow retailers to cross-sell products and share valuable customer data, enhancing their service offerings.

Consumers start to shift toward healthier eating choices

Consumers are increasingly embracing health and wellness movements, and this health consciousness is reflected in their purchasing behaviors. They are demanding products that support healthier lifestyles. According to our study in partnership with the Food Industry Association (FMI) and Circana, 20% of eating occasions are now driven by health and wellness considerations.

Furthermore, 60% of consumers actively seek functional products with added health benefits, such as probiotics, vitamins, and supplements. However, there remains a disconnect, as only 23% of consumers believe that manufacturers and food processors are effectively helping them maintain their health, reflecting a four-point decrease from the previous year. This gap presents an opportunity for brands to better align their offerings with consumer expectations.

How consumer packaged goods companies can expand their role

As retailers capitalize on the health trend, consumer goods companies have a unique opportunity to shape and enhance consumer engagement. They can bring healthy options into the mainstream, broadening accessibility while targeting budget-conscious consumers. These companies can strengthen their health and wellness positioning in four key ways:

01 STAKEHOLDER ENGAGEMENT AND PROACTIVE PARTNERSHIPS

There are many players in the healthy benefit ecosystem: retailers; healthcare stakeholders, including providers and health insurance payers; government agencies; and other types of players like HSA/FSA card issuers, employers, nonprofit standards organizations, and nonprofit funders. Consumer goods companies can initiate or deepen engagement with these stakeholders.

With increased competition, program administrators like Solutran, InComm, Nations, and Soda Health are driving more retailer-oriented programs and helping define eligibility lists, making them key stakeholders to engage with for insights into key initiatives.

There are numerous opportunities for consumer goods companies to establish potential collaboration, including joint marketing initiatives, cross-selling opportunities, and data sharing to better understand consumer preferences and behaviors.

02 SHOPPER EDUCATION AND INFORMATION

Transparency regarding food content and production processes is becoming increasingly important, with 76% of consumers considering it crucial in 2023. Approximately 48% of shoppers would like to see more information about which products are eligible for HSA/FSA or MA, according to FMI research. This represents an opportunity for manufacturers to be more proactive in adding messaging to packaging and how they highlight their eligibility for specific programs, potentially through prints or stickers.

03 LINK UP WITH PROMOTIONS

Consumer goods companies can integrate healthy benefits into their marketing campaigns and seasonal promotions, such as product-focused seasonal offerings and push campaigns like end-of-the-year reminders about using FSA benefits. Engaging with online platforms such as HSAstore.com and FSAstore.com can help boost sales and promotions year-round.

04 PORTFOLIO REALIGNMENT AND PRODUCT INNOVATION

Product suppliers should continue to invest in research and development to create products that align with the specific requirements and preferences of the healthy benefits market. This includes developing products that cater to the needs of individuals with HSA and FSA accounts or Medicare Advantage plans.

Rethinking strategies for healthier consumer options

While ultra-processed foods are inexpensive to produce and transport, and have long shelf lives, the distribution of fresh and healthy foods presents significant challenges. Consumer goods companies must fundamentally rethink their strategies to effectively meet the increasing demand for healthier options. Here's how:

- **Strategy and portfolio realignment:** Ensure you have a plan to transition to healthier foods and leverage this shift across your brands
- **Partnerships:** Engage with the broader health ecosystem, including health insurance payers, government agencies, and health benefits program administrators and establish partnerships with retailers
- **Resourcing:** Allocate enough funds to support the move toward healthier products and seize new opportunities
- **Innovation:** Speed up the development of healthier food options. Consider creating an Innovation Business Unit, making acquisitions, or partnering with retailers. Align your product portfolios with health goals and anticipate consumer shifts like the impact of weight loss drugs
- **Operating model:** Set up the right capabilities, talent, structure, and governance to execute your strategy effectively
- **Supply chain:** Develop a supply chain that balances speed and quality. Consider local production for freshness, optimize logistics, and adjust distribution strategies for quicker delivery
- **Communication:** Strengthen your communication and branding to educate consumers on the health benefits of your products and build trust

The pressing question is how quickly established consumer goods companies can adapt to fend off competition as consumer demands for health and wellness, along with the importance of government and insurance payer-funded programs, continue to rise. This is a pivotal moment that could determine their future success.

Creating An Agenda For Stakeholders To Transform Pharmacy

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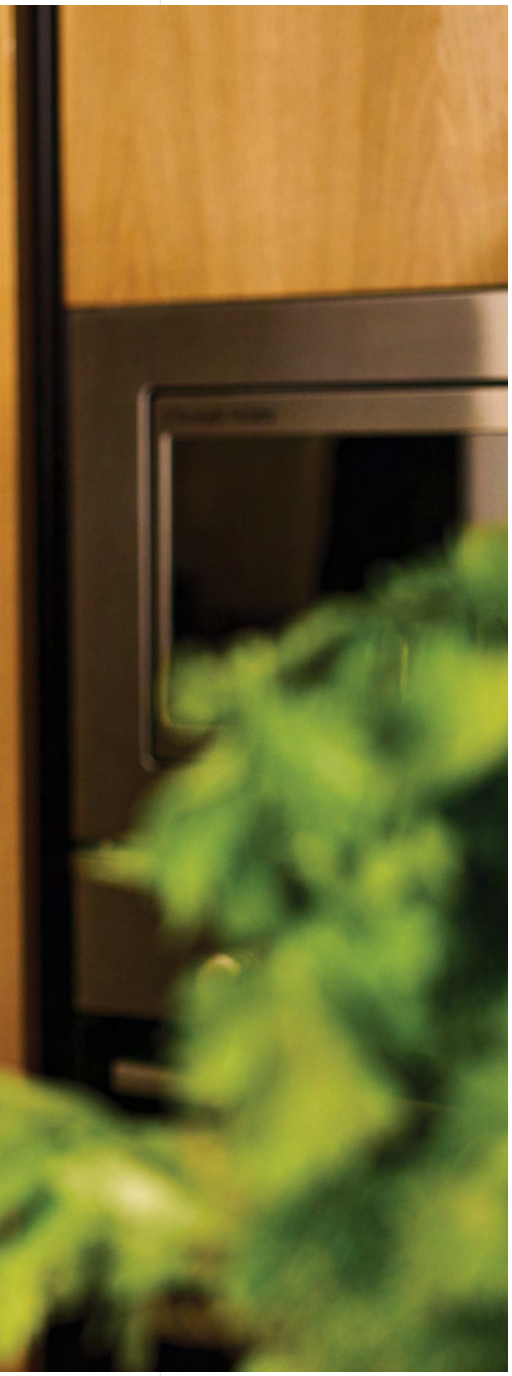

As an industry, we need to stop thinking of pharmacy services as another line item or cost center. For retailers and consumer-goods companies, they have direct commercial implications. In-store pharmacy services shape foot traffic and basket composition, employer drug spend affects benefits affordability and workforce productivity, and direct-to-consumer pharmacy flows alter assortment and fulfillment planning. Retail and consumer-goods leaders should therefore make pharmacy strategy an omnichannel, cross-functional priority.

Rising costs, combined with innovative new drug therapies and evolving consumer expectations, necessitate a new response from industry stakeholders. That message came through loud and clear at the 2025 Oliver Wyman Health Innovation Summit, where we led sessions across three converging topics that are forcing industry leaders to rethink the value proposition for pharmacy services: rising drug costs, drug pricing, and the proliferation of GLP-1s.

Rising specialty drug costs and the adoption of therapies such as GLP1s affect retailers and manufacturers on multiple fronts: higher employer benefit costs, changed shopper behavior as consumers adopt direct-to-consumer channels, and increased demand for adjacent products and services (such as nutrition and behavioral coaching). Organizations should prepare both workforce-facing solutions (benefits design) and customer-facing strategies (merchandising and in-store services).

Pharmacy costs and their impact on total cost of care

We estimate that US retail prescription drug spending — mail order and non-mail order — is more than $600 billion. Spending on provider administered drugs — inpatient and outpatient — exceeds $370 billion. For many payers, pharmacy spending is eclipsing traditional medical cost. This shift is not being driven by volume; it's the rising complexity and cost of specialty drugs, which account for over half of total drug spending despite making up a fraction of prescriptions. Four intertwined themes emerged from our discussion around pharmacy costs, all of which demand urgent attention from leaders:

- **Delivery fragmentation:** Patients get their medications through a number of channels, including traditional pharmacies and direct-to-consumer platforms, complicating care coordination.
- **Pharmacists plus AI as care extenders:** Pharmacists are increasingly being asked to do more than dispense drugs. Artificial intelligence (AI) and analytics can empower pharmacists to deliver personalized, real-time care interventions, while reducing medication errors.
- **Misaligned incentives:** Fragmentation between payers, providers, pharmacy benefit managers (PBMs), and manufacturers leads to inefficiencies and missed opportunities for coordinated care and savings.
- **Lack of transparency:** Lack of clarity around PBM fees, rebate structures, and patient out-of-pocket costs undermine trust and value, leading to calls for greater transparency and direct contracting.

For retailers and CPG companies, these themes manifest as concrete operational challenges: managing multiple fulfilment channels (store pickup, mail, DTC returns), empowering pharmacists with AI and analytics to deliver in-store counseling, aligning contracts that affect shelf economics, and handling opaque PBM practices that complicate employer benefits and pricing at point of sale.

Tension is building as GLP-1 usage climbs

GLP-1 spending in the US is estimated to climb to $100 billion over the next five years, up from $71 billion now.

Few drug categories have captured the public imagination and scrutiny like GLP-1s, especially as off-label usage increases and resistance — or at least demands for more judicious prescribing — is growing from employers and payers.

Industry leaders at the Health Innovation Summit discussed approaches to addressing these challenges. Employers and payers are instituting coverage thresholds like minimum BMI. Manufacturers are expanding capacity and deploying comprehensive support services paired with direct-to-consumer initiatives to simplify access. Leaders stressed the need for durable, real-world outcome data to prove long-term value and return on investment. They also emphasized that GLP-1s must be supported with wraparound services like behavioral coaching, nutrition counseling, and adherence programs.

Looking ahead, the sustainability of GLP-1 coverage hinges on shared accountability, more robust outcome data, and collaborative market-wide solutions. Without alignment, there is risk of growing disparities and strained benefits that could threaten broader healthcare affordability.

Redefining payment models

Emerging outcome-based contracting and risk sharing creates opportunities for retailers and manufacturers to codesign adherence and wraparound service pilots. Retailers can test private label or store-delivered programs that reduce total cost of care while generating new service

revenue, particularly when tied to measurable outcomes and employer partnerships.

Healthcare's broader transition from volume to value should extend to pharmacy. Traditional reimbursement models based on list prices or units dispensed don't capture the true clinical or economic value of a drug. They also leave payers and employers bearing the risk of high-cost therapies with uncertain long-term benefit.

Emerging models like outcome-based contracting, drug warranties, and risk-sharing arrangements offer opportunities to innovate but adoption remains uneven. Sarah Emond, President of ICER, said the industry must be prepared to make hard choices: not every high-priced therapy will deliver value commensurate with its cost. System-wide sustainability will require aligning payment with demonstrated outcomes, patient quality of life, and broader societal benefits.

Pharmacy as a catalyst for change

Given pharmacy's outsized role in how care is delivered, how outcomes are measured, and how risk is shared, it is imperative that leaders act now. Six mandates emerged from the Health Innovation Summit:

- Build aligned, integrated models that hold all stakeholders accountable for cost and outcomes.
- Evolve payment models to share risk and reward equitably between manufacturers, payers, providers, and employers.
- Embrace transparency and simplify pharmacy benefits to enhance trust and efficiency.
- Generate real-world evidence and invest in wraparound services to support adherence and clinical effectiveness.
- Leverage AI and digital health to expand pharmacist capacity and precision in patient care.
- Engage policymakers proactively to balance innovation with affordability and access.

Stakeholders who invest now in collaborative, patient-centered, and evidence-driven approaches will shape a future in which pharmacy is a strength, not a liability. Pharmacy's next act is here. The time to lead it is now.

Food Is Health: Industry Support For Consumer Well-being

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Vice President, Health & Well-being, FMI

Consumers increasingly view food retailers as partners in supporting their health, aligning with broader national conversations and policy priorities around public health.

The notion of "retail health" or health-centered retail encompasses not only food-centered health items sold in grocery stores, but also the supportive information and services available to consumers.

The recent FMI report on Protecting and Improving the Health of America emphasizes the role of the grocery store in reaching the masses in the community, playing a role in supporting the health of customers, employees and communities across the country. When showcasing the concept of retail health, this comprehensive statement is helpful: "The grocery store is uniquely positioned to partner and deliver food, information, products and services to protect and improve the health of shoppers, employees and communities."

FMI's The Food Retailing Industry Speaks data show that 80% of retailers are using product differentiation strategies focused on nutrition, health, and well-being.

Product differentiation is beneficial, but it is only one aspect of the potential for retail health initiatives. Health-centered personalized support encompasses information (technology, data, biometrics, etc.), services (pharmacy, nutrition, health, etc.), and products (both food and non-food items).

To build a more comprehensive health-centered destination, members couple products with services. FMI's Food Industry Contributions to Health & Well-being indicates that 84% of food retailers operate health and well-being activities for both customers and employees.

These efforts are often intertwined with pharmacy and nutrition services, local healthcare professionals, federal nutrition programs, community-based organizations, insurance payers and providers, and other external partners.

When exploring food retail's potential as a health destination, the following opportunities and operational factors are all important considerations:

- Making a business case for health-centered retail
- Building a fully integrated health & well-being team
- Connecting food, pharmacy, nutrition and public health
- Creating personalized support for health-seeking consumers
- Leveraging technology and data to support retail health programs


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03 CONSUMER MARKETPLACE

P. 54-63

Digital Engagement Alters Consumer Behaviors

Agents are Turning Conversations into Purchases

Omnichannel Data is Key for CPGs to Drive Growth and Loyalty

DIGITAL ENGAGEMENT ALTERS CONSUMER BEHAVIORS

FMI | The Food Industry Association

Digital engagement is driving both in-store shopping and ecommerce.

Omni penetration across the store — represented by shoppers buying both in-store and online—now stands at more than 90%, according to the 2025 report, Digital Engagement Transforms Grocery Shopping, by FMI and NIQ.

Significant differences exist in how purchases are made across various departments, presenting ample opportunities to drive further penetration.

The smartphone's role in shopping is evolving and influencing decision-making more than ever. Shoppers are turning to AI for everything from menu and meal planning (35%) to diet and nutrition advice (27%) and party inspiration (23%).

Meanwhile, social commerce is disrupting traditional retail patterns. Fifty-five percent of respondents to NIQ's 2024 Consumer Outlook survey now make direct purchases from social media or live-stream platforms for grocery and household items.

From a generational perspective, Gen Z has become the purest omni-shopping cohort. As the most connected, influential and largest generation to date, Gen Z begins its shopping journeys online and is heavily influenced by social media. Meanwhile, Millennials index highest for online purchasing.

The food industry is taking proactive approaches to stay on top of digital engagement trends.

> "One-half of shoppers have used AI tools for at least one food-related need, ranging from recipes to nutrition advice."

LEVERAGING DIGITAL COMMUNICATIONS

The most widely used digital communications strategies by retailers include social media, email, digital circulars and apps. More suppliers than retailers are making use of retail media networks and social shopping. Sixty-three percent of retailers say that new ways of marketing/communicating with consumers were positive for their businesses in 2024

TECHNOLOGY SUPPORTS PERSONALIZATION

Most retailers (83%) continue to use technology to personalize or customize the marketing or shopping experience, both online and in-store. This focus is strong among retailers of all sizes.

FULFILLMENT STRATEGIES CONTINUE TO ADAPT

Fulfillment of online orders takes place in a number of different ways. Most retailers offer pick-up at the store, either curbside (78%) or inside (45%), which is considered the simplest to orchestrate. Many retailers offer delivery to the shopper's home. Most (76%) also offer delivery by third-party or on-demand delivery services.

EVOLVING PAYMENT STRATEGIES ENHANCE EXPERIENCES

Retailers are improving experiences through scan-and-go technology (nearly half of food retailer respondents to FMI's The Food Retailing Industry Speaks now offer this) and mobile payments.

Agents Are Turning Conversations Into Purchases

The fourth quarter of 2025 saw several high-profile partnerships between major large language model companies like OpenAI and Perplexity and retailers to allow consumers to access retailers' products in LLM chats: Ecommerce is shifting from search and scroll to conversation and conversion. What was once experimental is now operational, and retailers must reconceive how they win attention, influence purchase decisions, and fulfill orders in an AI mediated world.

A tidal shift in online shopper engagement

For decades, digital commerce centered on search engine optimization (SEO), paid search, and marketplace rankings. Retailers optimized site search, user experience, and navigation to keep customers on property, while retail media networks let brands buy visibility. Now, AI agents are acting as intermediaries between shoppers and retailers, routing discovery through conversational interfaces rather than search results pages.

That change upends the rules of visibility. Influence will be earned through relevance in AI recommendations rather than placement on a results page. To keep products discoverable, retailers must make product data machine readable, surface real-time inventory to AI engines, and cultivate brand preference so shoppers mention products by name when interacting with assistants. The battleground is shifting from SEO to what we might call GEO — generative engine optimization.

Conversational recommendations reshape promotions

Early partnerships between agents and mass retailers — examples include Instacart, Walmart, and Shipt — target longtail assortments where browsing is often overwhelming. In these contexts, AI simplifies discovery and can surface items with a single natural language prompt.

Promotions that once relied on banners, cross sell widgets, or limited time offers must evolve. In a dialogue, an AI can proactively suggest a complementary product or an entire meal plan based on one item query. Promotions then become embedded within the conversational flow rather than appended to a page. Retailers and brands must learn to craft contextual offers that feel native to the conversation and to feed AI systems with scenarios and associations that expand baskets organically. Today's interactions lack the power of suggestive merchandising.

The trade spend model is due for reinvention

The underlying commercial fabric of retail — trade spend and shopper marketing funds — will be disrupted. Historically, these funds have flowed to instore displays, retailer media, and paid placements; with the chat providers acting as AI intermediaries, influence is initially earned through product quality, relevance, and positioning. That dynamic is unlikely to persist indefinitely: Chat providers will begin to compete for a share of trade dollars, and new commercial programs will emerge to optimize for AI discovery.

Brands and merchants should start designing programs that collaborate with retailers and platform providers to present products in ways that win under conversational rules. Joint business planning among suppliers, retailers, and AI intermediaries will become a core competency rather than a nice to have.

Fulfillment becomes the new competitive moat

Conversational assistants compress discovery, decision, and checkout into a few conversational turns, increasing expectations for seamless, fast fulfillment. This compression will likely produce more frequent, smaller orders with less predictable timing, a strain on traditional fulfillment models.

The opportunity is to use conversational engagement to smooth demand. Retailers can unlock supply chain efficiencies by moving shoppers from last-minute, "What's for dinner tonight?" type decisions to efficient weekly planning through conversation. Services such as meal planning, routine restocks, and bundled baskets can turn conversational moments into predictable demand patterns, reduce cross shopping, and lower operating costs — enabling reinvestment in pricing, experience, and loyalty.

A generational change in shopping behavior

Just as Gen Z embraced TikTok as a discovery channel, the cohort whose formative digital experiences began with ChatGPT will expect commerce to be woven into conversations. This generation will view AI assistants not only as guides but as primary purchase channels, creating new buying occasions — shopping while planning a week of meals, for example, or restocking during casual exchanges. Retailers that rapidly experiment with conversational selling models and design experiences that feel native to AI interactions will be best positioned to capture long-term loyalty and market share.

Chat plus visuals: hybrid interfaces for bigger baskets

While chat is an intuitive starting point, it won't be the whole story. For large grocery orders or complex purchases, shoppers will need

hybrid interfaces that seamlessly toggle between dialogue and visual curation.

Design systems that enable fluid movement between conversational prompts and visual basket management will better mirror how people shop today and will be essential for high-velocity, high-value categories. In practice this looks like a live chat that produces a compact, realtime basket preview users can tap to expand into a visual canvas with product photos, draganddrop reordering, bulk edit controls and contextual substitution suggestions; chat remains available in a sidebar so shoppers can ask targeted adjustments and immediately see cost, nutrition and availability deltas.

Operational implications for retailers

Data enrichment: Product attributes must be structured and exhaustive so AI can reason about relevance.

Inventory transparency: Realtime availability is essential to avoid recommending out stock.

Promotional reinvention: Offers must be designed as contextual, conversational prompts rather than static placements.

Fulfillment agility: Networks must support faster, more frequent micro-orders without eroding margins.

Partnerships and commercial models: New agreements with chat providers and cross-industry planning are required.

The imperative to act

Agentic AI — systems that proactively engage, recommend, and transact — is no longer hypothetical. Sitting on the sideline's risks loss of visibility at the moment consumers decide. Retailers should move from experimentation to deliberate capability building: Enrich data, prototype hybrid interfaces, rethink promotions for dialogue, and redesign fulfillment for conversational demand.

The future of retail will be written inside model mediated conversations. Retailers that show up with the right product data, promotional playbooks, and fulfillment muscle will turn conversation into commerce; those that may find consumers simply talking past them.

Omnichannel Data Is Key For CPGs To Drive Growth And Loyalty

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In recent years, consumer packaged goods (CPGs) brands have been leveraging omnichannel data collection, mostly to boost their marketing ROI by providing more personalized experiences and activation strategies. But the majority have yet to deploy the powerful capability across their full operations.

As shoppers interact with brands across many platforms — a report by ShipStation found 75% of shoppers use both digital and physical touchpoints on the same consumer journey —more and more data is being created. CPGs manage this complexity through omnichannel data collection: the practice of gathering and analyzing data on consumer interactions across all touchpoints of a business.

Many CPGs have begun seeing omni data's benefits in improved consumer experiences and more effective marketing initiatives. The data's potential goes far beyond marketing. Omni data's ability to identify, match, and synthesize customer data in new ways can lead to efficiencies in areas including operations, product development, and revenue growth management.

Implementing these capabilities does come with challenges, including development and infrastructure costs as well as potential issues with privacy and regulation, scalability, and data governance. But those CPGs that take a deliberate approach to developing robust, cost-effective, and scalable omnichannel data capabilities can unlock benefits across their operations.

Omnichannel marketing strategy helps CPGs boost consumer engagement

Major CPGs are reshaping their marketing strategies to create personalized, omni-driven experiences for their consumers. At each stop in the consumer journey, CPGs can document, collect, and purchase first and third-party data that can be analyzed to improve the experience.

Furthermore, many CPGs are harnessing omni data to inform loyalty and subscription models. Capturing and synthesizing omni data from online and offline touchpoints empowers CPGs to offer consumers customized reward structures and exclusive promotions. Those can take many forms, including personalized membership programs (think P&G Good Everyday) and tailored subscription packages such as Dollar Shave Club's monthly subscription that meet individual customer needs.

Unlocking omnichannel data collection opportunities across the business

The untapped value of omnichannel data collection lies in applications in three key areas:

Operations

Omnichannel data can serve as a powerful tool for demand planning and inventory management. Traditionally, demand planning has relied heavily on historical sell-in and, in some instances, sell-out data, which can be limiting and inflexible.

Omni data, in contrast, broadens the available data source and demand signals. CPGs can forecast demand and manage inventory levels more effectively by analyzing trends across various channels, regions, and fulfillment methods. If omnichannel data reveals a spike in online browsing before in-store traffic increases in a specific region during a promotional period, CPGs can adjust their inventory across both channels to meet the combined demand.

By aligning inventory with real-time consumer preferences, CPGs can also reduce stockouts and overstock situations, enhancing customer satisfaction and optimizing operational efficiency. One food company, for example, was faced with repeated stock shortages of its products on a major retailer's shelves. The company shared comprehensive data with the retailer, resulting in improved distribution and product visibility in stores and online that reduced inventory issues and retained customers.

Product development and innovation

Omnichannel data can significantly enhance CPGs' ability to create products that resonate with consumers. By analyzing data from multiple channels, including online feedback, in-store purchases, and social media interactions, CPGs can gain critical insights into consumer preferences, trends, and pain points.

This holistic view allows businesses to identify emerging trends and unmet needs, guiding the development of new products or the improvement of existing ones. One international CPG, for instance, noticed spending on home goods products was decreasing. The company partnered with a third-party vendor to improve data visibility and responsiveness. After getting a deeper understanding of current consumer preferences, the company launched a product in the category that became a top seller across platforms.

Moreover, omnichannel data facilitates testing and iteration during the product development process. CPGs can gather consumer feedback on prototypes or concepts through digital channels, enabling them to refine their offerings before full-scale launch. This data-driven approach increases the likelihood of successful product launches and fosters innovation that is closely aligned with consumer desires.

Revenue growth management (RGM)
Omni data can revolutionize both trade and pricing to enhance RGM. On trade, it enables CPGs to compare cross-channel ROI using fused retailer and manufacturer data. This means that businesses can identify which products are performing best across different channels, allowing for more strategic allocation of resources and informing their negotiations with retailers. Omni data can detect inconsistencies such as price discrepancies between online and in-store promotions and align strategy across digital and brick-and-mortar shelves.

Why leveraging omnichannel data is key to drive consumer insights

Omnichannel data collection is a nascent discipline that requires CPGs to have a strategic vision, robust data governance frameworks, and advanced analytics capabilities prior to significant investment.

The CPGs best equipped to deploy capital into effective omnichannel investment streams, enhanced data analytics capabilities, and strategic partnerships with retail media networks and data platforms will lead the race on data and capture market share.

04

CONSUMER ACCESS, SUPPLY COSTS, WORKFORCE

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Addressing Challenges In Consumer Access, Workforce and Supply Chain

Managing Rising Costs in Global Supply Chains

The Future of the Workforce

ADDRESSING CHALLENGES IN CONSUMER ACCESS, WORKFORCE AND SUPPLY CHAIN

FMI | The Food Industry Association

Food industry challenges vary widely, but the approaches to addressing them share some commonalities. The industry focuses on understanding the hurdles and making progress either within organizations or collaboratively. Some of the latest examples involve consumer access, workforce and supply chain.

HOW SNAP CHANGES IMPACT CONSUMER ACCESS

SNAP, the Supplemental Nutrition Assistance Program, is facing state and federal changes that could impact the ability of millions of American seniors, children, and people with disabilities to purchase the groceries they need.

Major federal changes to program funding and state cost-sharing may impact who is eligible for SNAP benefits going forward. Additionally, the increased public scrutiny on the connection between food and health is fueling momentum for state-level action, including additional state food waiver restriction requests.

FMI has created a resource on its website — SNAP Waiver Requests & Approvals — to assist retailers in keeping track of this complex and rapidly evolving state policy landscape.

FMI will continue to work with Congress, USDA and the states to identify ways to improve the efficiency of the SNAP program and the delivery of SNAP benefits.

INDUSTRY STRATEGIES ALLEVIATE WORKFORCE HURDLES

The food industry has been working to enhance recruitment and retention; boost training and skills development; and navigate the high costs of compensation and benefits, including healthcare.

> "From SNAP changes to workforce hurdles, the food industry is focused on taking strategic approaches to challenges."

FMI's The Food Retailing Industry Speaks 2025 research spotlights how the industry is pursuing these efforts.

- More than 90% of retailers and 94% of suppliers offer competitive/better wages/salaries to boost hiring and retention of full-time employees.
- 71% of retailers and 59% of suppliers offer improved benefits.
- 76% of retailers and 65% of suppliers offer training and skills development.

According to Speaks, the industry's multi-year efforts have led to fewer workforce challenges being reported by retailers and suppliers.

SUPPLY CHAIN CHALLENGES IMPACT GROCERY PRICES

Ongoing structural supply chain hurdles place price pressure on groceries, noted Dr. Ricky Volpe, professor of agribusiness at Cal Poly, in an FMI blog interview last August with Andy Harig, FMI's vice president, tax, trade, sustainability and policy development.

Most of these challenges — including wildfires, labor shortages, avian influenza and energy prices — aren't new. The food industry has been navigating these factors for years and has become incredibly resilient in finding solutions and keeping costs as low as possible for shoppers.

A newer pain point is tariffs. Volpe said it's important to remember that 80% of the food consumed in the US is produced domestically, which reduces the impacts of tariffs on food inflation.

In November of 2025, FMI released a statement applauding President Trump's decision to sign a presidential order that reduces tariffs on food and agricultural products not grown at all or in sufficient quantities in the United States to fully meet consumer demand.

Managing Rising Costs In Global Supply Chains

Tom Sonnen
Partner, Oliver Wyman

Sandeep Agarwal
Partner, Oliver Wyman

Recently, the global economy has been witnessing notable deflationary trends, particularly in the commodity sector. Major commodity prices, including oil, gas, coal, and steel, have experienced significant reductions. These declines should translate into lower costs throughout the supply chain. Lower commodity costs can give retailers and consumer-goods manufacturers room to restore eroded margins, reduce shelf prices strategically, or invest savings into promotions and customer value. However, the timing of pass-through matters — procurement teams, category managers, and merchandisers must coordinate to decide whether to lock savings into margin, pass them to consumers, or invest in stimulus around assortment.

The landscape is complicated by the ongoing effects of tariffs, trade tensions, and shifting exchange rates. Tariffs and exchange rate swings create uneven impacts across SKUs and geographies. A retailer sourcing finished goods or components through tariffed routes may see input cost increases even as raw commodity indexes decline. Category managers should map source country exposure for top SKUs and prioritize resourcing or hedging for the most tariff-sensitive items.

This article explores the many changing dynamics, the implications for corporate procurement teams, and actionable strategies to navigate this complex environment.

Global cost pressures shift as commodity prices tumble

The prices of essential commodities have been on a downward trajectory, driven by a combination of increased production, reduced demand in certain sectors, and ongoing geopolitical tensions. Several major commodities have seen notable declines:

Energy commodities: After spiking in 2022, prices for oil, liquefied natural gas (LNG), and thermal coal have dropped significantly due to production surpluses and reduced global demand in the face of economic uncertainty.

Metals: Smaller price spikes in 2022 have eased, with indices for steel, copper, lithium, and aluminum now trading below January 2022 levels.

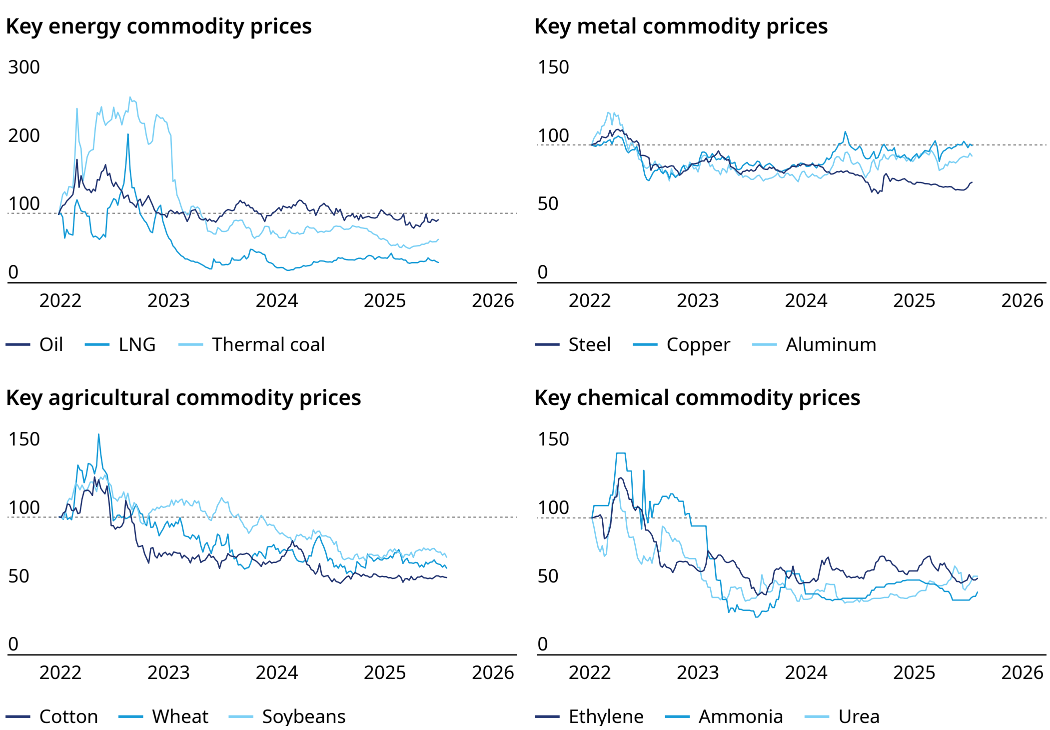
Agricultural commodities: Earlier spikes driven by disruptions to key growing regions and supply chains have subsided, with cotton, wheat, and soybean prices all lower than in January 2022.

Chemical commodities: Prices for ethylene, ammonia, and urea have dropped steeply since early 2022, with major indices down around 50%.

Energy and chemical commodity declines can lower costs for packaging, plastics, and transportation, which in turn can reduce both unit manufacturing cost and logistics spend for retailers and suppliers. But retailers must watch timing mismatches between contract terms and spot prices and update promotional plans accordingly.

Exhibit 1: Major commodity prices have declined substantially since 2022

Index (1/1/2022=100)

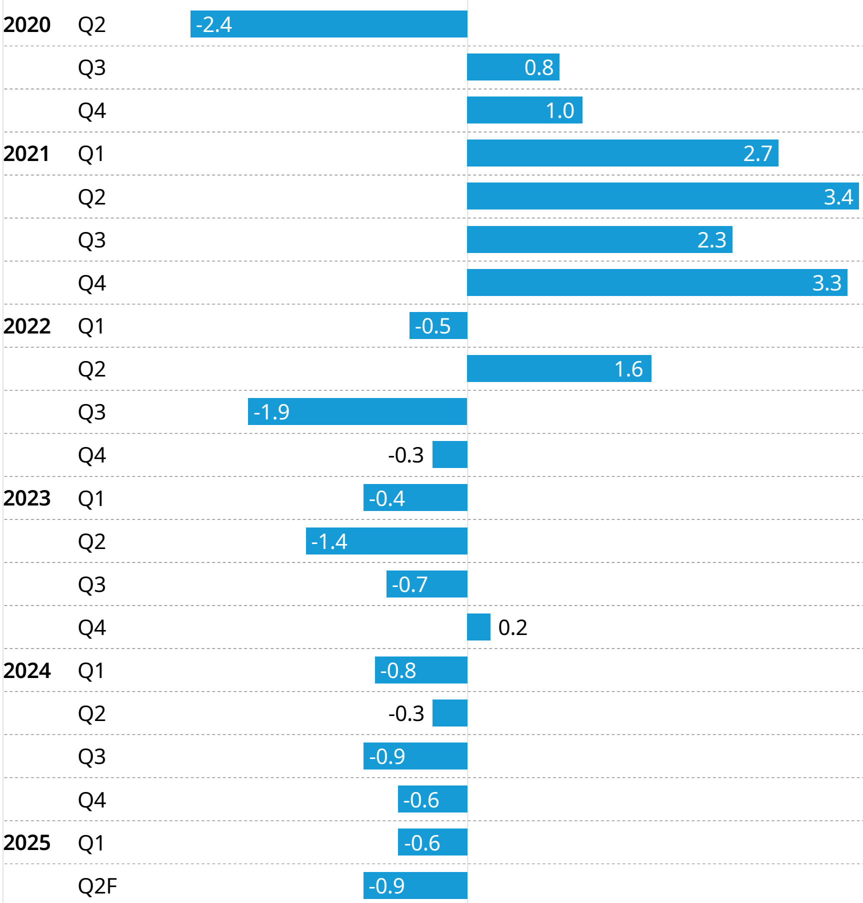


Source: Oliver Wyman analysis

These commodity price reductions are expected to lower costs for many intermediate and finished goods, offering relief to both businesses and consumers. This trend is reflected in producer price indices (PPI), particularly for the world's major export market such as China. To be sure, China deflation is fueled by more than lower commodity prices, but they will be a factor.

As manufacturers benefit from lower input costs, they may pass savings on to customers, effectively exporting deflation and creating a more competitive marketplace.

Exhibit 2: Change in quarterly Chinese producer price index



Source: Oxford Economics

The impact of trade barriers and exchange rates on global supply chains

While tariffs increase the price of imports, they can also have unexpected deflationary effects on goods in certain geographies. As tariffs impose additional costs on imports, companies are incentivized to seek alternative sourcing options. This shift can lead to a rerouting of goods destined for tariff-imposing markets to those with fewer or no trade barriers, exerting downward pressure on prices.

For instance, as US tariffs on Chinese goods increase, Chinese companies may look to markets with lower or no tariffs to place existing inventory and maintain production. This realignment can create a more competitive, oversupplied environment, driving down prices for specific categories of goods as suppliers vie for market share in alternative markets. This can be seen in the current dynamics for Chinese electronics and electric vehicles: a sharp reduction in goods headed to the US, alongside a sharp uptick in exports to the UK, EU, and Australia — and corresponding price decreases in those markets.

When suppliers divert inventory away from tariffed markets, destination markets can see temporary oversupply and downward price pressure — but retailers importing through alternative hubs may face longer lead times or different packaging/labeling rules, affecting shelf availability. Procurement should monitor diverted flows and update safety stock and label/regulatory checks accordingly.

While some goods may see price reductions due to rerouting, others may face increases as a direct result of tariffs. Goods or components that must pass through the US or other countries imposing tariffs can incur higher costs due to additional — and sometimes multiple — applications of duties. This inflationary pressure particularly affects industries that rely on imported components, such as electronics, automotive, and consumer goods. These network effects are often poorly understood, as manufacturers and customers typically have limited visibility into tier 2 and tier 3 suppliers.

A further confounding factor is the impact of exchange rates. Recent declines in the US dollar against major currencies, along with a corresponding drop in the Chinese yuan, have given buyers in Europe and countries such as Australia greater purchasing power for both American- and Chinese-produced goods. Internationally traded commodities priced in US dollars, such as oil and LNG, have also become more affordable for countries whose currencies have appreciated against the dollar.

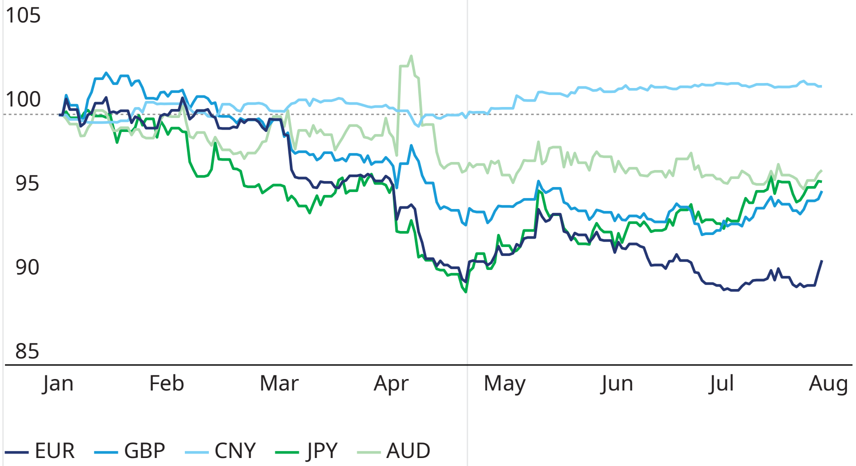
Exhibit 3: US dollar exchange rates against major global currencies in 2025

Index (1/1/2025=100)

Source: Oliver Wyman analysis

Exhibit 4: Chinese yuan exchange rates against major global currencies in 2025

1 to X



Source: Oliver Wyman analysis

Three ways procurement teams can stay ahead of rising tariffs and price shift

As the landscape of commodity pricing and tariffs evolves, procurement teams must adapt their strategies and develop a deep understanding of net price impacts to mitigate risks and capitalize on opportunities. Here are three actionable steps for buyers to consider:

1. ENGAGE YOUR SUPPLIERS IN DETAILED PRICE DISCUSSIONS

Work closely with suppliers to understand how lower input costs and exchange rates are affecting product pricing. As commodity prices decline, there is a strong case for negotiating adjustments to existing contracts. Buyers should leverage market data and supplier relationships to push for price reductions that more accurately reflect current commodity and tariff-driven conditions.

2. UNDERSTAND SUPPLY CHAIN MOVEMENTS IN DETAIL

Conduct a thorough analysis of the physical flow of goods within the supply chain. Identify where and how tariffs are impacting costs at each stage. This visibility increases the transparency along the supply chain, helps procurement teams make more informed and actionable sourcing decisions, and uncovers more opportunities to mitigate risks and capture value.

3. WORK WITH SUPPLIERS TO APPROPRIATELY MANAGE RISK

Review contracts to identify rise-and-fall clauses and ensure they are tied to appropriately proportioned pricing drivers, based on detailed analysis of the actual impact driven by actual input cost movements. Codify these drivers clearly in contracts. Importantly, this is not about shifting uncontrollable risk onto suppliers — it's about ensuring buyers and suppliers work together with fair and reasonable price adjustment mechanisms, and the party that can best manage the risk also owns the risk.

Procurement's role in managing pricing uncertainty and trade risks

The interplay between falling commodity prices, exchange rates, and the impact of tariffs presents both challenges and opportunities for businesses — it's clearly not a one-way trend. As commodity prices decline, companies stand to benefit from lower costs; however, the complexities introduced by tariffs and rates can create uneven pricing pressures across different goods. By proactively engaging with suppliers, closely analyzing supply chain dynamics, and reviewing contract terms, category management teams can navigate this shifting landscape more effectively. In doing so, they can position their organizations to take advantage of deflationary trends, build stronger supplier relationships, and fairly share the risks and opportunities tied to tariffs and trade tensions.

The Future Of The Workforce

What does the future workforce look like for the retail and consumer goods industry? Historically, the retail industry was a place you started work as a teenager working minimum wage. Perhaps you returned during your college breaks to work some shifts, and when you graduated college, you moved on. If you were not going to college, you started at minimum wage and worked your way up to a retail store manager or worked in a consumer goods plant knowing there was a steady income with good benefits.

Historically, these were solid career paths that offered opportunity. But now it is becoming more challenging to find people that want to stay in retail and consumer goods for a career. So the question is, how do organizations make it attractive for people to want to come work and stay to develop a lasting career?

Setting the table

Today's work environment has faster technological advancements, evolving consumer expectations, and global economic uncertainty in the form of rising costs of inputs and supply chain disruptions. These changes are increasing job anxiety and mental and financial security stress.

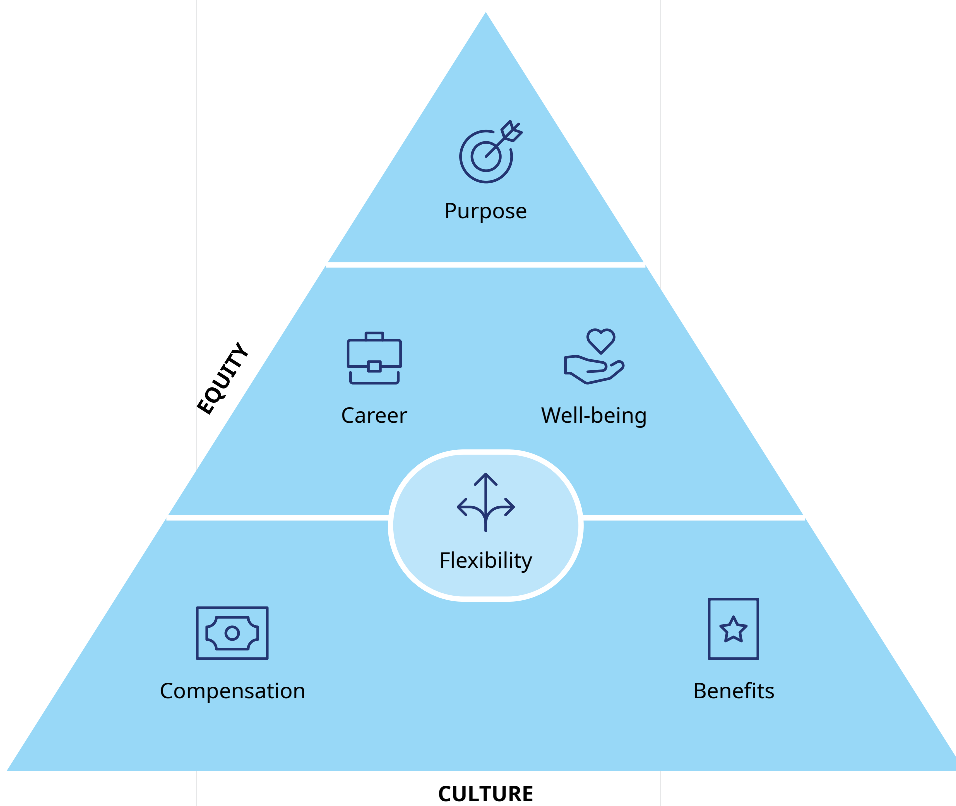
The result is an accelerated drop in workforce engagement. In Mercer's Inside Employees' Minds study, retail had the lowest engagement score — 65% — of any industry. Retail employees reported dealing with concerns about job stability, inflation eroding purchasing power, and retirement readiness. Also, they have a greater need than their parents' generation to achieve work-life balance.

In today's environment, it requires more than a refresh but a complete redesign of the employee value proposition (EVP) to attract, motivate, and retain talent. The pyramid of basic needs has changed and for these employees the basket of goods can be mixed depending on where they are on the career path.

Navigating the menu

Labor market dynamics are complex, with structural churn driven by automation and AI taking over routine and repetitive tasks. The retail sector is shifting from traditional roles like stock and inventory management to positions focused on interactive store experiences and multi-channel sales growth. This requires strong emphasis on upskilling (enhancing current skills) and reskilling (teaching new skills for different roles).

Exhibit 5: The Total Rewards Pyramid



Source: Mercer

There are two central arguments in favor of this evolution. First, it enhances worker effectiveness, while second, it saves time. Whereas previously the employee was searching inventory in the back room or on a central computer, now the employee works with a handheld chatbot to ask, “Do we have this product in-stock and at a competitive price?” What was 10 minutes to search is, in our experience with clients, now less than seven minutes; a full 30% effectiveness time-savings and a better customer experience.

While the AI chatbot helper is replacing work activities, there are digital roles that include a human-in-the-loop. These include marketing (such as customer segmentation using Python), logistics (such as supply chain visibility through blockchain) and customer engagement (such as user experience anthropology) to blend with traditional retail knowledge, for example, the idea of stocking milk in the back of the store to drive traffic through the rest of the store.

This blend has created a ripple that is growing into a tsunami because it is changing how work gets done, how work is defined, and how the employee learns to do the job and is paid to do it. It necessitates continuous reskilling and upskilling to keep pace with changing job requirements, as well as a modernization of pay practices.

Learning: The new appetizer

Continuous learning is essential due to rapid technological and business changes. The retail and consumer goods industry must foster a culture of adaptability and provide frameworks supporting lifelong learning, curiosity, and motivation for ongoing skill development, and ultimately the industry’s survival. Yet while companies are always creative and innovative when it comes to attracting and retaining customers, they continue to reward performance and development as they have for the last two decades.

Future retail roles will demand technical skills such as data engineering, robotics, software development, cybersecurity, and user-experience design. Beyond technical skills, there will be growing demand for creativity, critical thinking, complex information processing, and social-emotional skills like communication, negotiation, leadership, adaptability, persuasion, and empathy — especially for customer-facing and managerial roles.

Work is shifting, jobs are changing, and the workforce is not prepared. As Mercer’s HR Operating Model’s 2025 Survey puts it, “Without a fundamental rethinking of how HR roles, governance, and service delivery tiers are designed, organizations risk staying stuck as Stewards of Employment, layering new tools onto outdated frameworks rather than unlocking the agility and human-centered outcomes demanded today.”

Enter the Chief Work Officer, yesterday’s Chief Talent Management and Learning Officer. Continuous learning is no longer optional — it is essential. Consumer goods companies must invest in robust learning and development programs that enable employees to acquire digital, analytical, and adaptive skills. Cultivating a culture of lifelong learning ensures that the workforce remains agile and competitive.

Compensation: The first plate

Between AI and the emergence of more blended, or fluid, roles, traditional pay programs are not structured for the workforce of the future. The greatest return on investment (ROI) is in modernizing pay practices to reward the skills, expertise, and responsibilities required for these new types of roles. Deliberately design compensation to encourage upskilling and reskilling by linking pay progression, bonuses, or other rewards to skill acquisition and certifications.

The total rewards revolution is changing how rewards can be elevated for long-term success, according to Mercer’s Rewards Revolution report. Reject the notion of total rewards as a cost center. Compensation is integral to enabling workforce transformation by aligning rewards to employee growth, performance, and agility.

Workforce wellness: The main course

Employees in the consumer goods and retail industry are navigating a fragile ecosystem between how work is changing and impacting jobs. According to Mercer's Global Talent Trends study from 2025, only 42% of companies have made progress in designing work with employee well-being in mind. The percentage of employees feeling physically and mentally well has declined from 82% in 2023 to 74% in 2025, Mercer Marsh Benefits' 2025 Health on Demand report finds.

Mercer's 2024-2025 Inside Employees' Minds data shows the workforce navigating waves of growing financial strain and mental overload and burnout. Mental and financial wellness are integral components of a holistic approach to the total rewards needs of the workforce. Winning employers are investing in counseling services, enhanced employee assistance programs, and initiatives that reduce stigma around mental health challenges. Additionally, employers are offering trainings, onsite screenings, giveaways, and challenges to further engage their population.

Prioritizing employee health delivers tangible business benefits beyond individual well-being. A culture of caring should not be underestimated. It starts at the top: Leaders should be visible in their well-being programs — participating during company town halls, being open about their own journeys, and encouraging people to take care of themselves.

Artificial intelligence-powered analytics provides real-time data to tailor health interventions and predict risks, allowing for more effective and efficient health programs. It is also a means to find where current programs are not meeting the needs of the workforce, which may yield savings by eliminating irrelevant programs. The organizations that embrace the data will be better positioned to foster a healthier, more engaged workforce.

Employees' financial security is an integral component that must be addressed as well. Employees are worried about their ability to save for retirement amid rising living costs. Inflation is negating the rise of wages, which is affecting consumers' purchasing power and financial security, and by extension their morale and productivity. Progressive companies are investing in financial wellness programs to help employees manage day-to-day expenses, reduce debt, and plan for long-term goals like retirement. Investing in employee financial security benefits the employer by allowing the employee to be more present at work, reducing absenteeism and turnover, and improving productivity.

The future of the workforce is agile

Retail and consumer goods companies must adapt to demanding customer needs, wants, and nuances on a daily basis, while maintaining profitable margins to serve tomorrow's customer. By taking these key actions, they can lead with a people-centric strategy workforce of the future.

1. Redesign the Employee Value Proposition (EVP): Move beyond simple updates to create a comprehensive EVP that attracts, motivates, and retains talent amid rapid change and workforce anxiety

2. Focus on upskilling and reskilling: Invest heavily in continuous learning programs to equip employees with both technical skills (such as data engineering, robotics, and cybersecurity) and essential soft skills (such as creativity, communication, and adaptability) needed for evolving roles.

3. Modernize compensation practices: Align pay and rewards with skill acquisition, expertise, and responsibilities by linking compensation progression and bonuses to upskilling and reskilling efforts.

4. Cultivate a culture of lifelong learning: Foster adaptability and curiosity by embedding continuous learning into the organizational culture, led by roles like the Chief Work Officer.

5. Prioritize workforce wellness holistically: Address physical, mental, and financial well-being through comprehensive wellness programs, including mental health support, financial wellness initiatives, and use of AI analytics to tailor health interventions.

Embracing change for sustainable success

The future workforce in the consumer goods industry will be defined by leaders who proactively and continuously embrace investing in their people just as they proactively and continuously respond to the demand of the customer. The journey toward workforce transformation is complex, but it is essential for sustainable success in an increasingly competitive and dynamic marketplace.

EVOLVING IMPERATIVES SIGNAL NEW DIRECTIONS FOR 2026

By Mark Baum, Chief Collaboration & Commercial Officer and SVP, Industry Relations, FMI — The Food Industry Association

The day-to-day activities of any industry, when viewed in real-time, may seem random and lack a larger framework.

That is why it's important to take a longer view by periodically identifying overarching issues impacting an industry. In the food industry, this exercise enables leaders to understand how priorities are shifting and prepare for what is ahead.

IMPERATIVE ISSUES SUPPORT NEW STRATEGIC PLAN

FMI has developed a current issues blueprint in concert with Oliver Wyman to help the association identify and understand its critical priorities. Importantly, the blueprint supports FMI's latest update on its strategic plan. The plan is built with input from board member interviews, senior staff input, and outside research.

The prior strategic plan, in 2023, was more evolutionary in mission, focused on fostering continuity in the wake of a highly disruptive period driven by the COVID-19 pandemic. The latest plan, which will be adopted and implemented in early 2026, recognizes additional opportunities for FMI to strengthen the association's leadership of the food industry and grocery value chain; foster the convening of food industry leaders to advance shared priorities; and communicate its clear value proposition focused on advocacy, collaboration and education — for which FMI leverages the ACE acronym.

Members were thoughtful in making suggestions on how to advance our ACE efforts. They view advocacy as a core strength, collaboration as an ongoing key priority opportunity, and education as an area for growth.

Furthermore, our new blueprint of urgent imperative issues and evergreen core priorities will support a reinvigorated strategic plan and shape the agenda for the next three to five years. The blueprint highlights an evolving industry and ongoing challenges that represent crucial areas of focus. It accounts for quickly changing realities, from emerging technology to evolving consumer behaviors. While many of the same topics remain in the forefront, they have changed in nature as circumstances have evolved. Below

“A new blueprint of top industry priorities by FMI and Oliver Wyman highlight topics ranging from emerging technology to changing consumer behaviors.”

is a snapshot of the imperative issues that have been identified and their associated challenges and opportunities.

TECHNOLOGY ADVANCES AND ACCELERATES ITS TRANSFORMATIVE IMPACT

What a difference a few years makes when it comes to technology. In FMI’s last blueprint of imperative issues, technology was viewed more as the great enabler, foundational to the other priorities. While that is still true, technology has surged in importance as a key driver. The transformative impact of technology cannot be overstated.

Emerging Tech: Technology impacts virtually every function in this industry as it drives dynamics from farm to fork. A case in point is the growing influence of artificial intelligence and machine learning, including Gen AI. Digital transformation initiatives have taken on more importance, enterprise wide and on consumer-facing activities. AI, automation, and robotics are enhancing the operational aspects of the business and supporting the work of employees in areas such as procurement, merchandising and supply chain. To help drive these developments, FMI has announced a new event slated for this June called GroceryLab, to bring merchants, operators, technologists, and brand leaders together in an innovative forum that reduces the friction between bold ideas and real-world execution.

Cybersecurity: A crucial aspect of the technology topic is cybersecurity, due to the increased number of disruptive events, the severity of these breaches, the costs to the business, and the need to enhance systems defenses and employee training. Importantly, last fall FMI adopted a board policy statement that defines cybersecurity as a non-competitive issue, like how the industry views food and product safety. We appreciate that all stakeholders need to address the issue collectively, because one breach hurts everyone. The industry wants FMI to take a leadership role to help drive progress and shore up protective measures.

THE FUTURE OF WORK ARRIVES

The labor priority has evolved from the word “workforce” to the phrase “the future of work,” which better describes this multi-dimensional, evolving subject. This refers to the work itself, the workforce, and the workplace. This also includes the impact of technology, as many employee functions are being augmented with emerging technology such as Gen AI, supported by human oversight. All FMI member companies, ranging from one-store operators to large chains, are impacted by the shifting influence of technology on work. They are seeking support for identifying the best strategies to enhance their teams at every level, from the store to the c-suite.

Another dynamic becoming ever more apparent is the need to offer attractive work experience for employees, which ties into the importance of retaining workers in an increasingly competitive labor market. Recognizing the need for greater resources to support the future of work, FMI established a Chief People Officer community that brings together leading human resource professionals to exchange insights and tackle key priorities such as improving industry attractiveness.

REGULATORY COMPLEXITY INTENSIFIES

The regulatory environment ranks as a top priority, partly because it’s increasingly marked by a patchwork of conflicting and often confusing state and federal regulations, especially as related to foods that companies produce and sell. Blurred lines create an inconsistent and increasingly unsustainable framework that complicates business operations and undermines consistency and confidence for American consumers. One such action taken to address these challenges has FMI joining a coalition called the Americans for Ingredient Transparency (AFIT) to address ongoing challenges. Specifically, the coalition, comprising a wide array of stakeholders, will work to establish a uniform national standard at the federal level for ingredient safety and transparency.

SHIFTING CONSUMER BEHAVIORS

The focus on changing shopper behavior remains a key industry imperative as the dynamics around consumer wants, needs, and purchases continue to evolve. Nutrition, health, and meal occasions are among top areas of focus, along with the consumer's demand for transparency and a growing embrace of ecommerce shopping.

A key FMI axiom is that the industry can never know enough about consumers; and their behaviors and shopping patterns are constantly evolving, adapting, and changing. FMI members need to meet customers wherever they are with whatever they need, and when they need it.

MARKETPLACE DYNAMICS DRIVE CHALLENGES

Leading issues in the macro environment include the economy and food inflation, consolidation, and evolving competition. From a societal perspective, increased polarization manifests itself in everything from the products people buy to the ways they view companies "they do business with," to the level of civility within institutions and communities. Challenges such as theft and on-premise violence are high on the radar of food retailers. Our members emphasize the need to get a better handle on all these marketplace and societal dynamics, and they want FMI to play a supportive leadership role.

'EVERGREEN' ISSUES STAY RELEVANT

There are some topics that do not fall under "imperative" because they are always relevant. FMI and Oliver Wyman call them "core priorities" and spotlight three such topics.

Food and Product Safety: Safety is not an issue that should rise and fall into focus. It must always be emphasized. It also links to related subjects such as supply chain traceability and transparency, and the need to educate practitioners on safety strategies.

Public Policy and Regulatory: While regulatory complexity is an imperative issue, the subject of public policy and regulatory is an enduring topic for this industry. It changes emphasis based on the flow of regulatory issues, but it is always crucial. Some topics that have remained in the spotlight for extended periods include pharmacy benefit managers (PBMs) reform and credit card swipe fees. Other issues are gaining prominence, such the need to focus on the increasing number of state proposals, laws and rules on issues ranging from USDA SNAP exemptions to extended producer responsibility (EPR) requirements.

Value Chain Collaboration: One of FMI's biggest core competencies is helping to foster industry collaboration, and FMI remains focused on noncompetitive issues, including sustainability, efficiency, supply chain resilience, value creation and joint trading partner business planning.

HOW FMI WILL DRIVE PROGRESS

FMI views these priority issues as circular, not linear, as each topic has influence on the others in today's increasingly complex landscape.

Based on member input and feedback for the forthcoming strategic plan, FMI has many more future opportunities to drive progress through efforts to advocate, collaborate, and educate (ACE). Some examples of these efforts include connecting members into a network of state-specific advocacy, enhancing technology leader engagement and collaboration, and solidifying the integration of technology and AI topics across all FMI education channels.

FMI is committed to taking unique approaches to tackle the industry issues that matter most. FMI's 'ACE' approach to meeting members' needs is flexible because the mix of the three solutions can be weighted and applied differently for each priority. For example, in the board member survey conducted in conjunction with FMI's imperative issues blueprinting, respondents felt education could play the most significant role in addressing the topic of evolving consumer behavior, while advocacy would take the lead on food safety complexity. FMI is committed to helping members address and resolve their most pressing pain point and providing them with support as they make key business decisions.

Simultaneously, FMI will work with members to help communicate with a growing list of stakeholders to educate them about priority issues. Target audiences include, to name just a few, public policy representatives, NGOs, media outlets (trade and business), industry analysts, and even consumers themselves, as is appropriate.

FMI exists to create value across the entire industry. The work ahead will require focus, resolve, and shared leadership. But the opportunity is equally clear: an industry that is more connected, more resilient, more innovative, and more aligned around the needs of consumers and communities.

The future of the CPG and grocery retailing industry is unfolding quickly. FMI is committed to supporting its members every step of the way.

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FMI — The Food Industry Association

As the food industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers that sell to consumers, to producers that supply food and other products, as well as the wide-variety of companies providing critical services — to amplify the collective work of the industry.

www.FMI.org

Oliver Wyman

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