

# Open innovation as a catalyst for CPG growth

Report



# Introduction

The Consumer Packaged Goods (CPG) sector stands at a critical juncture, facing unprecedented pressure to adapt to dynamic market demands and enhance shareholder value. Traditional R&D approaches have proven insufficient in driving rapid innovation, prompting leading CPG companies to embrace open innovation strategies.

By collaborating with startups, research institutions, and technology partners, industry leaders like Unilever and Coca Cola have accelerated product development, lowered R&D costs, and significantly improved their competitive edge.

Through our work with leading CPG companies, we've witnessed how necessary it is for players in this sector to integrate innovative processes throughout their operations rather than invest in short term innovative practices that are less risky but do not produce the intended impact.

This report delves into the state of innovation in the CPG industry, exploring successful open innovation case studies, emerging technologies, and strategic insights for companies seeking to adopt or expand open innovation practices.

# About SOSA

SOSA is an open innovation company. We work with innovation teams and business units in corporations (like LG, HP, Schneider Electric, Natura, Klabin, Swiss Re, and Zurich Insurance), and governments (like Australia, Brazil, Canada, Japan, and Taiwan).

Our work includes conducting research, developing strategies, and scouting and validating technologies to provide our clients with tailored partnerships to solve their business problems, identify opportunities, and/or build new products.

The CPG industry is a key area of focus for SOSA. Our in-depth understanding of the industry's evolving challenges and needs, honed through years of consulting with leading corporates and government organizations, enables us to curate strategic partnerships that address the most pressing issues. We work closely with top CPG companies to optimize operations, drive innovation, and enhance sustainability, while also supporting emerging startups that offer cutting-edge solutions to transform the sector.



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***"Innovation is about people, this is why we work with SOSA - this is a secret ingredient, the people. It's about taking small bets, on many different ventures along the way, some of them will change the world. It is about disruptive ideas, which are always best incubated outside large organizations."***

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**Emmanuel Lagarrigue**

Former Chief Innovation Officer and Member of the Executive Committee



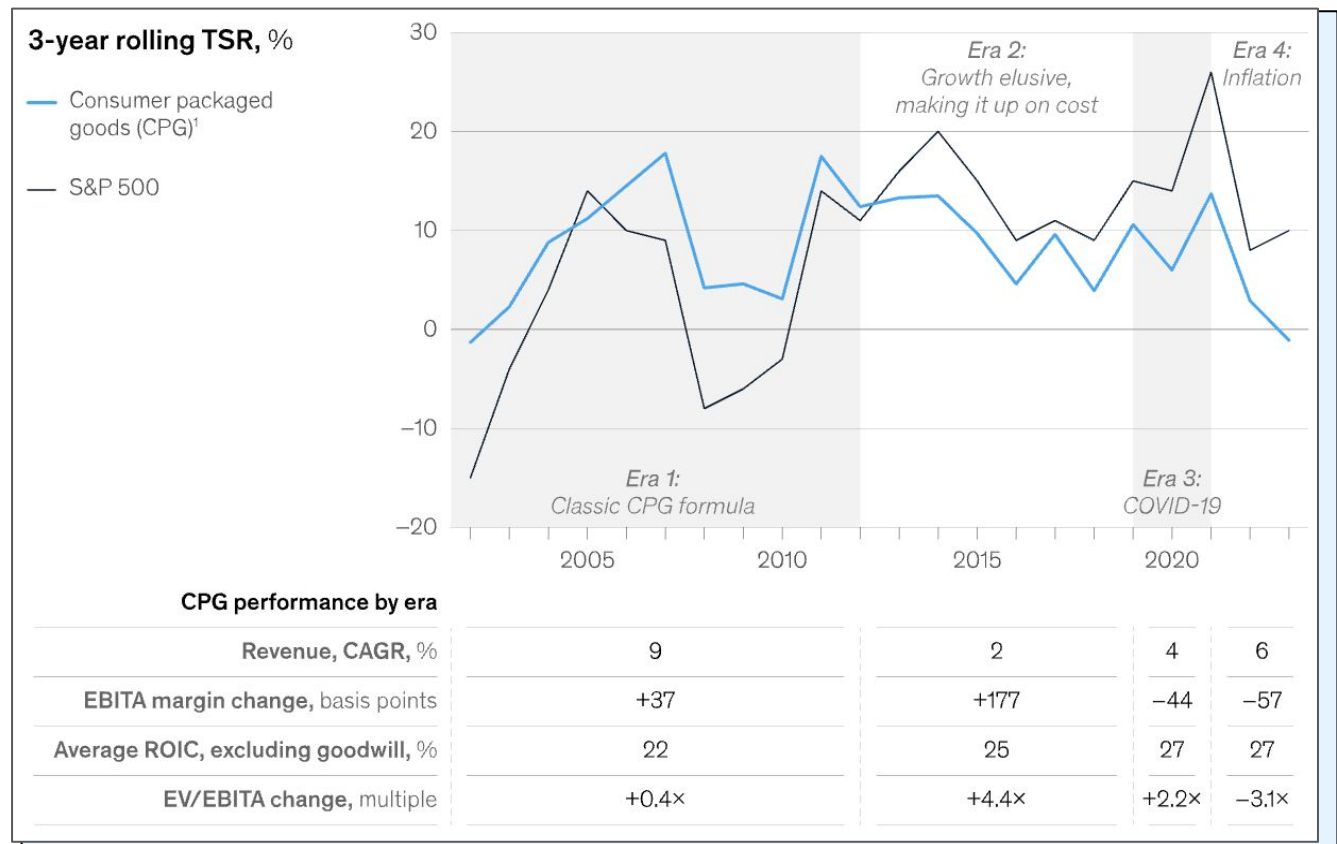
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# Challenges in the ever-evolving CPG landscape

## 1.1 Overview of industry disruption

The consumer packaged goods (CPG) industry is navigating an era of unprecedented transformation. Historically characterized by slow yet reliable growth, the sector is now at the forefront of disruption driven by evolving consumer expectations, technological advancements, and competitive pressures. Traditional approaches to growth and stability are no longer sufficient, compelling companies to rethink their strategies and embrace innovation as a critical driver for resilience and relevance.

Consumer packaged goods companies used to outperform through high growth at constant margins, but that changed in the 2010s.

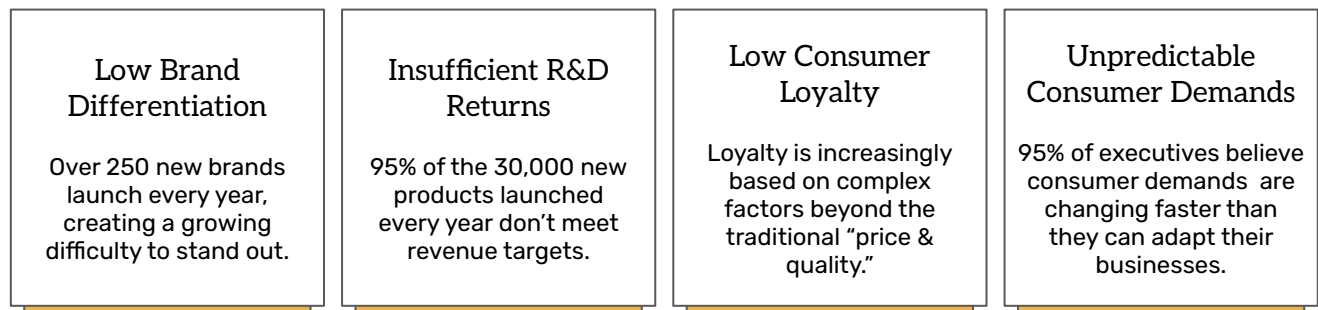


1. CPG based on 260 large publicly listed cpg companies (excluding agriculture) with market cap and revenue above 1 billion dollars

Source: S&P Capital IQ; McKinsey analysis.

The industry’s challenges are compounded by hyper-dynamic markets, where agility and adaptability are paramount. Digital commerce has reshaped the consumer landscape, making real-time responsiveness a competitive necessity. As a result, companies that fail to innovate risk obsolescence in the face of mounting disruption.

## 1.2 Shifting Consumer Demands



Sources: [S&P Global](#) | [Accenture CPG Industry](#) |

Consumer expectations in the CPG industry are evolving faster than ever. Digital commerce, real-time feedback, and increasing transparency have empowered consumers to make more informed choices, pushing brands to deliver greater value. Industry research shows that 95% of executives recognize the challenge of keeping pace with these shifts—but within this challenge lies opportunity.

Today's consumers are prioritizing:

- **Sustainability** – Ethical sourcing and environmentally friendly products are now key factors in purchasing decisions.
- **Health & Wellness** – Demand for functional, science-backed products that promote well-being continues to grow.
- **Convenience** – Consumers seek seamless, frictionless solutions that integrate effortlessly into their lives.

The inability to anticipate and respond to these demands has resulted in lost market share for many established brands. Companies must find innovative ways to remain relevant in an unpredictable marketplace.

## 1.3 Increasing competition and low brand differentiation

The CPG market is becoming increasingly saturated, with established players facing competition from startups, direct-to-consumer brands, and global entrants. This crowded landscape has led to diminishing differentiation between brands, making it harder for companies to stand out and maintain a unique value proposition.

The rise of agile, niche-focused brands further highlights the need for established players to innovate continuously. Companies that fail to do so risk losing relevance in the eyes of their customers.

## 1.4 Declining consumer loyalty

Consumer loyalty, once a defining advantage for CPG brands, is becoming harder to secure. Price and quality are no longer the only factors driving purchasing decisions. Consumers are now influenced by brand values, convenience, and emotional connection, making it easier for them to switch between brands without hesitation.

The sheer number of choices in the market has intensified this shift. More than 250 new CPG brands launch each year, fragmenting consumer attention and raising expectations. With easy access to product reviews, comparisons, and independent insights, consumers rely less on brand reputation and more on direct experiences and trusted sources. Younger generations, in particular, expect brands to align with their personal values, whether in sustainability, ethical sourcing, or social responsibility.

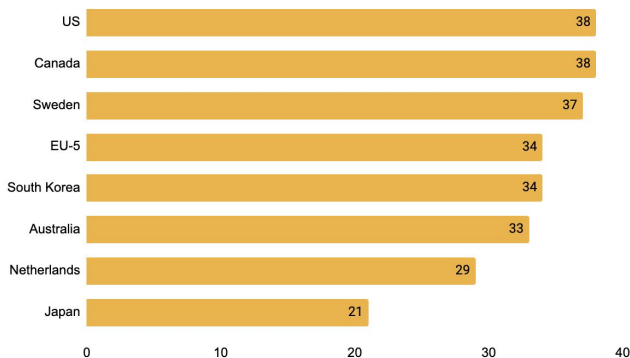
For CPG companies, these changes present a challenge but also a clear opportunity. Brands that build stronger relationships, create deeper engagement, and develop products that reflect evolving consumer priorities will not only retain loyalty but strengthen their market position in the long run.

To combat loyalty erosion, companies need to invest in creating authentic, differentiated brand experiences that resonate deeply with their target audiences.

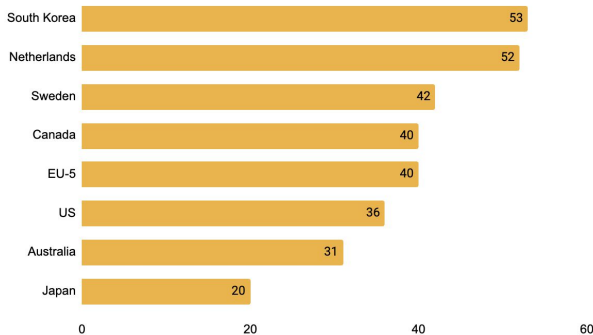
### Shopper loyalty is in flux as consumers look to new brands and retailers for better value.

Consumer loyalty changes in advanced economies, past 3 months, % of respondents

#### Tried a different brand



#### Changed Retailers for Lower Price/Discount



Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 15,352

\*1. Respondents who answered "tried a different brand" when asked: Over the past 3 months, have you done any of the following? (Includes France, Germany, Italy, Spain, and the UK.)  
2. Within the past 3 months, have you done any of the following when purchasing a product (asked across multiple categories)? Responses include percent of respondents selecting 1 of the following options: shopped from a lower-priced retailer; shopped from lower-price brand; bought private label; bought a brand for which you had a coupon; used buy now, pay later; delayed a purchase; bought a larger-size pack for a lower price; bought smaller size or quantity; made more shopping trips in search of discounts.

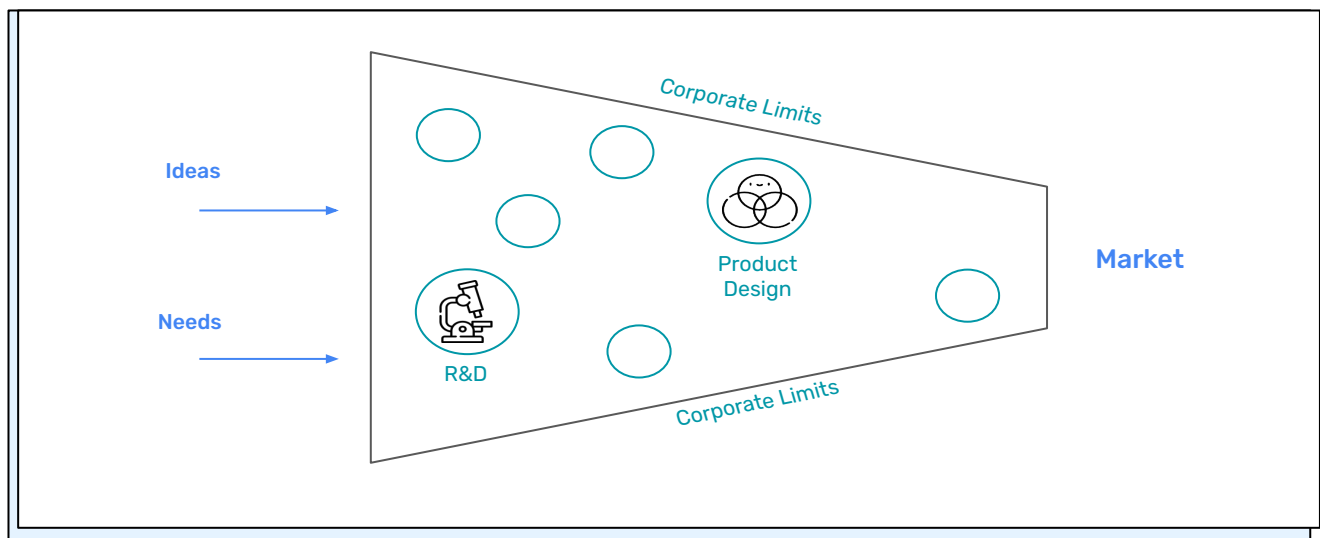


## 1.5 Insufficient R&D returns

Despite significant investments in research and development (R&D), the CPG industry struggles to achieve meaningful returns. An estimated 60% of the 35,000 new products launched annually fail to meet revenue targets. This lack of success is often attributed to reliance on traditional R&D methods that are too slow, too insular, and disconnected from market realities.

Challenges in R&D for the consumer goods industry often stem from long development cycles, where products take so long to reach the market that consumer preferences may have already shifted. Additionally, high costs associated with in-house R&D frequently fail to deliver proportional returns, especially when innovation is incremental rather than disruptive. Internal R&D efforts are also limited in scope, often missing opportunities to leverage emerging technologies or collaborate with startups. To overcome these inefficiencies, companies must embrace more agile and collaborative approaches, such as open innovation ecosystems, which integrate external expertise to drive faster, more impactful innovation.

**Internal efforts are often not enough. To achieve disruptive innovation, corporations must develop an innovation ecosystem.**



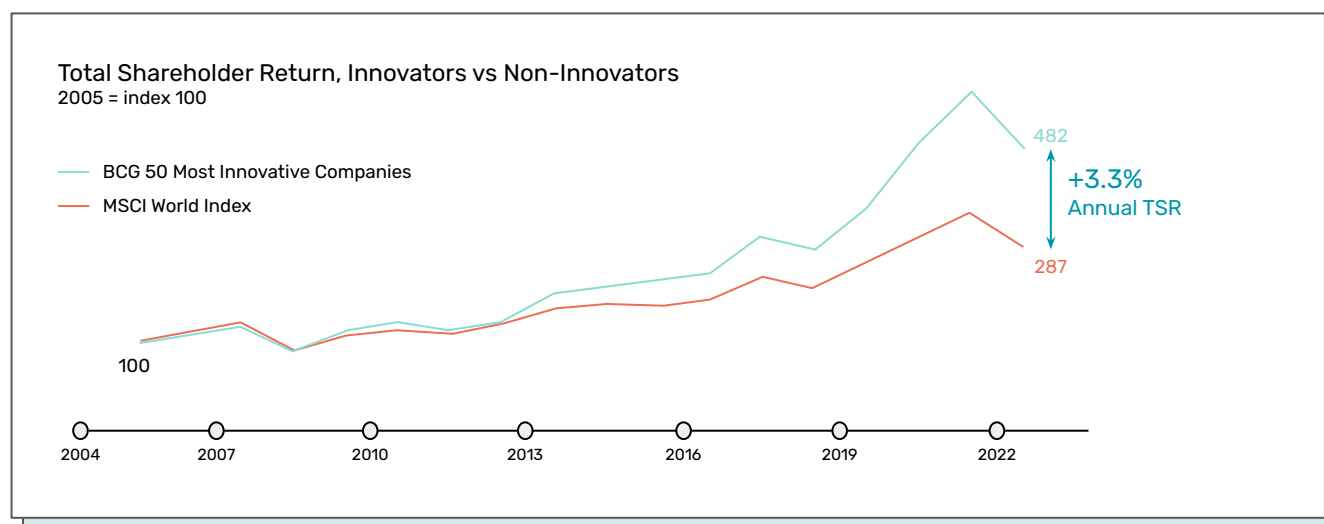
Source: SOSA Analysis

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# The need for innovation

## 2.1 Key drivers for innovation

Innovation has transitioned from a value-added capability to a fundamental requirement in the CPG industry. Investors, once content with modest returns, are now pushing companies to identify new growth avenues while maintaining financial and operational responsibility. This demand underscores the importance of creating innovation-centric ecosystems that integrate internal capabilities with external opportunities.



The 50 Most Innovative Companies of 2023, BCG Index. Sources: [BCG MIC 50 - 2023](#)

The consumer packaged goods industry is evolving at an unprecedented pace. Consumers expect more than just quality and affordability. They seek personalized experiences, ethical business practices, and sustainability commitments. At the same time, advancements in artificial intelligence, supply chain automation, and digital marketing are setting new industry standards.

Competition has also intensified. The rise of startups and challenger brands is reshaping the market, making it harder for established companies to rely on traditional advantages. As digital commerce accelerates, real-time responsiveness has become essential. Companies that hesitate to innovate risk falling behind in an increasingly dynamic and competitive landscape.

To keep up, CPG companies must go beyond incremental improvements and embrace transformative innovation. Open innovation offers a way forward, enabling organizations to tap into external expertise, shorten development timelines, and build a lasting competitive edge. Those that prioritize agility and adaptability will not only stay relevant but lead the industry forward.



## 2.1 The CPG industry is lagging behind in innovation

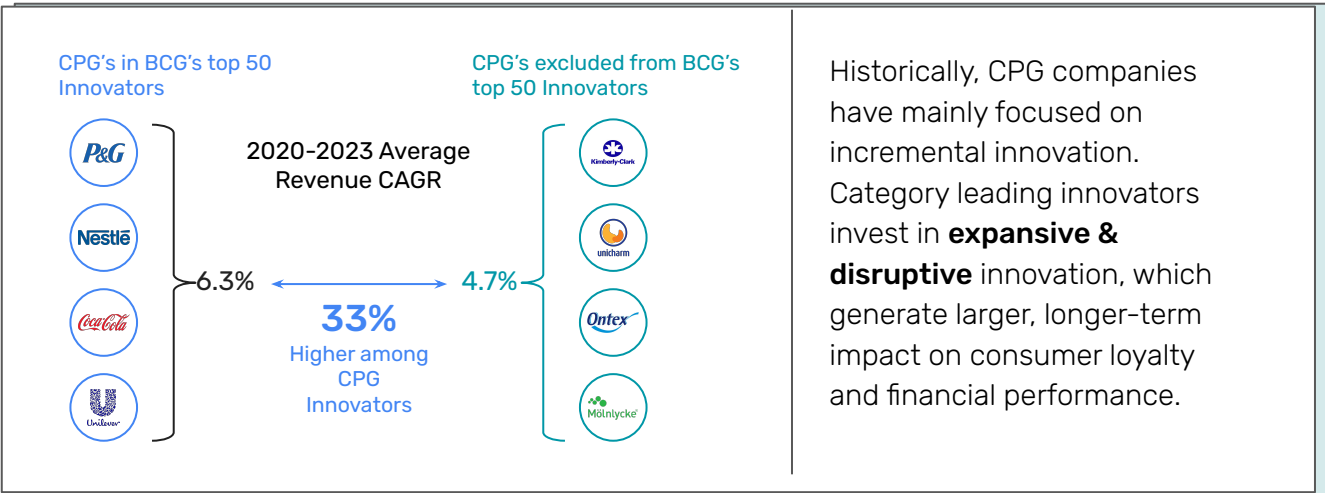
### Innovation is ripe in the CPG industry and requires a long-term approach



The 50 Most Innovative Companies of 2023, BCG Index. Sources: [BCG MIC 50 – 2023](#)

The CPG sector struggles to match other industries in transformational growth. It often focuses on incremental improvements rather than disruptive innovation, resulting in slower growth and fewer representatives among top innovators. CPG innovators achieve 33% higher revenue CAGR than non-innovators, showcasing the need for change.

BCG's Most Innovative Companies 2023 Report reveals that while a majority (79%) of CPG companies invest in product innovation, only 47% focus on business model innovation and 56% prioritize go-to-market innovation.



Sources: [BCG MIC 50 – 2023](#) | [Accenture](#) | SOSA Analysis of Investor Reports

Open innovation provides a solution by leveraging external resources, collaborating with startups, and accelerating time-to-market. It enables companies to overcome traditional R&D limitations, reduce costs, and remain competitive in a fast-changing market.

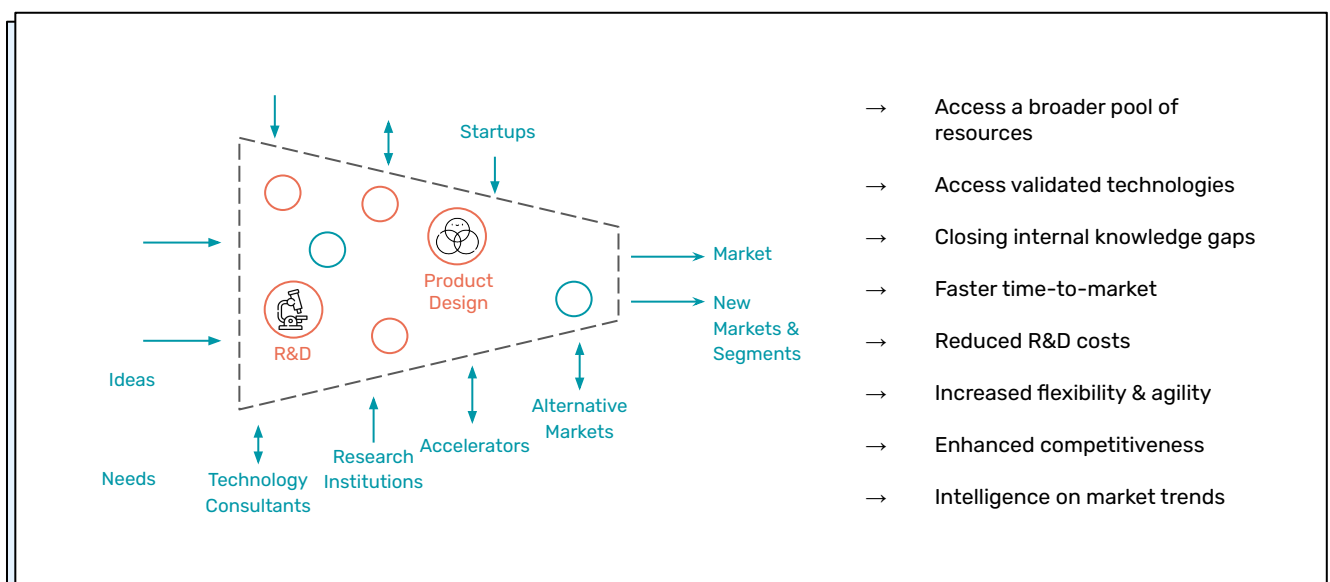
**03**

## The power of open innovation

### 3.1 What is open innovation?

For decades, consumer packaged goods (CPG) companies relied on internal R&D to drive product innovation.

Refining existing products and making gradual improvements worked well when consumer preferences were more stable and competition was predictable.



Accelerating innovation through external ecosystems. Source: SOSA Analysis

But today, the pace of change is accelerating. New brands emerge daily, consumer expectations evolve in real time, and digital commerce has made it easier than ever for challengers to disrupt the market.

Traditional R&D alone is no longer enough. Companies need a more dynamic and flexible approach—one that allows them to move fast, reduce costs, and stay ahead of changing trends. Open innovation offers exactly that. By collaborating with startups, research institutions, accelerators, and technology providers, companies can expand their innovation pipeline, access external expertise, and bring new ideas to market faster.

Unlike siloed, in-house R&D, open innovation allows CPG brands to harness a global ecosystem of innovators. This shift has made it possible for companies to reduce development costs, gain early access to emerging technologies, and create more agile and responsive organizations. Instead of relying solely on what's developed internally, businesses can now tap into a world of external possibilities, accelerating their ability to innovate and compete.

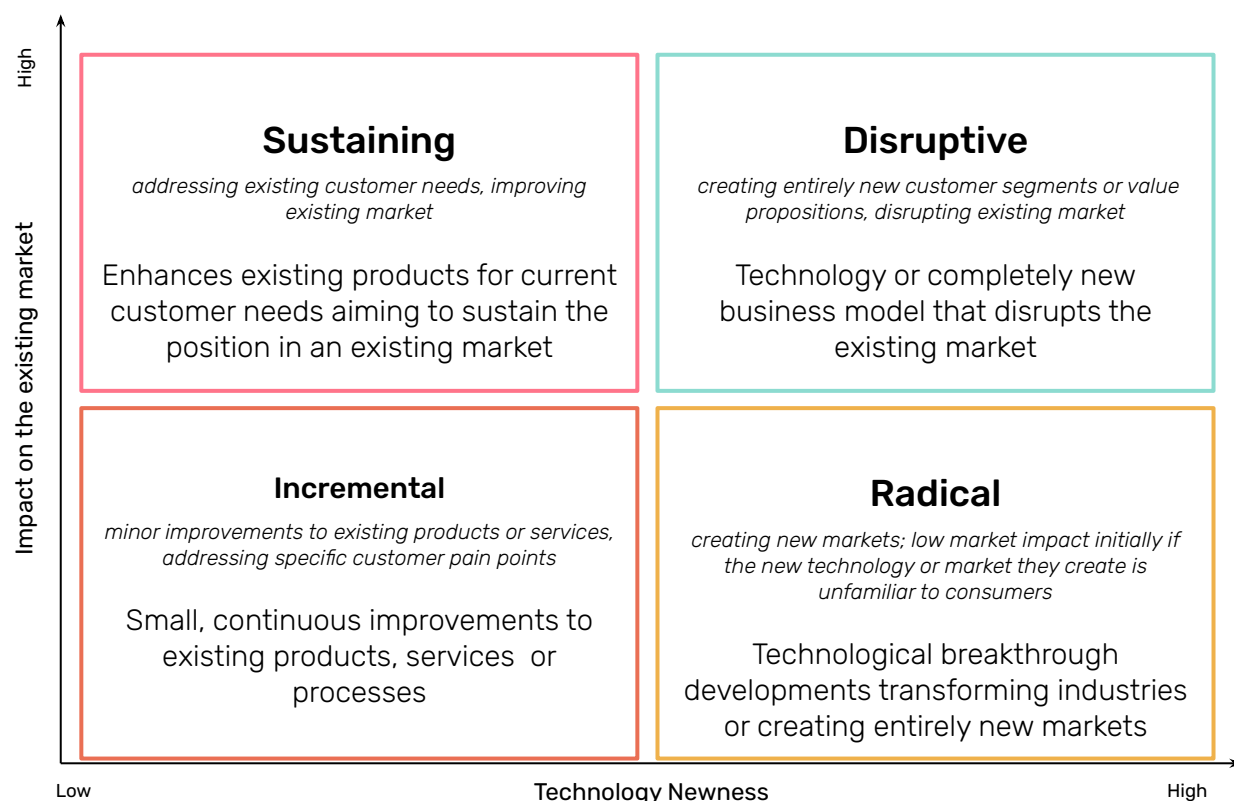
## 3.2 The competitive edge of open innovation

Many CPG companies have focused on incremental innovation—small, continuous improvements that refine products, enhance packaging, or improve efficiency. While these changes are valuable, they don't fundamentally reshape the market or create new consumer demand. Incremental innovation alone is not enough to secure long-term competitiveness.

Sustaining innovation takes this a step further by improving product performance and meeting evolving consumer expectations. This strategy strengthens existing market positions and reinforces customer loyalty, but it doesn't create entirely new markets. For true industry transformation, companies must embrace radical and disruptive innovation.

Radical innovation introduces entirely new technologies and product categories, opening up parallel markets without necessarily replacing existing ones. Self-driving cars, electric vehicles, and virtual reality are all examples of radical innovations that coexist with traditional alternatives. Disruptive innovation, on the other hand, fundamentally changes industries by offering simpler, more accessible, or more affordable alternatives. Netflix reshaped entertainment, just as Uber redefined transportation.

For CPG companies, radical and disruptive innovation present opportunities to lead rather than react. However, they also carry greater risk. New technologies, untested markets, and resistance from established players can slow adoption. Open innovation mitigates these risks by allowing companies to collaborate with external partners, share expertise, and gain early access to emerging trends. By balancing incremental improvements with bolder, market-changing innovations, CPG brands can maintain relevance and drive long-term growth.



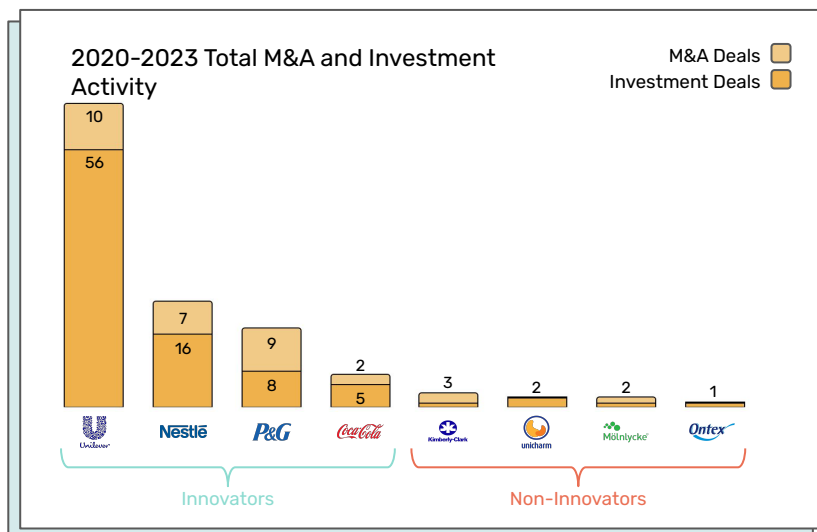
Innovation Matrix. Sources: [Viima](#) | [HYPE Innovation](#). SOSA Analysis, Polina Gohman.

### 3.3 Investment strategies for driving innovation

To make open innovation work, companies need structured investment strategies that allow them to integrate external innovations effectively. Two key approaches—mergers and acquisitions (M&A) and corporate venture capital (CVC)—are playing a crucial role in how leading brands drive innovation.

#### a. Mergers & acquisitions (M&A)

M&A allows companies to quickly adopt new technologies, acquire disruptive startups, and expand into new markets. Rather than developing solutions from scratch, businesses can fast-track their innovation pipeline by absorbing external expertise. This strategy not only accelerates growth but also strengthens competitive positioning by preventing emerging challengers from gaining too much market share.



**Companies marked as “Innovation Ready” by BCG have systematic, more aggressive M&A and investment strategies to acquire innovative technologies or processes.**

Sources: BCG MIC 50 – 2023 | Pitchbook Data | SOSA Analysis

CVC offers another way to fuel innovation. Instead of outright acquisitions, companies invest in startups and emerging technologies while maintaining strategic partnerships. This approach provides early exposure to disruptive ideas, creates long-term collaboration opportunities, and diversifies innovation efforts. Many leading CPG companies use CVC to secure a front-row seat to industry-shaping trends while minimizing financial risk.

By leveraging both M&A and CVC, companies can move beyond slow-moving internal R&D and integrate external innovation at scale. These financial tools ensure that open innovation isn’t just a concept but a core driver of competitive advantage.

### 3.4 Open innovation as a competitive imperative

The future of CPG innovation belongs to companies that embrace new ideas, expand their partnerships, and invest in creativity. Open innovation is a powerful approach that fuels growth, unlocks market opportunities, and leads to solutions that truly connect with consumers. By working with external experts, companies can accelerate product development, strengthen their market position, and explore entirely new business opportunities.

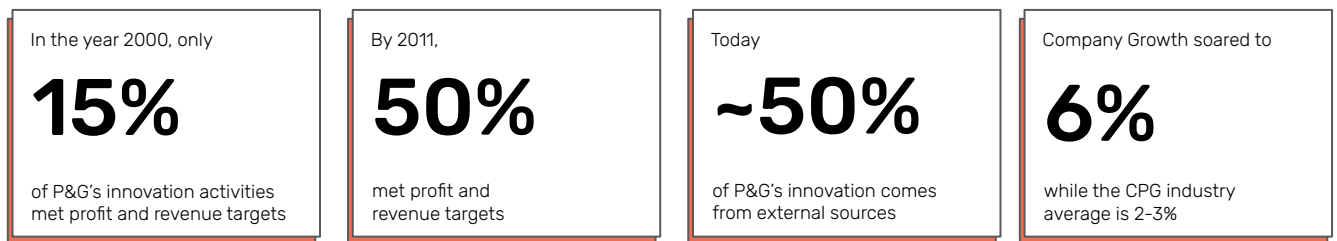
Building strong innovation ecosystems, forming strategic partnerships, and adopting new ways of thinking will keep companies ahead of the curve. Those that make open innovation part of their strategy will not only meet evolving consumer needs but also set new industry standards.

The next chapter explores companies that have successfully applied open innovation, demonstrating the impact of this approach on long-term business success.

**04**

## Case studies of open innovation leadership

### 4.1 Procter & Gamble: From "Not invented here" to "Proudly found elsewhere"



Transitioning from a "Not Invented here" mindset to a "Proudly Found Elsewhere" approach

Procter & Gamble (P&G) stands as a leading example of how open innovation fuels growth and long-term success. In the early 2000s, facing slowing growth, P&G made a strategic shift with its "Connect + Develop" model, moving beyond its traditional reliance on in-house R&D. By opening its doors to external expertise and resources, the company strengthened its position as a leader in the consumer goods industry.

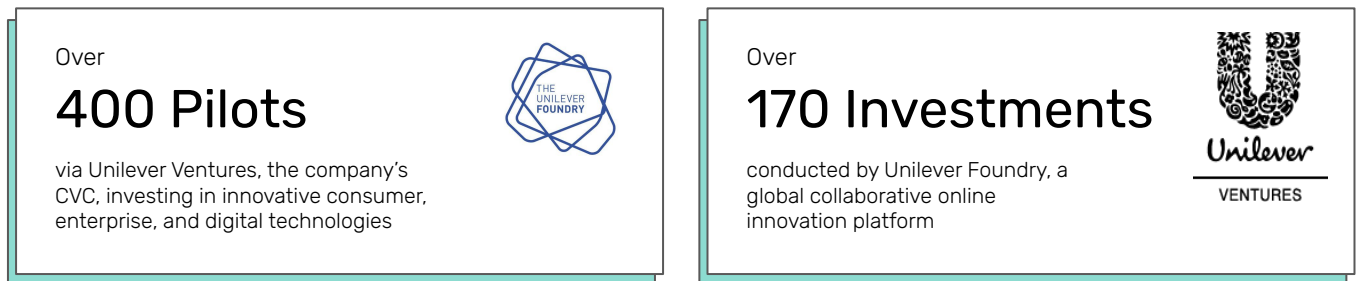
The results were significant. By 2011, 50% of P&G's innovation activities met profit and revenue targets, up from 15% in 2000. Today, half of its innovations come from external sources, supporting an annual growth rate of six percent—well above the industry average.

To sustain this momentum, P&G launched several initiatives to integrate external innovation into its operations. Its startup studio collaborates with entrepreneurs to build disruptive brands in new categories, providing them with access to expertise and resources while bypassing corporate inefficiencies. The R&D acceleration hub focuses on sustainable product development, helping startups move from concept to market faster.

Through its digital accelerator, P&G partners with universities like the University of Cincinnati, developing advanced tools while identifying and recruiting emerging talent. At the core of its strategy, the "Connect + Develop" platform continues to drive innovation by issuing open calls and forming over 2,000 partnerships with startups and technology providers.

By embedding open innovation into its operations, P&G has built a model that ensures it remains ahead in a rapidly evolving market.

## 4.2 Unilever: A culture of open innovation



Unilever has embraced open innovation as a core strategy, building a global ecosystem that brings together startups, research institutions, and industry partners. By integrating external expertise into its operations, the company stays ahead of emerging technologies and evolving consumer expectations.

Unilever Ventures, its corporate venture capital arm, has invested in over 170 innovative technologies, while Unilever Foundry, its global innovation platform, has supported more than 400 startup pilots. These initiatives reinforce the company's commitment to using external innovation to drive efficiency, growth, and long-term competitiveness.

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***“If we think we can do it alone, we are not thinking big enough...”***

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**Unilever VP Science and Technology**  
Foods & Refreshment, Unilever

Unilever's innovation hubs and research facilities further strengthen its ability to develop and scale new solutions. The Hive, based in the Netherlands, specializes in food tech, sustainable agriculture, and manufacturing, providing spaces for prototyping, small-scale production, and real-time consumer feedback. The Materials Innovation Factory, located at the University of Liverpool, gives researchers access to state-of-the-art equipment and academic collaboration to accelerate R&D. Across Switzerland, the Oxford-Cambridge arc, and Wageningen Campus, Unilever's global R&D network fosters cooperation between corporates, startups, and universities, ensuring a steady flow of new ideas and breakthrough developments.

This collaborative model has allowed Unilever to speed up product development, lower costs, and build a foundation for sustained innovation. By continuously engaging with external partners, the company secures early access to cutting-edge solutions, reinforcing its leadership in a rapidly evolving market.



### 4.3 Coca-Cola: Embracing open innovation through strategic initiatives

Coca-Cola has also demonstrated the transformative potential of open innovation. The company's Venturing & Emerging Brands (VEB) unit is dedicated to identifying and scaling innovative beverage startups. This approach has allowed Coca-Cola to rapidly explore new product categories and respond to shifting consumer preferences, such as the growing demand for healthier and more sustainable beverage options.

Coca-Cola's open innovation initiatives, notably the Coca-Cola Creations platform, have significantly impacted the company's business performance

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*Innovation contributed 30% of gross profit growth in 2023  
CEO James Quincey told investors, claiming a focus on  
“taste superiority” was ensuring its success.:*

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**Coca-Cola creations platform:** Launched in February 2022, this platform introduces limited-edition beverages co-created with artists and influencers, aiming to engage younger consumers. For instance, the "space-flavored" Coca-Cola Starlight and the "gaming-inspired" Coca-Cola Zero Sugar Byte were part of this initiative. These products have been well-received, with Coca-Cola reporting a 5% volume growth in Coca-Cola Zero Sugar in 2023, indicating successful innovation and market acceptance.

**Financial performance:** In the first quarter of 2024, Coca-Cola reported net revenues of \$11.3 billion, a 3% increase, with organic revenues growing 11%. This growth was driven by a 13% increase in price/mix, despite a 2% decline in concentrate sales. The company also experienced a 1% increase in global unit case volume.

**Strategic partnerships and AI integration:** Coca-Cola's partnership with Microsoft, announced in April 2024, involves a five-year commitment of \$1.1 billion to accelerate cloud and generative AI initiatives. This collaboration aims to enhance Coca-Cola's marketing, manufacturing, and supply chain operations through advanced technologies.

These initiatives demonstrate Coca-Cola's proactive approach to open innovation, leveraging external collaborations and technological advancements to meet evolving consumer preferences and market trends.

## 4.4 Lessons from industry leaders

The success of P&G, Unilever, and Coca-Cola in implementing open innovation offers valuable insights for companies looking to strengthen their competitive edge. Each of these organizations has demonstrated the impact of building ecosystems, forming strategic partnerships, and investing in emerging technologies to drive long-term growth.

A key takeaway is the importance of **a holistic approach** to innovation. Rather than relying solely on internal R&D, these companies have built networks that bring together startups, academic institutions, and industry partners to accelerate new product development and expand market opportunities.

**Consumer engagement** is another critical factor. Coca-Cola's Creations platform has shown how direct collaboration with consumers can spark innovation, strengthen brand loyalty, and create new product opportunities tailored to evolving preferences.

**Strategic investments** also play a significant role. Unilever's Foundry pilots and Coca-Cola's AI-driven initiatives highlight how investing in external innovation can drive efficiency, uncover new revenue streams, and future-proof business models.

These case studies demonstrate that open innovation is not just about staying competitive—it is about setting the pace for industry transformation. By embracing external collaborations, investing in emerging technologies, and fostering ecosystems that support continuous innovation, companies can navigate disruption and position themselves for sustainable growth.

## 05

# Conclusions and recommendations

## 5.1 The future of innovation in the CPG industry

The consumer packaged goods industry is experiencing a significant transformation, where innovation is no longer an option but a necessity for growth and longevity. Evolving consumer expectations, rapid advancements in technology, and intensified competition have made traditional R&D approaches insufficient. To stay ahead, companies must embrace open innovation, leveraging external ecosystems to uncover new opportunities, increase adaptability, and remain competitive in a fast-changing market.

By building strong innovation networks, forming strategic partnerships, and integrating emerging technologies, early adopters have positioned themselves as frontrunners. The future of the CPG sector will be shaped by how well companies adopt and scale these practices in response to new challenges and opportunities.

Several key trends will define the next era of CPG innovation:

### a. **Sustainability as a strategic priority**

Consumers are placing increasing value on sustainability and ethical production, pushing companies to develop solutions in eco-friendly packaging, carbon-neutral supply chains, and responsibly sourced ingredients. Sustainability is no longer just a corporate responsibility—it is becoming a core competitive advantage.

### b. **Digital transformation**

The adoption of artificial intelligence, machine learning, and data analytics is reshaping every aspect of the industry/. AI, more than a tool, is now a critical driver of innovation in CPG. Companies that integrate AI into their open innovation strategies are seeing tangible results: faster product development, sharper consumer insights, and greater operational efficiency.

AI-powered supply chain forecasting is reducing excess inventory by up to 20%, enabling companies to react to market shifts in real time. Predictive consumer insights allow brands to anticipate demand more accurately, leading to higher product success rates and reduced R&D waste. Some companies using AI-driven formulation testing have shortened product development cycles by up to 40%.

### c. **Personalization and consumer engagement**

Success in the coming years will depend on a brand's ability to create personalized experiences that resonate with individual consumer preferences. Beyond efficiency gains, AI is redefining consumer engagement. Personalized product recommendations, real-time marketing adjustments, and AI-driven innovation pipelines are becoming standard for forward-thinking brands. Companies that embed AI into their open innovation models are reshaping their business models to lead the next era of CPG.

## 5.2 Strategic Recommendations for Adopting Open Innovation



***“Exploration is the engine that drives innovation... So let’s all go exploring.”***



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**Edith Widder**

Former senior scientist at Harbor Branch Oceanographic Institution and co-founder

For CPG companies, open innovation is not just about experimenting with external ideas. It is about building structured, high impact partnerships that drive measurable business outcomes. Companies that move beyond short term pilots and into systematic collaboration with leading technology providers, research institutions, and venture backed startups gain first access to disruptive solutions before they hit the mainstream.

The key to success lies in developing an innovation framework that is not just exploratory but commercially focused. This means embedding external innovation into the core business, not as a side project but as a strategic function tied to revenue growth, operational efficiency, and competitive advantage. Rather than investing heavily in incremental research and development improvements that yield diminishing returns, leading CPG firms are shifting towards co developing solutions with ecosystem partners who bring deep technical expertise and fast tracked commercialization pathways.

Technology is also accelerating the ability to innovate effectively. AI driven analytics are reducing forecasting errors by up to 50%, enabling brands to respond in real time to emerging consumer behaviors and supply chain disruptions. The ability to tap into external innovation networks also allows for early stage exposure to transformative technologies, from next generation materials in packaging to AI powered demand sensing, before they become widely available.

At SOSA, we work alongside industry leaders who recognize that open innovation is not just about access, it is about having the right partners who know where to look. Through our global innovation platform, we scout, validate, and integrate emerging technologies before they reach mass adoption, ensuring that companies can identify and implement high-impact solutions at the right time. By leveraging our deep relationships with startups, venture capital firms, and research institutions, we connect CPG companies with technologies that solve real business challenges—from AI-driven consumer insights to next-generation materials that redefine sustainability in packaging.

We have seen firsthand how companies that embed external innovation into their core strategy move twice as fast from concept to market, unlocking new revenue streams, operational efficiencies, and competitive advantages that would not be possible through traditional R&D alone. The future of CPG will belong to those who are not just innovating within their own walls, but those who build, test, and scale solutions through a connected global ecosystem of disruptors and technology pioneers.

# *Ready to drive business growth and stay ahead of the competition in the CPG industry?*

Open innovation helps unlock new solutions and accelerates growth by connecting your company with the right technologies and partners. Let us show you how collaboration with innovative startups can lead to impactful results and transform your business.

[Book a consultation with a SOSA innovation expert here.](#)

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