SOLUTIONS

RGM Needs More Influence, Not Just Better Analytics

Why consumer packaged goods companies need to elevate the function as margin pressure rises

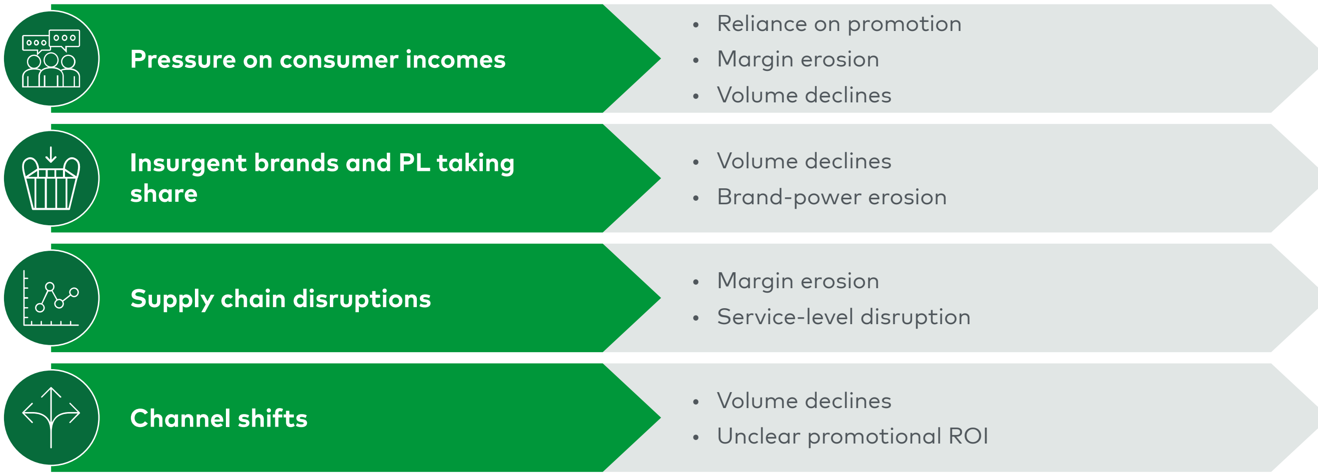
Revenue growth management (RGM) has become one of the most important levers companies have for protecting margin while continuing to grow. But in many consumer packaged goods (CPG) organizations, the function still does not have the influence, decision rights or central coordination required to shape enterprise-level commercial decisions.

That gap is becoming harder to sustain. Consumer incomes remain pressured, private-label and insurgent brands continue to take share, supply chain volatility is disrupting service levels, and channel shifts are making promotional return on investment (ROI) harder to read. Many traditional responses create problems of their own. More promotion can erode margin. Repeated price action can weaken brand equity. Added assortment complexity can strain the system further.

RGM helps companies make these trade-offs more deliberately by connecting pricing, promotion, mix, trade investment and price-pack architecture to a common view of growth, margin and ROI. Yet it is often still treated as a supporting capability, rather than a core input into whether growth is profitable (see Figure 1).

Figure 1

CPG headwinds are increasing the urgency of RGM



Note: CPG=consumer packaged goods; RGM=revenue growth management; PL=private label; ROI=return on investment
Source: L.E.K. research and analysis

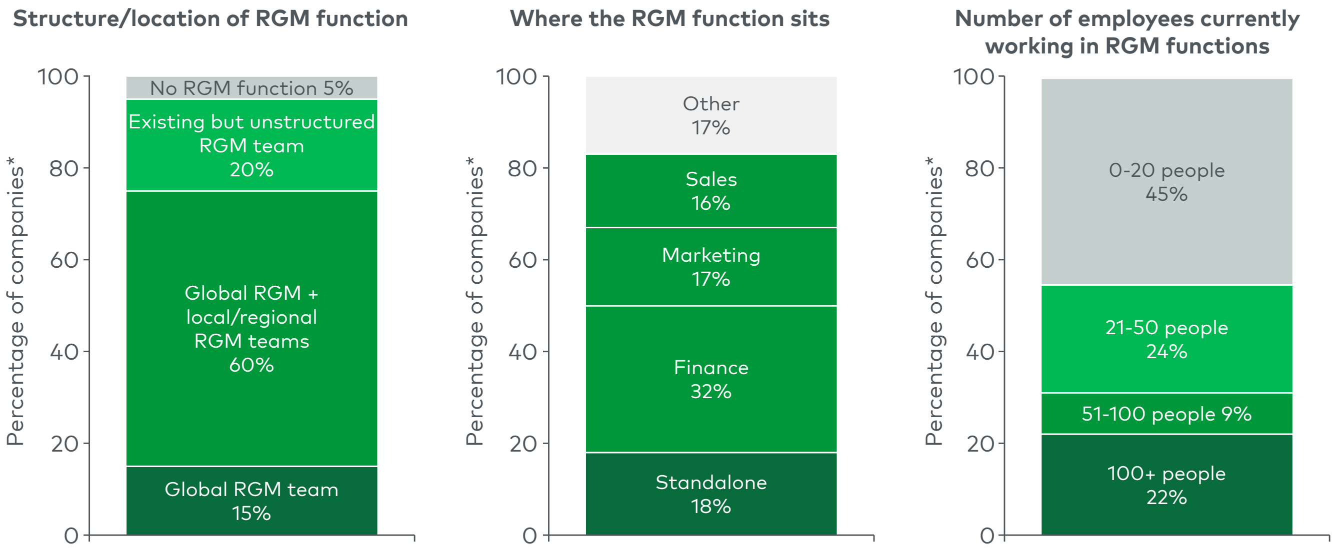
This is not just an internal capability question. Several large public CPG companies have pointed to revenue management and price-pack architecture as direct drivers of recent growth, citing pricing, mix and promotional discipline as contributors to gross margin gains. RGM has moved well beyond commercial terminology. It is a lever companies are actively pulling and reporting to investors.

RGM's influence lags its importance

As RGM becomes more consequential, many CPG companies are reconsidering how much authority and central coordination the function should have. POI's 2026 *Consumer Goods State of the Industry Report*, based on feedback from more than 145 CPG companies, found that roughly 80% of RGM teams sit outside a dedicated central function, most often reporting through sales and commercial, finance, strategy and planning, or marketing and brand organizations (see Figure 2).

Figure 2

Roughly 80% of RGM teams sit outside a dedicated central function



*Survey included 150 online interviews that were performed with FMCG executives in North America and Europe (including managing directors, CFOs, CSOs and VPs of RGM, sales and finance), e.g., includes departments like "channel and customer strategy"; also includes companies with no RGM function

Note: RGM=revenue growth management; FMCG=fast-moving consumer goods; CFOs=chief financial officers; CSOs=chief sales officers; VPs=vice presidents

Source: Kantar Survey; L.E.K. research and analysis

This variation is understandable. Each function brings a valuable perspective. Sales and commercial teams are closest to customers and execution. Finance brings margin discipline. Brand and marketing teams understand consumers, portfolio roles and brand equity. Strategy teams bring a longer-term enterprise view.

But RGM can become a secondary player when those perspectives are not connected through clear governance. The issue is not that RGM needs to replace brand owners, business leaders or commercial teams as decision makers. It is that RGM needs enough influence to ensure decisions reflect a consistent view of growth, margin, ROI and strategic trade-offs.

That influence matters because disconnected decisions can weaken results. A pricing move may be evaluated separately from its impact on promotion strategy. A trade investment may lift volume while weakening customer profitability. A price-pack architecture decision may improve channel fit but add complexity elsewhere in the system. Each decision may be reasonable in isolation, but the combined effect can move the business away from its broader margin and growth objectives.

Commercial decisions need RGM closer to the table

The core commercial levers of RGM are highly interdependent. Pricing, promotion, price-pack architecture, trade terms, assortment and portfolio choices are often managed through different processes, but the business does not experience them separately.

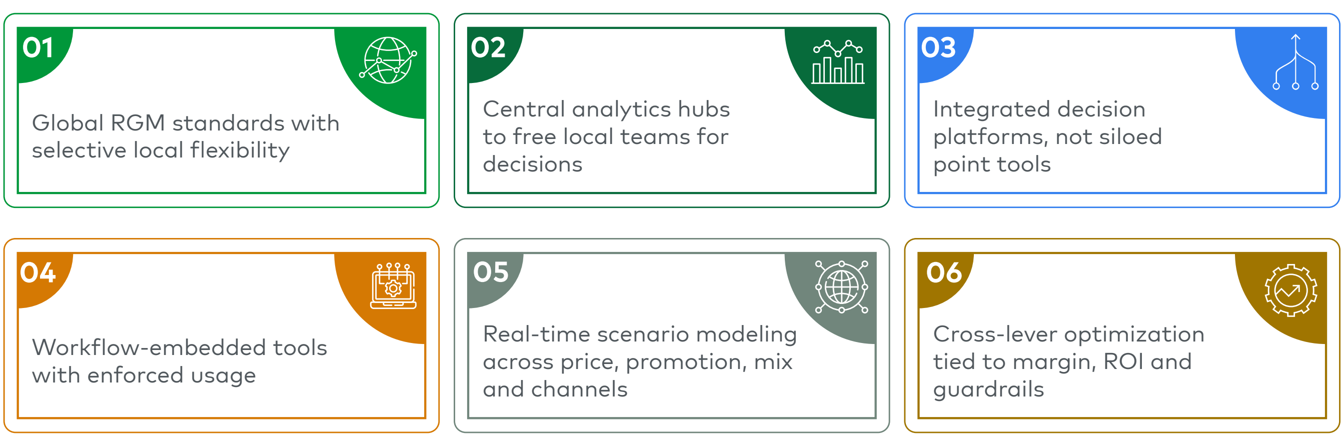
Those interdependencies make RGM most valuable when it is integrated into planning, customer negotiations and performance reviews, rather than brought in after key choices have already been made.

Sophisticated CPG companies are closing that gap by connecting these levers into a more coordinated decision model. They are not asking RGM to become the sole decision-maker. They are using RGM to bring a sharper fact base, clearer guardrails and more consistent trade-off analysis into the decisions that brand, finance and commercial leaders already make.

The difference between nascent and best-in-class organizations is significant. Nascent players often price reactively, using cost-plus logic or account-by-account negotiations. Promotion decisions may be judged on volume or sales lift without a full view of profitability. Best-in-class organizations use elasticity and competitive data to inform pricing, review stock-keeping unit (SKU)-level profitability regularly, evaluate trade investment across customers and channels, and connect price-pack architecture to consumer demand, retailer economics and margin objectives (see Figure 3).

Figure 3

Six core enablers of coordinated RGM



Note: RGM=revenue growth management; ROI=return on investment
Source: L.E.K. research and analysis

Together, these capabilities create a more consistent fact base across markets and functions while still allowing local teams to adapt decisions to category, customer and channel realities.

The payoff shows up directly in the profit-and-loss statement. Removing low-margin SKUs and shifting mix toward higher-margin offerings can improve margin without requiring new demand. Trade spend optimized for seasonality, customer economics and competitor behavior can lift returns. A tighter SKU count can reduce the inventory and supply-planning costs that come from carrying a long tail of low-volume products.

These gains come from making everyday commercial decisions with more discipline and a clearer understanding of trade-offs.

AI can make RGM faster but not more effective on its own

Strong RGM requires strong data. For many companies, consumer insights, point-of-sale data, promotion and trade data, PPA data, and internal financials still sit across different tools, teams and owners.

Best-in-class RGM platforms integrate those sources into a single source of truth. They help move companies away from fragmented, user-driven analysis and toward integrated decision systems that generate cross-lever recommendations embedded in commercial workflows (see Figure 4).

Figure 4

The four capabilities of an RGM decision platform

Scenario modeling
Tests strategic options and quantifies impact across price, promotion, mix and customer scenarios

Simulation/elasticity models
Predicts how customers, retailers and financial outcomes will respond to changes in price, trade and assortment

Performance tracking/feedback
Measures results versus plan, captures learnings and continuously refines future decisions

Optimization engines
Identifies the highest-value actions by balancing growth, margin, ROI and strategic guardrails

Note: RGM=revenue growth management; ROI=return on investment
Source: L.E.K. research and analysis

Artificial intelligence (AI) increases the potential impact of these platforms. It can accelerate scenario modeling, improve demand and elasticity forecasts, identify trade spend opportunities, flag margin leakage and embed recommendations into commercial workflows.

But AI does not answer the harder organizational questions. It does not decide which recommendation matters most, who has authority to act, how exceptions are governed or how trade-offs should be resolved when growth, margin, customer needs and brand strategy point in different directions.

Without clear governance, better data and AI-enabled tools may simply make disagreements more sophisticated. With clear decision rights and stronger RGM influence, they become the basis for faster, more consistent and more profitable commercial decisions.

The mandate: Clearer decision rights and stronger RGM influence

As CPG growth becomes more complex, RGM will play a larger role in determining which companies can protect profitability while continuing to invest behind growth. The winners will not necessarily have the largest RGM teams or the most advanced tools. They will be the companies that give RGM the influence, governance and cross-functional integration needed to shape commercial decisions at scale.

The upside is concrete. In one L.E.K. Consulting engagement with a dairy-focused agribusiness and food company, a rigorous review of trade spend ROI found that shifting investment toward smaller retailers delivered 30%-40% higher ROI than many established key accounts, some of which were generating negative returns. That is the kind of insight coordinated, data-backed RGM analysis can surface and fragmented, function-by-function management can miss.

For many CPG companies, elevating RGM requires three practical moves:

1. **Clarify decision rights.** Define how RGM informs decisions across pricing, promotion, price-pack architecture, trade investment, assortment and mix. That includes where RGM recommends, where it approves, where it escalates and how exceptions are resolved.
2. **Build a stronger RGM capability.** Establish common methodologies, tools, data standards, guardrails and performance metrics so the business can compare decisions consistently across brands, categories, customers and markets.
3. **Embed RGM into commercial routines.** RGM should not be a parallel analysis exercise outside the business. It should inform annual planning, customer negotiations, promotional calendars, innovation choices, SKU rationalization and performance reviews.

RGM is no longer just an analytical capability. It is becoming a strategic growth and margin discipline. To capture its full value, CPG companies need to give it the influence to match its importance.

For more information, please **contact us**.

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