Why transact now

Deal-led transformation in consumer products

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Authors

Jens Weng
EY-Parthenon Global Consumer and Health Leader

Leo Gribben
EY-Parthenon UK&I Consumer and Health Leader

Katie Johnson
EY-Parthenon USLI Consumer and Health Leader

Why transact now

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Introduction

Despite global uncertainty, transaction activity has surged in the last year with renewed appetite among corporates and investors driving a resurgence in large-scale deals – including a near-record number of deals valued above US$5bn across all sectors globally[1].

According to the EY-Parthenon CEO Outlook, May 2026 edition, 62% of CEOs expect to pursue M&A over the next 12 months. Deals are being framed as a major transformation mechanism with a focus on capabilities, rather than scale, and used to build technology advantage, reduce complexity and reconfigure portfolios.

Consumer products companies are spearheading the trend. In the US over the last 12 months, there was US$80bn in Consumer Packaged Goods (CPG) deals above US$100m, up 129% year-on-year, compared with a 65% increase in the wider market.[2] A major consumer products focus is leaders concentrating on the brands and categories where they hold a genuine right to win, and divesting those that no longer fit to free up capital and sharpen focus.

The appeal of transaction-led transformation is clear. An organic approach demands years of sustained investment, cultural change and technology deployment before meaningful results materialize. By contrast, a well-targeted acquisition can compress that timeline significantly – bringing in critical capabilities, talent, technology and market access in a single move. Importing a proven model rather than building from scratch also reduces execution risk and speeds innovation, a particularly valuable advantage when opportunity windows are narrow.

To unlock transformational value, integration must be treated as a value-creation engine from the very first stages of a deal. That is what separates a truly strategic acquisition from a purely financial transaction: not just the vision to buy, but a clear and deliberate plan to realize transformational value and strategic change.

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1 https://www.ey.com/en_gl/ceo/ceo-outlook-global-report

2 EY M&A Activity Insights April 2026 edition

The CPG landscape: pressures and priorities

The CPG and retail sectors are navigating one of the most turbulent periods in their modern history.

The CPG and retail sectors are navigating one of the most turbulent periods in their modern history. What once required a relatively predictable strategy – understand your customer, manage your supply chain, compete on the shelf – has been replaced by a complex web of compounding pressures that demand entirely new ways of thinking.

The pressures are not new – geopolitical uncertainty, shifting consumer behavior, growing retailer power, increasing regulation, relentless technological change, inflation and elevated cost of capital – but their simultaneous arrival makes this moment uniquely challenging. Most Consumer Products (CP) leaders recognize things must change[3] with 71% saying structural disruption is making rapid transformation essential, but the majority remain unprepared[4]. More worryingly, a significant percentage are facing managing decline. The EY Consumer Products Report in 2025 showed 45% of midsized firms lack confidence that their revenue and profit growth over the next two years will meet or exceed past performance and 33% of large firms and 43% of small firms responded the same way[5].

Finding growth in this complex environment is challenging and capital markets are no longer interested in scale for its own sake. Investors are increasingly rewarding portfolio discipline – directing capital towards businesses that can demonstrate a clear and focused strategy – and they are penalizing those that appear to be managing complexity rather than resolving it.

Consumers may be holding brands to account – with 83% saying they want better quality from brands, 78% better value, and 67% 'something new'[6]. So, if it is true that in the long run only one mass market brand will remain on the shelves – and 78% of retailers and 65% of CP companies share this view – then this is a position worth fighting for.

Incremental responses, such as portfolio adjustments or modest cost actions, may be insufficient to address these challenges.

CPG leaders may need to make strategic choices about where to focus.

3 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/campaigns/state-of-consumer-products-report/documents/ey-gl-state-of-consumer-products-report-reclaiming-relevance-05-2025.pdf

4 EY State of Consumer Products Report 2026

5 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/campaigns/state-of-consumer-products-report/documents/ey-gl-state-of-consumer-products-report-reclaiming-relevance-05-2025.pdf

6 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/campaigns/state-of-consumer-products-report/documents/ey-gl-state-of-consumer-products-report-reclaiming-relevance-05-2025.pdf

Using transactions to shape flexible portfolios

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Growing strategic rationale for transactions is contributing to a shift in how progressive consumer products companies compete.

What distinguishes the current wave of dealmaking from previous cycles is its clarity of purpose, using M&A to acquire capabilities, accessing categories with genuine structural tailwinds, and signaling to investors and retail partners that they have a clear strategic direction plan.

The most effective CPGs have a clear road map – understanding precisely where they have the upper hand and using deal activity to augment their advantage. Equally, they recognize that full acquisition is not always the right answer. Shared risk, lower capital commitment, greater flexibility and the ability to access new capabilities without full ownership are making joint ventures and strategic alliances increasingly attractive. 79% of CEOs plan to pursue such initiatives this year, up from 62% in 2025,[7] and this sharp rise reflects the appeal of partnerships as critical levers for speed and adaptability in an environment where transformation cannot wait.

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7 CEO Outlook Global Report (January 2026) https://www.ey.com/en_gl/ceo/ceo-outlook-global-report

What effective acquirers do differently

Acquisition makes most sense when it is driven by clear strategic necessity – closing a portfolio gap, accessing capabilities or technology, entering a new category, market or channel, or moving closer to the consumer through vertical integration. Often it is a combination of these factors converging simultaneously that makes the case compelling. The question then becomes how to act in a way that preserves the value being purchased.

Protecting what makes an acquired brand special is non-negotiable. A house of brands approach – where each brand retains its distinct identity while the parent provides scale and operational foundation – leverages efficiencies without eroding the consumer equity that made the asset worth acquiring in the first place. Integration capability, including change management and operational expertise, can play an important role throughout the transaction lifecycle.

Structural creativity matters too. Performance-contingent earn-out payments and other flexible arrangements allow companies to stay in the game for attractive assets without overcommitting at the point of signing – a particularly valuable tool where there is uncertainty about future performance or where the deal is entering unfamiliar territory.

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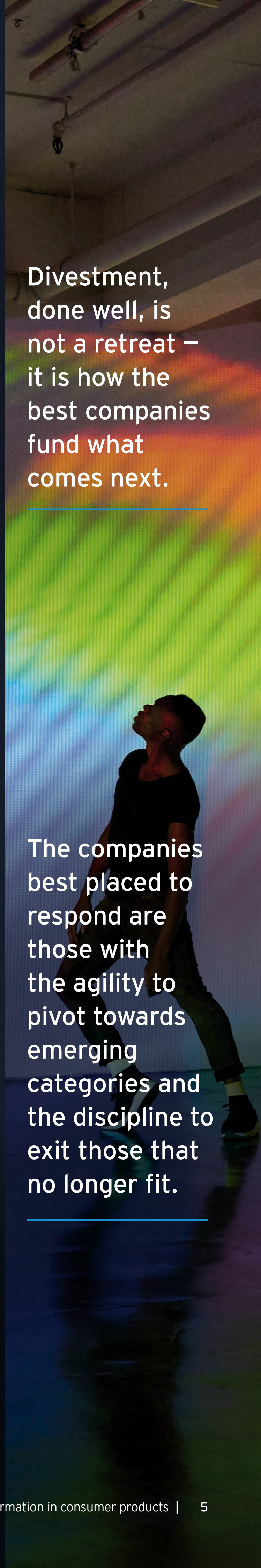
Strategic divestment to sharpen focus

Divestment is too often framed as a defensive move. In reality, it is one of the most powerful tools available to consumer products companies for funding innovation, supporting capital redeployment and portfolio repositioning.

The decision to divest should be driven by strategic clarity rather than short-term necessity. A brand or category warrants divestment when it no longer aligns with the company's core strategic direction, when it is consuming management attention disproportionate to its returns, or when the portfolio would be stronger and simpler without it. Timing is critical and flagship or heritage brands that are sold while residual value remains high will attract stronger buyers and better terms than those brought to market under duress.

The destination of divested assets matters as much as the decision to sell. Specialist private equity owners are often better placed to run a non-core brand for cash than a large CPG parent managing a complex portfolio – and recognizing this is a mark of strategic maturity. Alternatively, trade buyers may see value in assets that are redundant in the seller's model, creating the conditions for a transaction that works well for both sides.

The benefits of well-executed divestment compound over time. A leaner portfolio may support supply chain simplification and greater focus on priority areas. Capital released through divestment can be redeployed into high-growth categories, product innovation or the capabilities needed to compete in priority segments. Divestment, done well, is not a retreat – it is how the best companies fund what comes next.



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Building repeatable transaction capability

The companies that consistently extract value from transactions are those that have built the organizational muscle to source, evaluate, execute and integrate transactions.

This means maintaining active pipelines of potential acquisition and divestment candidates, and treating the portfolio as a dynamic ecosystem rather than a fixed structure, continuously stress-testing which assets belong at the core and which would create more value elsewhere.

In a market where 35% of consumers no longer consider brands a significant factor in purchase decisions[8], the pressure to maintain a relevant, focused and forward-looking portfolio is only intensifying. The companies best placed to respond are those with the agility to pivot towards emerging categories and the discipline to exit those that no longer fit – not occasionally, but as an ongoing strategic practice. Ultimately, in consumer products, portfolio strategy is growth strategy.

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8 State of Consumer Products Report: Reclaiming Relevance
https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/campaigns/state-of-consumer-products-report/documents/ey-gl-state-of-consumer-products-report-reclaiming-relevance-05-2025.pdf

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From transaction to value

Signing a deal is just the beginning. The most common reason M&A fails to deliver its promised value is the failure to follow through with the operational transformation that makes the deal's logic real.

For consumer products companies, this means helping to align portfolio moves with a clear and measurable plan. Capital released through divestment needs a deliberate destination – whether that is reinvestment in high-growth categories, building out digital and Artificial Intelligence (AI) capability, or strengthening direct-to-consumer channels. Acquisitions need to be absorbed in a way that enhances rather than dilutes the capability or consumer equity that justified the deal in the first place.

The fundamentals that underpin successful post-deal transformation are consistent: clarity of direction, pace of execution and continuity of ownership. Leaders with clear roles, aligned incentives and genuine accountability for outcomes are what convert strategic intent into lasting performance.

Similarly, in the case of divestments, the transformation following the sale or separation is the key. Seamlessly unpicking operations, systems, processes and governance without a missed step accelerates the path forward.

This requires a fundamental shift in mindset. The most effective acquirers begin integration planning during due diligence, build it into deal structure and governance from the outset, and treat it as a value creation program in its own right – with owned milestones, clear accountability and the same rigor applied to the transaction itself.

Roadmap to successful integration

Start with a holistic diagnosis

No two deals are the same and each integration should be treated as similarly unique. Before priorities can be set and resources deployed, leaders need a clear and honest picture of the true state of both organizations across structures, capabilities, processes, technology and culture. This diagnostic phase becomes the foundation on which every subsequent decision rests. The output is a prioritized transformation roadmap with a clear sequence, realistic timelines and matching resource commitment.

Focus on the five key areas that shift the needle

Not every deal requires the same integration response. The diagnostic will determine where to focus, but there are five areas where consumer products companies most commonly find the greatest concentration of value.

1. The commercial model is often the most immediate priority. Protecting and growing the acquired brand's revenue performance during integration requires active management – of pricing, retailer relationships and promotional investment. Revenue growth management discipline, applied from day one, is what prevents short-term commercial erosion from undermining the long-term strategic rationale.

2. Marketing and brand management sit closely alongside this. Decisions about how acquired brands are positioned, how they relate to the parent portfolio and how consumer equity is protected or evolved need to be made deliberately and early. Without focus, the distinctiveness that made a brand worth acquiring – its voice, its consumer relationships, its innovation pipeline – can quietly erode under the weight of standardization and distraction, often before it shows up in the balance sheet.

3. Product lifecycle management and innovation capability are where many acquisitions promise the most and deliver the least. Integrating innovation pipelines, aligning development processes and ensuring that the acquired company's creative momentum survives requires deliberate protection. Ring-fencing the acquired innovation team and shielding them from the parent's approval structures in the early stages can retain the speed to market that is easily lost in the complexity of a larger enterprise.

4. Supply chain and operations typically deliver the most tangible cost synergies, and often the fastest – renegotiated supplier contracts and consolidated procurement can begin contributing within months of close. The harder, slower work sits in network consolidation and manufacturing rationalization, where moves need to be sequenced carefully: too fast and operational performance suffers; too slow and the expected savings fail to materialize on the timetable investors were promised.

5. Technology and data integration increasingly determines how quickly a combined entity can operate as one. Systems harmonization, data visibility and the alignment of core enterprise platforms underpin every other area of the integration – and companies that underinvest here often find themselves carrying the costs of two organizations years after close.

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Putting humans at the center

75%

of people in key roles leave within three years of a deal closing.

The people dimension of a deal deserves the same rigor as the operational and commercial workstreams. EY research has found that on average 75% of people in key roles leave within three years of a deal closing[9] – a statistic that should concentrate the mind of any leadership team. The loss of institutional knowledge, customer relationships and the talent that made the acquired business worth buying in the first place can substantially erode deal value in ways that are very difficult to reverse.

The most effective acquirers are aware of this and are deliberate from the moment of announcement – communicating a compelling vision that goes beyond the financial rationale, pushing decision-making authority as far into the organization as possible to maintain momentum, and actively working to retain the individuals whose expertise and relationships are irreplaceable.

9 https://www.ey.com/en_gl/insights/consulting/transact-to-transform-human-focus-to-unlock-deal-value

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Sustaining advantage beyond the deal

Positioning for long term advantage

The consumer products industry is at an inflection point. The pressures described throughout this report – on costs, on consumer relevance, on retailer relationships and on capital markets – are here to stay. They reflect structural shifts that will continue to reshape the competitive landscape regardless of the macroeconomic cycle.

The companies that will likely emerge strongest are those that have made clear strategic choices about where they compete, built the portfolio discipline to back those choices with action, and developed the organizational capability to execute with speed and consistency. Transactions, used well, can be the most powerful accelerator available – compressing years of organic transformation into a single decisive play. But clarity of direction, pace of execution and continuity of ownership are material factors in converting strategic transaction intent into lasting competitive advantage.

EY-Parthenon brings experience at every stage, in collaboration with Tax and Consulting colleagues to smoothly support clients throughout the transaction, and equally importantly, the transformation that follows.

While transactions can be a powerful accelerator of change, they are only one of several strategic options available to leaders. Organic investment, technology deployment and partnerships can often deliver equally compelling outcomes when aligned to a clear strategic objective. What matters most is not the volume of deals undertaken, but the discipline with which companies choose and execute the right path to create long-term value.

Five questions for CPG leaders

What role does M&A play in our transformation agenda? Are we clear whether transactions are accelerating a defined strategy, or compensating for gaps we have not addressed organically?

Do we have a clear 'right to win' in the categories and markets we are targeting through M&A?
Beyond growth rates, what gives us confidence we can outperform the next best owner of this asset?

Have we defined the integration outcomes before we sign the deal?
Do we know what "success" looks like operationally, commercially, and culturally – and who owns delivery of each?

How will this transaction materially accelerate value creation versus organic change alone?
What exactly happens faster – growth, innovation, margin recovery, capability rollout – and by how much?

Are we treating each deal as a one-off event or building repeatable transaction capability?
What are we institutionalizing now that will make the next transaction faster, cleaner, and more effective?

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