

Where Should McCormick Place Its Next Growth Bets?

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At 4:37 p.m. Eastern Time on January 23, 2025, McCormick & Company filed its fiscal 2024 Form 10-K. The company had reported its year-end results earlier that day and had issued its outlook for 2025. The two operating segments offered different routes to growth: Consumer products reached households through retail and other channels; Flavor Solutions supplied customized flavor products to food manufacturers and foodservice customers.

The company's outlook called for continued investment in key categories and volume-led growth across both segments. Yet the prior year did not point to one obvious place for the next increment of resources. Consumer had the higher segment operating margin and positive volume and product-mix growth. Flavor Solutions had the faster growth in segment operating income and a larger margin increase, while its volume and product mix declined.

For this classroom exercise, assume you are preparing a recommendation for McCormick's executive leadership on the next portfolio of growth investments. This assignment is hypothetical: McCormick had not disclosed a specific new budget pool, allocation proposal, or committee decision. Your task is to recommend where the next marginal effort should go, what should be funded first, and what evidence should determine whether to continue.

Two segments, two routes to growth

McCormick describes Consumer as serving consumers through a range of channels and markets. Flavor Solutions provides customized flavor solutions to food manufacturers and foodservice customers. Its disclosed capabilities include sensory testing, culinary research, food safety and flavor application. The company reports that some Flavor Solutions customer relationships have been active for decades; the filing does not state what those relationships cost to serve or how readily customers could switch.

Consumer competes through product innovation and brand marketing, while Flavor Solutions describes its approach through culinary and consumer-inspired product development, breadth of offering and customer engagement. These are the company's descriptions of its segment approaches. The public information available for this case does not establish McCormick's position against a named rival, Consumer category-level differentiation or price premium, or customer switching economics in either segment.

Fiscal 2024 performance

McCormick reported modest sales growth in both segments for the year ended November 30, 2024. The components and operating results differed.

Exhibit 1. Segment results

FY2024, USD millions unless noted	Consumer	Flavor Solutions
Net sales	\$3,848.5	\$2,875.2
Reported sales growth	1.1%	0.7%
Organic sales growth	0.8%	0.9%
Pricing contribution to sales growth	-	+1.2%
Volume and product-mix contribution	+0.8%	−0.3%
Divestiture contribution	-	−0.5%
Foreign-exchange contribution	+0.3%	+0.3%
Segment operating income ¹	\$740.3	\$329.5
Segment operating margin ¹	19.2%	11.5%
Change in segment operating margin	−0.1 percentage point	+1.4 percentage points

¹ McCormick defines segment operating income as excluding special charges and, when applicable, transaction and integration expenses associated with acquisitions. Segment operating margin is calculated from that segment measure. The measures are useful for understanding each segment's reported operating profile; they are not returns on the next dollar of investment.

Source: McCormick FY2024 Form 10-K, MD&A, "Results of Operations-Segments," printed pp. 26-28. Growth components are rounded as presented by the company; organic sales exclude applicable divestitures and foreign exchange.

Flavor Solutions' 14.1% increase in segment operating income reflected pricing actions, product mix and CCI- and GOE-led cost savings, which more than offset higher conversion costs and SG&A. Consumer segment operating income increased 0.7%; the filing attributes the increase to higher sales volume, cost savings and lower scrapped inventory, partly offset by higher conversion costs and SG&A, including advertising and promotional spending. These explanations are management's attributions, not estimates of what a different investment would have achieved.

Exhibit 2. Selected exposure and funding context

- Sales to Walmart accounted for approximately 12% of McCormick's consolidated sales in each of 2022, 2023 and 2024.
- Sales to PepsiCo accounted for approximately 13% of consolidated sales in 2024 and 2023, and 11% in 2022.
- The top three Flavor Solutions customers represented between 47% and 49% of that segment's global sales in each year from 2022 through 2024.
- Net cash provided by operating activities was \$922 million in 2024, compared with \$1.2 billion in 2023. McCormick attributed the decrease to working capital, incentive compensation payments and income-tax timing.

- McCormick said its 2025 outlook reflected prioritized investment in key categories to strengthen volume trends and drive long-term profitable growth. Its outlook also cited uncertainty in the consumer and macroeconomic environment.

Source: FY2024 Form 10-K, Item 1, “Customers”; Item 7, liquidity and cash-flow discussion; and McCormick’s January 23, 2025 results release. Customer concentration does not by itself indicate customer profitability, contract duration, switching costs or likely loss exposure.

The 2025 outlook

McCormick forecast reported sales growth of 0% to 2% in fiscal 2025, or 1% to 3% on a constant-currency basis. It expected volume-led growth across both segments and gradual improvement in China Consumer. The company expected reported adjusted operating-income growth of 3% to 5% (4% to 6% constant currency) and adjusted diluted earnings per share of \$3.03 to \$3.08 (5% to 7% constant currency). The release noted that currency would reduce reported growth rates and that gross-margin expansion would be partly offset by growth investments, including brand marketing.

These figures were management’s forecast, not outcomes. They offered a target for the investment portfolio but did not reveal the amount allocated to each segment or the expected return from individual programs.

The allocation question

Leadership must choose a posture for the next cycle of growth investment. The following alternatives are proposed for this classroom exercise; they are not proposals McCormick disclosed.

1. **Concentrate on Consumer.** Put the next increment into consumer-facing innovation, category management, brand support and distribution. The case for this path is Consumer’s positive volume and product mix and its higher segment margin. The challenge is demonstrating that additional investment produces repeatable incremental growth and covers its full cost.
2. **Concentrate on Flavor Solutions.** Put the next increment into customer applications, product development and technical engagement. The case for this path is Flavor Solutions’ operating-income and margin improvement and its customized offering. The challenge is converting pricing- and savings-supported performance into durable volume growth while managing customer concentration.
3. **Stage the portfolio across both segments.** Fund defined initiatives in each segment in tranches, with separate measures and continuation gates. This could preserve multiple growth paths and generate evidence; it could also spread management attention and resources too thinly.

The public disclosures do not include project-level investment amounts, returns, marketing lift, category unit data, customer-level margins or a quantified measure of spillovers between the segments. Any budget or numerical allocation you introduce should be identified as your own assumption. A defensible recommendation should say what would change your mind as new evidence arrives.

Assignment

Prepare a recommendation for McCormick’s executive leadership:

- Which portfolio posture should leadership adopt, and why?
- What evidence in the case supports your choice, and what does it not establish?
- What two or three measures should be used to evaluate the first tranche in each segment?
- What additional information would most affect your recommendation?

Source note

The case uses selected written information available by the January 23, 2025, 4:37 p.m. ET cutoff. It draws on McCormick's [FY2024 Form 10-K](#) and [FY2024 results and 2025 outlook release](#). The case does not use later company results or strategic actions. The Form 10-K and release contain the definitions and detailed reconciliations behind the abbreviated exhibits above.