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COVID Recovery of FMCG Industries – India vs Globe

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ABSTRACT

All the countries of the world are facing humanity's biggest crisis since World War II. Almost every country has been affected by the devastating Coronavirus disease (COVID-19). An outbreak from China has gone everywhere. In the last almost year, Corona's epicenter has been shifted from China to Europe to the United States. By this time, over 1.5 million people had been affected by COVID-19 and about 80,000 people had died worldwide. Indirectly, billions of people have been suffering from the impact of the global pandemic of COVID-19. What is disturbing is that the numbers likely stem from under-reporting, and may probably rise alarmingly in the weeks ahead if we factor in asymptomatic patients and rapid tests. Given that the pandemic-driven crisis is constantly changing, countries are desperate to flattening the curve for COVID-19. Surely, this Coronavirus has put the world economy at a major risk. Coronavirus ravages the economic foundations of world trade. Commentators have identified this outbreak as an outcome of hyper-globalization or starting of de-globalization. However, the world is going to face recession; and the global losses, according to some commentators, may exceed World Wars I and II combined. At the same time, the falling world price of crude oil has added further anxieties. Several estimates are now available on the economic loss and post-COVID-19 growth path, and most of the estimates show that the world is already in an economic crisis. South and Southeast Asian countries are no exception. They are heavily affected, health or otherwise. Countries are under full or partial lockdown for the last few weeks. It is a global challenge and a global response is called for. Flattening the COVID-19 curve together helps everyone in an inclusive manner. Unlike the 2007-08 Global Financial Crisis, it is primarily a health crisis, which has given birth to an economic shock. Meanwhile, the world order has been changing fast. Several theories are being postulated. Anti-globalization rhetoric venom is now unfurled. In such unfolding "New Normal" of the world order, the consensus is that countries need to save the earth from the epidemic if we need to live together.

INTRODUCTION

The covid-19 epidemic is the first and foremost human disaster in 2020. More than 200 countries and territories have confirmed effective medical cases, caused by the coronavirus declared a pandemic by the WHO[1].

FMCG Industries started growing after 3rd Quarter in India-[2]

Nielsen Said FMCG Industries grows by 7.3% in urban and in rural grows by 14.2% after Oct.-20- The FMCG industry in India has recorded value growth of 7.3 percent in October-December quarter helped by consumption-led recovery during the festive period and increase in sales from traditional as well as organized trade, according to data analytics firm Nielsen., Metro market witnessed "significant recovery", while rural India, which is performing well after a quick recovery from the pandemic, continued to be "buoyant" and witnessed double-digit growth during the quarter.

Large manufacturers also bounced back with consumption-led growth during the quarter, while the small ones clocked double-digit growth amid a rise in consumption, said the FMCG Snapshot for Q4 2020 released by the Nielsen Retail Intelligence team. This growth in Traditional trade (Grocer, Chemist, Paan shops, etc.) and Organized Trade (Modern Trade and Ecommerce) was driven by consumption,

The Fast Moving Consumer Goods (FMCG) industry in India saw a bounce back with a growth of 7.3 percent in the quarter ending December 2020.

In the October-December quarter, products such as liquid toilet soap, antiseptic liquid, floor cleaner, toilet cleaner in the Hygiene & Immunity building' categories continued a high-value growth of 46 percent in comparison to the corresponding quarter.

"The home and personal care' basket made a consumption-led recovery (5 percent volume growth vs year ago), while Food categories saw a 10 percent growth riding on boost in consumption as well as a price increase in some food baskets," it said.

This growth recovery was widespread in the food basket, including Staple Foods' that grew 18 percent in the December quarter, Vs. a year past.

While the Indian consumer has had a tough year, the last quarter of 2020 has seen a recovery in consumption as economic activities have started moving back to normalcy (opening up). The festive season brought a further boost to the sentiments and since then there has been a visible uptick in growth for the industry resulting in an increase in consumption across staples, and home and personal care," said Nielsen Lead, Retail Intelligence.

The Indian metropolitans, with more than a million populations, have come back into the positive growth zone after two-quarters of decline and reported 0.8 percent growth in the October-December quarter.

While, rural markets continued to grow in double digits – accelerating to 14.2 percent in the October-December quarter, from 10.6 percent in the July-September quarter.

This sharper recovery is on the back of favorable agricultural sector performance, government action towards rural employment generation, and as rural India had a lesser impact of the pandemic, it added.

Large FMCG manufacturers bounced back with consumption-led growth but small manufacturers, having an annual sales turnover less than Rs 100 Cr., continued to exhibit double-digit growth of 16 percent in the December quarter.

Meanwhile, e-commerce is stabilizing at a consumption level higher than pre-COVID. The e-commerce spurt is more prominent in the metros, it said adding that traditional trade channels consolidated their share in the metro markets.

Traditional trade channels continued their growth momentum in the December quarter (8 percent vs. a year ago), after a 3 percent growth it clocked in the September quarter.

Within organized trade, Modern Trade channel has posted a strong recovery to (-) 2 percent in the December quarter, as against a (-) 15 percent in September quarter, it added.

Pandemic has changed consumers' behavior and there will be further changes in their wants and needs in the months ahead. Here is some advice on how brands can keep up.[3]

There is little doubt that the COVID-19 pandemic has had a significant impact on consumer behavior, especially when it comes to FMCG shopping Thus it is unsurprising that UK grocery sales through digital channels have grown by 75%. Consumer goods brands have long understood the need to adapt to digital shopping behaviors. But the recent disruptions have triggered a greater sense of urgency. On top of that, further change in consumers' wants and needs is inevitable as the peak of the pandemic passes and its longer-term impact on human behaviors becomes clear. To effectively keep up, brands should therefore be looking to take multiple steps.

A-Digital shopping became strengthen -

Brand owners must understand and invest in the 'zero moment of truth' – that consumer decision-making moment, as defined by Google – in which the consumer researches a product before purchase. Win the category search and the brand is automatically top of the consumer's browsing list, giving your brand a better chance of ending up in that digital basket.

Winning search also applies to retailer websites. In physical retail, you win with scale. Share of shelf usually correlates to brand share and incremental display equals incremental share. But online, there is an infinite shelf. You need to beat the algorithm to win with smarts, not just scale. Cracking this is hard because they are different for all retailers and they change a lot. But generally, you can't go wrong with having a good product that is bought frequently by many with strong ratings and reviews.

Repeat purchase is 22% more likely with consecutive digital shops as people tend to shop from digital lists or previous shops. So intercepting shoppers is vital and can be achieved through online retailer partnerships and boosting e-commerce ad spends. Amazon presents an entire ad ecosystem, but supermarkets such as Tesco and Sainsbury's aren't far behind in terms of the importance of spending on their platforms to drive your product into online shopper baskets.

B-Need to Fight with old Challenges of E-commerce Trade-

Long-standing barriers to online growth, such as minimum spends and unexpected product substitution downgrades, are less of an issue given the falling standards of the physical supermarket experience during the lockdown. A whole new demographic has embraced online – an older, less affluent, more rural audience.

-Win with new online shoppers through value plays, a more user-friendly experience, and investment in moments that surprise and delight.

Arguably, an online supermarket delivery slot has become one of the most in-demand luxuries of our time. Supermarket e-commerce capabilities seem to be the only things stopping further growth. So, consumers are finding other ways to fulfill needs – which brands must respond to.

Direct-to-consumers is one example. Heinz set up its "Heinz At Home" DTC channel during the peak of the crisis, for all your beans needs. Impressive and adaptive, though I question whether shoppers will do specific bean shops, once access to online and bricks and mortar supermarkets improves.

Another example is the subscription model, with many seeing a vast acceleration of growth already present pre-pandemic. For example, Smol Product.com is an eco-friendly biological laundry and dishwasher detergent brand, with capsules bought by subscription, delivered through your letterbox.

Several things worked in its favor during the early weeks of the pandemic, such as its inexpensive price, mail delivery, ability to meet heightened personal hygiene needs, and the fact it is a habitual necessity – all things likely to remain relevant once lockdown is further eased.

C-All Ideas will not work, some may work-

Following several months in lockdown, we have the luxury of perspective. So, we need to question how much will change permanently.

Even despite the surge in online grocery demand, it is still only 11.5% of all grocery sales. Even if we reach, in the coming years, the levels of the most mature market, South Korea (which has seen a rise to (32%, during the pandemic, from 19**%**) it's still worlds away from overtaking 'real life' supermarket shopping. Supermarkets are likely to remain a dominant force and a place where brands need to win.

So, what are the tried and tested rules of thumb that have always worked, and will continue to help brand sales both in-store and online? To remind everyone of the fundamentals that still work for FMCG brands today there are, we believe, four important routes to success-

1. **Mental availability and distinctiveness.**

Strong memory structures will continue to ensure that your brand makes it onto either the digital or physical shopping list. Now is not the time for a radical re-design yet it could be the time to re-think how you apply these assets. At Grey London, we've helped clients such as Febreze and Gillette transform their e-commerce product pages to ensure they get noticed in online environments, to enjoy incremental success.

2. **Physical availability.**

New partnerships can offer new distribution outlets that have emerged during the lockdown.

3. **Creativity.**

This has never been more important than now. We need to find ways to truly connect with our audience in new and novel ways, despite the new production restrictions. This also extends to the continued importance of product innovation.

4. **The power of promotion.**

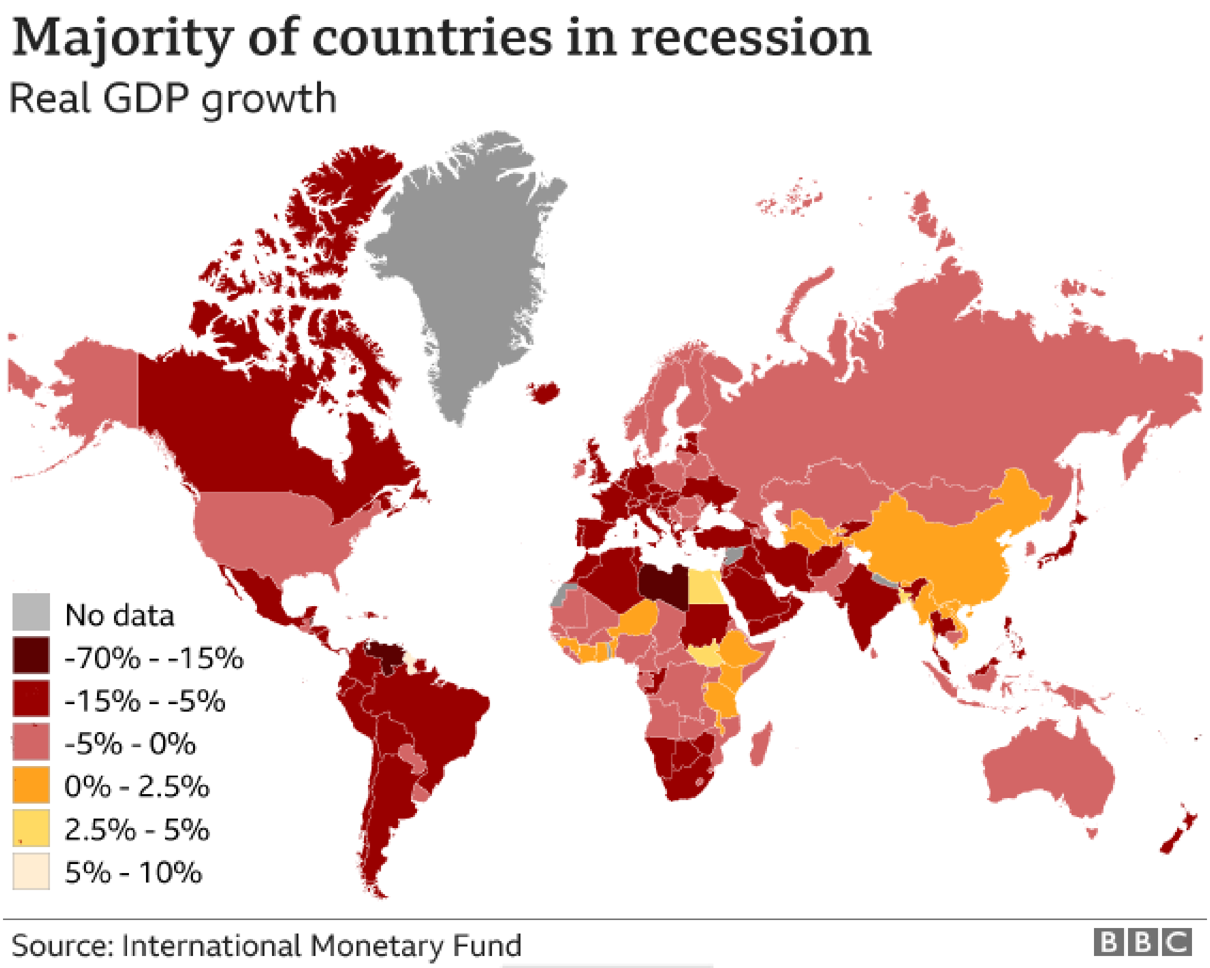
UK shoppers have become very practiced in searching for price and promotions, and this is also true online as well as offline. Thrifty shopping skills will be used even more, as we enter into a deep recession.

The shock of the pandemic has been huge, and it will continue to reverberate for years to come. But as brand guardians, we need our perspective and knowledge to make intelligent decisions. The fundamentals are just that for a reason and they will hold brands in good stead for the uncertain times ahead. So, keep your strategy steady and be open to adapting your tactics.

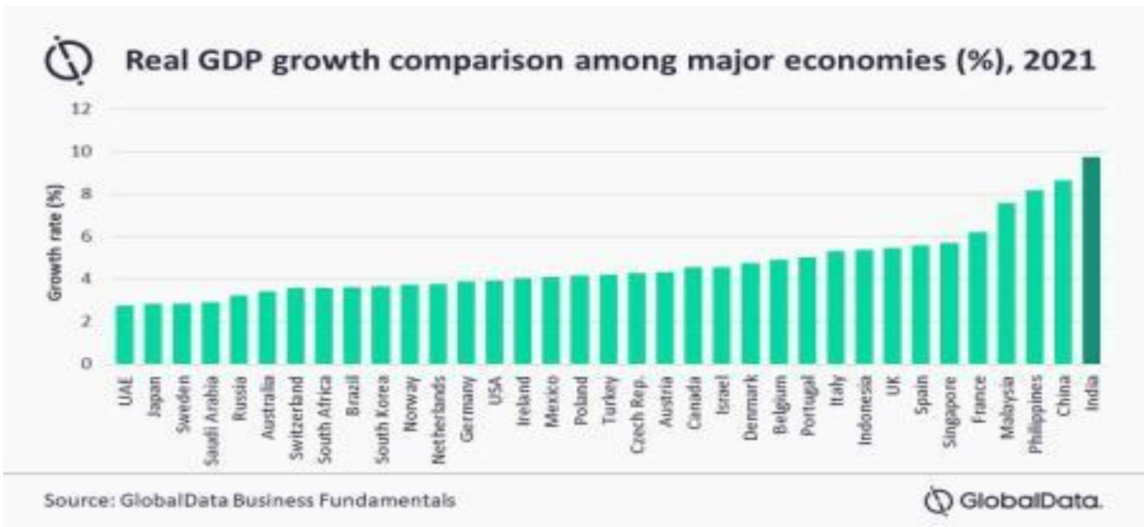
Coronavirus: Global GDP to sink by $22 trillion over COVID, says IMF[4]

Although economists expect a strong rebound this year, losses are still projected to be in the tens of trillions between 2020 and 2025. IMF chief Gita Gopinath said the pandemic is causing "severe damage.

The global economy is set to lose over $22 trillion (€18 trillion) between 2020 and 2025, due to the impacts of the coronavirus pandemic, the International Monetary Fund (IMF) said on Tuesday.



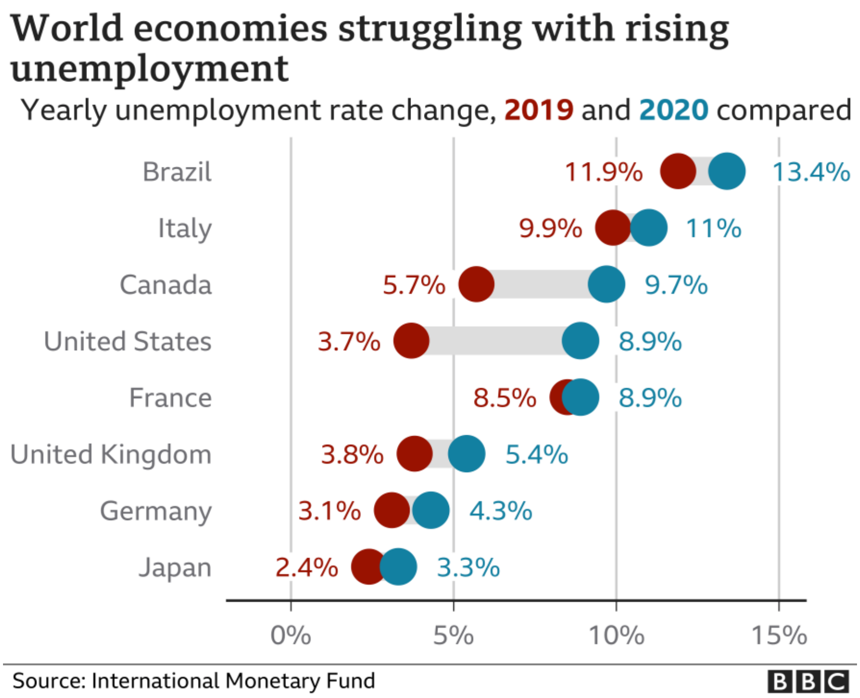
ECONOMY AND PENDEMIC[5]- We are sure by now you have heard in some shape or form that COVID-19 is having a huge impact on the United States economy. Whether it is from political pundits or family members, the information is out there, but it can be difficult to understand exactly what the impact is. We want to break it down for your understanding.



Business-The easiest way to see the impact COVID-19 is having on our economy is through the closure and reduced hours of businesses nationwide. You have probably seen a few businesses boarding up for good, a result of being unable to conduct business for months on end. This means hundreds, if not thousands, of people losing their jobs.

Furthermore, even if businesses are open they are still being substantially impacted. There is lingering fear among the populace about the possibility of contracting the virus. As a result, many employees are choosing to remain unemployed, leaving businesses scrambling to find replacements. On top of that, the amount of footfall has taken a nosedive; fewer people shopping means less money pouring into the business to keep it afloat.

Unemployment According to a BBC news article by Lora Jones, the unemployment rate in the USA has jumped from 3.7% in 2019 to 10.4%. By the end of March, "a record 3.8 million Americans applied for unemployment benefits" according to the Foreign Policy Research Institute. The people losing their jobs are also losing the ability to positively impact the economy by putting money into the businesses around them with unemployment paying out less than half of what people usually make. With less money bolstering the economy and a reduction in job creation, it is projected that "the global economy will shrink by 3% this year. The worst [decline] since the Great Depression" according to the same BBC article.



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CONCLUSION

While the economy is expected to make a recovery, it is hotly debated how quickly that will occur. For the time being, it seems that the economy will continue to decline as the USA struggles to combat this unprecedented pandemic. This is sure to shape our nation as the Great Depression did in the 1930s. It will be important to continue to stay abreast of the ever-changing economic tide.

Food and Agriculture: The food and agriculture sector contributes the highest in GDP i.e. 16.5% and 43% to the employment sector. The major portion of the food processing sector deals with dairy (29%), edible oil (32%), and cereals (10%). India also stands number one in dairy and spices products in a global scenario (export).

MSME: This sector contributes 30% to 35% of the GDP, showing a bifurcation of the micro (99%), small (0.52%), and medium (0.01%) enterprises. If we see the sectorial distribution of MSMEs, it shows 49% from rural and 51 % from the semi-urban and urban areas.

Online Business / Internet Business sector: Online business in today's economy plays a major role in the economy with a market share of USD 950 billion. It contributes 10% to the Indian GDP and showed a drastic in the employment sector in the FY19 viz 8%. Its major segments are the household and personal care products (50 %), healthcare segment (31%), and the food and beverage sector (19%).

The key notable points are:

-Daily essentials categories are massive 200% hike in searches driven by hygiene and healthcare needs.

-Lifestyle categories sales witnessed a drop between 15% to 30% with an increase in consumer price sensitivity.

-Purchase growth skewed to family vs individual purchases.

-Increase in searches skewed to brand agnostics.

Vaccine distribution to offer an economic boost-

Despite the losses, the spread of vaccines is expected to power a stronger global economic recovery in 2021, the IMF said. After sinking 3.5% in 2020, the worst year since World War II, the global economy will likely grow by 5.5% this year, according to the forecast. The new figure is an improvement from the 5.2% expansion from the IMF's October forecast and would mark the fastest year of global growth since 2010. On the other hand, economies worldwide will need support from their governments to offset the damage caused by the pandemic. Additionally, the spread of virus mutations could slow down economic growth.

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, the effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis," the WEO report said.

Coronavirus has killed over 2 million people and has seen nearly 99 million confirmed infections across the globe. Countries are currently rushing to roll out vaccination programs, while experts say that the global inoculation process could extend well into 2022.

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