

## Impact of Coronavirus pandemic on fast moving consumer goods (FMCG) sector in India

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### **Abstract:**

The Indian economy is undergoing significant field of growth in FMCG sector with diverse businesses, including food, beverages, grains, cosmetics etc. The paper studies the impact of coronavirus pandemic on FMCG sector in India and the impact on consumer behaviour in India. The paper found that the FMCG sector is highly affected by coronavirus pandemic and employment is affected in India as labourers have moved to their native place due to coronavirus pandemic. The companies' responses to this issue include the introduction of protection procedures, sanitation and sanitization methods, an updated sourcing policy, the incorporation of new vendors, the streamlining of their product portfolio, a more responsive evaluation of supply chain resilience, an analysis of disaster or emergency management plans. In this way FMCG sector can cope with the coronavirus pandemic.

**Keywords:** FMCG, Covid-19, coronavirus pandemic, kirana stores, impact

### **Introduction:**

Panic is in the market because of the coronavirus pandemic. There is no pandemic unaffected market. Corona pandemic impacts all industries such as the FMCG, FMCD, insurance, finance, etc. The COVID-19 has contributed to a worldwide recession in FMCG business as a consequence of the onset of the global pandemic. The pandemic has also developed economic environments across the world, hinting at the next global crisis, impacting over 195 countries worldwide. Various countries are taking aggressive measures to curb the disease. Social isolation has, though, had a dramatic influence on the FMCG industry. Any of the few reasons most of FMCG firms worldwide are organizational challenges, a shortage of sufficient jobs, activities limited to the manufacture and distribution of only the necessary products. The impacts of COVID-19 also did not protect the food & beverage sector. As a consequence of the shortage of fresh fruits and vegetables for instance, businesses engaged in the manufacture of refined and non-perishable goods have seen high profits grow.

However, due to a scarcity of food availability, workers and tight government locks restaurants and retail food establishments face problems. Demand is also growing at an unprecedented rates of growth for organic and natural product enriched food. For example, in India, Nourish Bio Foods PVT Ltd has experienced sales growth of 30 percent between February and March 2020, which includes sales of plant-based, gluten-free and vegan foods. Cosmetic and paint goods are predicted to decline steeply during the COVID-19 epidemic. Other non-critical goods are required to compensate for market shortages in later half of the year in addition to certain items that are considered necessary during such a crisis. For example, since the outbreak of Covid-19, US buyers are adjusting their shopping behaviour, with 27,5 percent reporting that the epidemic has resulted in constraints and avoidance of public events and a significant

decrease in demand for cosmetic goods. On the other side, demand is rising at an alarming pace worldwide for personal hygienic goods such as side sanitary equipment and hand washing in physical retail and online retail (Mahajan, 2020).

### **Review of literature**

The fundamental and cyclical faults in several economies have surprisingly been found in COVID-19. All of them is definitely India. India has been a major guiding power for industrial development and stability until recently. The parameter of 'GDP growth rate' was next to China. India is also a major socioeconomic empirical issue for many scholars worldwide as the biggest democratic nation with history of hunger, illiteracy, institutional inequality and casteism. Before the advent of Corona, the Indian economies confronted increasing corruption, crony capitalism, inflation of the rural economy, and extreme banking inefficiency. This battle is largely attributed to systemic weaknesses in this country which have not been remedied by substantive policy reforms. The pandemic has made Indians, especially the young, badly affected. In the context of the same influence on the global economy, Jakhotiya summarized the effects of COVID-19 on the Indian economy. In addition to discussing COVID-19, the paper proposes some solutions that also eliminate certain structural defects. I have a simple proposal for readers to examine the existing situation of India, bearing in mind that it suffers concurrently on two fronts. The new pandemic and its former legacies (Jakhotiya, 2020).

Mahajan describes the factors that drive Indian millennials to a particular online retailer in India and perceptions of millennials towards these online retailers. The paper studies the same in the Indian context. It is found that millennials are more or less satisfied with the services of selected online retailers. It was also found that four factors were statistically significant for millennials for selecting a particular online retailer (Mahajan, 2017; Mahajan, 2015).

At both points of view, COVID-19 changed our lives. Companies and foreign markets will never be the same as the planet restarts after the COVID-19. In the markets of tomorrow, several emerging developments, including the D2C, the creation of the Omni channel etc. Companies who proactively recognise these patterns will be the champions. Macro, customer and supply-side interruptions create a dynamic network that pushes these economic patterns. In this paper, Shetty have made an attempt to analyse this complex network with respect of FMCG and retail industries of India, and have listed down trends in these markets and potential strategies companies must incorporate in order to come out of this pandemic successfully (Shetty, 2020).

### **Objectives of the study:**

- 1) To study the impact of coronavirus on FMCG sector and kirana stores in India
- 2) To study the impact of coronavirus pandemic on consumer behaviour in India
- 3) To suggest measures to improve the present situation of FMCG sector in India

### **Research Methodology**

The paper studies the present impact of coronavirus on FMCG sector in India. The study is descriptive in nature. The study uses primary and secondary data for the analysis of the FMCG sector. The secondary data is collected from websites, blogs, magazines and newspapers in India. The study critically analyses the present situation of FMCG sector in India and its impact on consumer behaviour. The geographical scope of the study is India. The paper first studies impact of coronavirus on FMCG sector. Then the impact of coronavirus pandemic is studied employment and consumer behaviour in this sector.

### **Data Analysis and Interpretation**

#### **FMCG during the pre-COVID world**

In India the FMCG market has evolved rapidly and in the years prior to the pandemic. After mid-2018 the market has been growing, with growth rates falling rapidly from mid-teens to roughly one half by Jan / Feb 2020 over the past 15-18 months. In this situation, FMCG companies sought to bargain in the expectation of a market share by lowering costs and selling customers higher supplies. For urban India in particular. But the story of rural India can not be overlooked. Lately, in rural India the FMCG sector expanded faster than the FMCG goods market, which accounts for roughly half the total country expenditures. The semi-städtischen and rural industries account for over 40 per cent of FMCG 's total sales in India and the rural

Indian FMCG segment is expected to be a growing force for the industry in general with approximately 12 per cent of the world's population in Indian villages. FMCG companies aim to introduce smaller packages for products which possibly correspond to the lower incomes of people in rural India to improve their rural presence. It is a perfect illustration of how corporations strive to implement innovative development plans.

Especially because of the skewed bargaining power and unorganized selling capacity of the Kiranas, western trading and ordered exchange had given a very pernicious outcome to the Kirana district market. This will improve, as steps have also been taken to digitize Kirana shops, so they can interact with the larger retail partners.

There has been some attention given to the latest chemistry between global technology and Indian telecom giants. The recently concluded Jio-Facebook partnership, which could have repercussions for the entire FMCG market, is a job of Sajith Pai from Blume Ventures. The digitalization of Kirana stories tells me that a number of businesses, including FMCG – Modern India, have the most important developments. The FMCG industry is dealing with a broad variety of implications. The skyrocketing smartphone penetration in the country, coupled with one of the lowest data charges in the world, has helped bring India online. This has changed the face of consumer behaviour in the country. With the majority of the population expected to be online, the e-commerce sector is flourishing. While Covid-19 has accelerated the pace at which India adopts digital means of buying FMCG products, the trend has been upward for a while now, with e-commerce expected to contribute to about 11 percent of FMCG sales by 2030. Therefore, India stands to immensely benefit from the power of the internet.

#### **FMCG during the post-COVID world**

In India, post-Covid-19 outbreak, demand for hand sanitizers, hand wash and other health hygiene products have to increase at an exponential rate. The year 2020 is anticipated to have the highest growth for these products. The increasing knowledge of hand hygiene antiquates by Indian consumers is anticipated to offer many domestic and foreign players a lucrative opportunity by 2022. In India, a good e-commerce system would also lead to the production of hand sanitizers, hand washing and other items for hygiene. Many leading customers claim that more than 600,000 Kirana outlets might have shut down during lockouts, experienced a liquidity shock or have the owners returned to villages and were scared that most of them might not reopen. In the phone industry, pressures are also felt, as the All India Telecom Retailer Association reports that approximately 60% of the 150,000 stores that sell smartphones have refused to open since they were approved to sell non-essentials. Industry managers have said small channels are pinched by the reality that manufacturers work in cash and don't give compensation for 7-21 days. The industry is worried that these closures will further hinder demand recovery.

Parle Goods recorded closing down in April and May nearly 10 per cent of the 5.8 million kirana stores which used to sell tea and paan from home and road corners. Krishna Rao, head of parle category B, has claimed that distributors have lost their ownership money from the channels. "All of these channels may completely have been taken down. Also 1 to 2% of the 42 largest lakhs have been shut down, with proprietors moving to their villages, and this may remain so for the next 5-6 months. While some could reopen, the closing of small kiranas would also impact the scope of businesses. Most of the retail closures may be transient and they will resume gradually, while kiranas could be limited for long periods of time. Sunil Kataria, Chief Executive Officer of Godrej Consumer Goods India & SAARC, expects shop closures to prove temporary even though the period is unsure. There are approximately 10-12 million small retail outlets selling food and other quickly shifting consumer items in India, but many are fractional and in the hinterland. On the smartphone industry, Arvinder Khurana, AIMRA chief, reported that many shop owners have suffered liquidity problems, severe low brand stocks in the sub-15,000 region, shortage of consumer financing and very little losses. According to Nielsen,

FMCG industry sales fell 34% YO in April, contributing to a 38% decrease in sales in smaller companies, while modern trade reported 5 % growth.

Chemical shops have emerged as a new grocery store, particularly in urban areas, for Indian customer since they can run for longer hours than local kiranas and even modern businesses.

Market research company Kantar estimated that since the lock-off led by Covid, almost 35 million households have bought fast-moving consumer items from chemist shops compared to 25 million in the previous era. The growth of the customer base clearly demonstrates that everyday food is favored in the pharmacy, he says in a survey. The cumulative FMCG prices in the nation are now 10 % higher than modern chemicals. The platform is used for a long period targeting things like diapers, deodorants and frozen product products. More than two decades of wellbeing and immunity-enhancing items have been introduced in industries during the last three months.

In comparison to the segment of nutritional goods, businesses are showing a increase in health and wellbeing, hygiene and protection revenue in these sectors. Homegrown Emami FMCG Business experiences healthy rural post-March development. Robust sales in rural and semi-urban markets have been seen by leading FMCG performers, for example ITC, Godrej, Dabur, Emami and Marico, which claim the expectation that the influence of the COVID-19 crisis will rebound rapidly. Furthermore, businesses note, in addition to the segment of nutritional goods, an improvement in the sales of health and wellbeing, hygiene and safety enhancing immunities in those industries. These products are being sold to businesses in value bundles and their network is also being extended in rural and semi-urban markets.

With migrant workers returning home and the government proposing additional spending on MNREGA and expanded MSPs, rural use would definitely see a boom. In addition, this year's hopes will be for average monsoon. In the hinterland, he said, further boost emotions. Early indicators of strong demand are being seen at new releases including toilets and soaps from the spectrum of personal hygiene. Initiatives such as reward schemes have been introduced in those markets by the Kolkata company. In addition to fruit, fitness and wellbeing, hygiene and immunization booster goods, particularly rural areas, are also at the center of customer demand. "Health and hygiene consciousness among consumers in both urban as well as rural India has increased. Hand hygiene and hand washing, in particular, have seen an explosive growth in India and penetration dramatically increased. In order to reach these audiences, ITC has introduced a hand sanitiser kit at just 50 locations.

Experts said that as the crisis normalizes, metropolitan economies would recover. "The rural sector could perform well in the future with the outlook of a regular mozon. However, when the case of COVID in the urban markets is tracked, lockdowns and instability are minimized, urban markets should bounce back, "said EY associate and National Leader of Consumer Goods and Retail, Pinakiranjan Mishra. In April, Nielsen had reduced its FMCG sector's growth outlook by close to half to 5 % to 6% for 2020, citing consequences of the coronavirus pandemic and potential locks. Humanity has encountered many problems from the very beginning. The size of these problems was distinct and came to us in multiple ways. Starvation, battle, pandemics, global turmoil, and climate change all the way. Thankfully, several of them have mankind – better and more robust. Another obstacle, which today hangs the globe, is the introduction of the modern coronavirus. There are only a couple of these incidents, in which all the human beings become involved or possibly influenced – Covid-19 is one of them. We are surely going to get through that too. Although this epidemic has changed much of our lives, this destructive disease offers up possibilities for fresh prospects – the individuals and organizations. This is just as valid for the field of Fast Moving Consumer Products.

#### **Impact of Covid-19 on consumer behaviour**

For a moment, the novel coronavirus is here. It has proven that life and our attitude to it will never ever be the same. Of necessity, this transition is having a detrimental effect on some

firms and offers some a boost. I expect several shifts in the consumer 's actions in the immediate to medium term that require FMCG businesses to shift their customer acquisition and retention strategies. Owing to COVID, the structure of the market basket has shifted and certain adjustments are lasting. An increased focus on health and hygiene will become the norm. Demand in the discretionary categories is likely to come back slowly but not immediately.

We see a rise in demand for goods to boost personal hygiene in, in and about homes and workplaces for the typical customer. There is an increasing market for such items such as soap, hand washings, bathroom sanitary appliances, disinfectants, towels, gloves, home-cleaning goods such as floor-cleaners and cookware cleaners; cleanliness and hygiene are considered to be the latest mantras. These criteria are likely to be fulfilled by FMCG firms. Likewise, businesses focused on food essentials and nutritional items like instant noodles, gourmet meals, frozen snacks, dinner, cooking oil, fast mixes and supplements would be on demand. Consumers often expect large goods to help develop protection from disease. That said, certain categories are anticipated to take a seat back for a while in the FMCG market. Companies are prudent to change their emphasis from categories that are not basically deodorant, perfume, skincare and other cosmetics, gourmet cuisine, etc. In order to eliminate issues regarding commodity freshness and expiry, it would also be important to properly control inventories. The CSR activities of the FMCG companies will be affected (Mahajan, 2018)

There are also two common shifts in the purchasing habits of consumers. Consumers will want to cut their visits to stores as much as possible. This will mean that the total amounts paid on each journey will possibly grow when they tend to stop going to the store on certain occasions. The current trend will be internet shopping. Initiatives such as the 'no touch rule' from major actors would step up this increase in online shopping and customers will be able to get the products at home from the convenience of their homes. A big development in the industry is the fast increase in rural demand in the short term. This is largely because of the relocation to their homes of the migrant worker population. While they are mostly low-income, government schemes like the Mahatma Gandhi National Rural Jobs Guarantee Act (MGNREGA) are supposed to provide households in rural India with jobs, which would pave the way for rising rural demand, at least so long as migrants do not return to town for work. The loan taken by the kirana stores through government schemes like mudra loans (Mahajan, 2019) will be difficult to repay.

This change in customer demand would be the imminent obstacle confronting firms. A structural change in the market divisions would be required in order to devote capital to the categories where demand would grow and emphasis will be diverted from the categories that have to take a back seat. Thankfully, the government seems pro-active in taking steps to curb the difficulty of the crisis-to raise liquidity through customers, to concentrate on social schemes such as MGNREGA, to feed disadvantaged parts of society, to make farmers timely harvest crops, to ensure that the country's food procurement programs are in line with the needs of the population.

### **Conclusion**

This paper studies the impact of coronavirus on the FMCG and the consumer behaviour. In customer preferences, companies and economic structures, we are experiencing a paradigm change in which certain firms will accelerate while others will slow down. A pandemic such as this opened our eyes to the weakness of human beings, the few moments that all is in a struggle of survival. Many that benefit from this triumph, from corporations and from citizens alike, would have transitioned better than most to the new standard. Covid-19 's effect on the FMCG sector is clear – it would be those companies who would be able to respond rapidly to evolving dynamics of demand and display a resilient attitude and execution.

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