

IMPACT OF COVID 19 PANDEMIC ON INDIAN FMCG INDUSTRY: ISSUES AND CHALLENGES

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ABSTRACT: Fast Moving Consumer Goods (FMCG) industry was the fourth biggest division in the Indian economy this was the past story. The retail advertise in India was assessed to reach US\$ 1.1 trillion by 2020 from US\$ 840 billion out of 2017, with present day exchange expected to develop at 20 percent - 25 percent for each annum, which was probably going to help incomes of FMCG Industry. Incomes of FMCG arrived at Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and were assessed to reach US\$ 103.7 billion out of 2020. Be that as it may, presently the FMCG business over the globe is encountering solid choppiness after the flare-up of worldwide pandemic, Covid-19. The business over the world is encountering an abrupt steep interest for essential items. For example, food and drink industry which incorporates bundled, prepared food and refreshment, new products of the soil and a lot more is foreseen to acquire solid interest for next couple of months. FMCG organizations in India are changing its activity by centering in essential items just by expanding product offerings alongside various movements. As Covid-19 desolates wellbeing frameworks and economies around the globe, the lockdown and its going with preventive measures in India have profoundly affected the FMCG business. Indian retailers endured a huge drop sought after, without any requests got by 95 percent outlets in the principal time stretch of lockdown, In India, conventional channels flexibly 90 % of food supplies and every day fundamentals. Lamentably, these channels are additionally chaotic and need foundational forms for estimating request or envisioning floods popular. Be that as it may, retailers of such channels depend on their experience and companion gatherings to anticipate more precisely than many advanced models. Additionally, utilization as such floods during the numerous Indian celebrations and retailers signal their stocking plans to the bubbly schedule. Considering this researcher showed a drive in to the topic to investigate the secondary data and to research into to the point to uncover the difficulties and issues of FMCG and to recommend strategies to curb this pandemic situation.

Keywords: *FMCG Industry, Covid19, Challenges, lockdown, Economy.*

BACKGROUND OF THE STUDY: The achievements depict that Fast-moving buyer products (FMCG) area was the fourth biggest segment in the Indian economy with Household and Personal Care representing 50 percent of FMCG deals in India. Developing mindfulness, simpler access and changing ways of life were the key development drivers for the part. The urban portion was the biggest supporter of the general income created by the FMCG part in India. In any case, over the most recent couple of years, the FMCG advertises has developed at a quicker pace in provincial India contrasted and urban India. Semi-urban and country fragments are developing at a fast pace and FMCG items represent 50 percent of all out provincial spending.

Glorify of the past - Market Size before Covid19: The retail showcase in India was assessed to reach US\$ 1.1 trillion by 2020 from US\$ 840 billion of every 2017, with current exchange expected to develop at 20 percent - 25 percent for every annum, which was probably going to help incomes of FMCG organizations. Incomes of FMCG segment arrived at Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and were assessed to reach US\$ 103.7 billion of every 2020. The part seen development of 16.5 percent in esteem terms between July-September 2018, upheld by moderate expansion, increment in private utilization and country salary.

Ascend in country utilization to drive the FMCG showcase. It contributes around 36 percent to the general FMCG spending. FMCG urban portion saw development pace of 8 percent while rustic fragment developed at 5 percent in quarter finished in September 2019. The income of FMCG's rustic section is anticipated to develop to 11-12 percent in 2020.

Turbulence after the outbreak of global pandemic Covid-19: Industry over the globe is encountering solid disturbance after the episode of worldwide pandemic, Covid-19. The business over the world is encountering an unexpected steep interest for basic items. For example, food and refreshment industry which incorporates bundled, prepared food and drink, new products of the soil and a lot more is foreseen to bring about solid interest for next couple of months. Over the globe, the FMCG business has seen an exponential interest for hand cleanliness and family unit cleaning items. This was because of expanding mindfulness for hand cleanliness behaviors. Such items are foreseen to recuperate the misfortune brought about by the FMCG business up somewhat. In any case, rigid lockdowns, transportation issues, accumulating and absence of works for productive tasks are a portion of the key difficulties that most FMCG organizations are looking during the episode of worldwide pandemic, Covid-19.

Indian FMCG Companies Scenario: FMCG companies in India are adjusting its operation by focusing in essential products only by increasing product lines along with multiple shifts. As Covid-19 ravages health systems and economies around the world, the lockdown and its accompanying preventive measures in India have deeply impacted the FMCG (fast-moving consumer goods) industry.

❖ Like all the other sectors, FMCG will also be significantly impacted simply because the markets have been shut down over the last few months or so. There has been slow distribution in the market and consequently productions have also been either shut down or are at low key. The extent of the impact will depend on how long this crisis persists. Within categories, the discretionary ones could get more impacted than staples in the near term. And we will also see new habits and changes in consumer behaviour.

❖ In India, traditional channels supply major chunk of groceries and daily essentials. Unfortunately, these channels are also unorganised and lack systemic processes for forecasting demand or anticipating surges in demand. However, retailers of such channels rely on their experience and peer groups to predict more accurately than many sophisticated models. Also, consumption as such surges during the many Indian festivals and retailers cue their stocking plans to the festive calendar.

❖ Beverage fared the worst among all the product categories. The category's peak season is summer and just as it was about to start Covid-19 and the lockdown hit the country. The beverages season typically picks up a week or two before Holi. It did not happen because 90 per cent of the people have been 100 per cent of the time indoors during the lockdown. Also, the off take for carbonated beverages was impacted by low alcohol consumption since the two are usually paired as a drink.

❖ Confectionery is among the worst-hit categories, just behind Beverages. Sales in this space were down almost quarter to half after Holi and might continue till year end. The decline accelerated at a higher rate than usual. The category is an out-of-home consumption, and when the season ends, retailers will not order again. It has had the worst revival curve among all the categories.

❖ Among all categories, Packaged Food is showing the fastest recovery, while Commodity was the least affected category. Personal Care sales typically peak months because consumers stock grooming and hygiene products once a month.

Major Issues for FMCG companies: The lockdown had resulted in an exodus of workers, and states restricted movement of trucks, disrupting supply for essential goods. The ministry of home affairs has told all states that local authorities should actively facilitate the movement of trucks carrying FMCG, food and other products classified as essentials. Large companies making daily essentials said they are better prepared to deal with the lockdown extension in terms of supplies and transport, but the workforce shortage remains the key challenge.

Major Challenges FMCG Brands are facing due to lockdown:

Single brand and luxury retailers at high risk: Corona virus spread is expected to impact the sales of single brand and luxury retailers. Entertainment and leisure sectors are also expected to suffer dramatically as consumers will be less likely to purchase expensive tickets and the declining tourism will add on to the woes of companies in this sector. On the contrary, bricks-and-clicks stores are likely to benefit from the reduced footfalls in shopping outlets and malls.

Zero engagement with outlets: Due to lockdown and panic buying, Consumers are not being brand conscious. Also brands are not able to connect with retailers which is resulting in losing brand loyalty built over years to local brands. Hence it is paramount for brands to maintain the relationship with retailer to create a competitive edge.

No visibility of ground situations: Sales team are operating from home and not able to physically meet the retailer and distributors in their area. Therefore, It has become difficult for brands to collect relevant data from ground such as availability of stocks, order fulfillment status, demand of product and monitoring team activities.

Hurdles in booking orders: Salesmen are not able to visit outlet due to movement restriction imposed by government hence booking and fulfilling the order to outlets has become a challenge for FMCG brands.

Prices to remain stable: It is a known fact that most of countries rely heavily on imported goods. From a consumer point of view, there is an increasing worry that retailers may choose to price gauge essential goods due to the current situation where market demand is much greater than the supply. However, governments have ruled this worry as unfounded and have urged retailers across the region to undertake measures to increase supply to meet the heightening demand. Furthermore, since there has been a sudden strengthening of the US dollar, and as several GCC countries are pegged on to it, the chances for prices in the FMCG industry to skyrocket are highly unlikely. However, in the long run, this may be largely dependent on the availability and adequate supply of goods.

Shift towards local production: Consumers are increasingly buying products that have longer shelf life fearing a global manufacturing and supply slowdown.

'Cashless' to become a prominent trend: The rising panic over coronavirus spread could result in consumers moving towards cashless payments and further stem digital connectivity in the region. This trend could intensify as a greater number of people are staying indoors and the rise in the number of online prepaid orders. As a result, contactless payment gateways expect a surge in demand.

Owing to the intense competition from FMCG companies all over the globe, a multibillion-dollar FMCG industry player realized the need to make better pricing decisions to stay ahead of the curve. Needless to say, the competition in the FMCG market is on the rise and leading FMCG industry players are on the constant lookout for new opportunities and pricing frameworks that can help them stay ahead of the competition.

What is going to be the future fate of FMCG Industry: Advent of global pandemic, COVID-19 has resulted in creating a global crisis in the FMCG industry. Impacting over 195 countries across the globe, the pandemic has already created economic backdrop across the globe, thereby hinting for the next global recession. Strong initiatives are undertaken by different governments for containing the outbreak. However, social distancing has made a drastic negatively impact on the FMCG industry. Logistic issues, lack of adequate labors, operations limiting to production of only essential items etc. are some of the few examples most FMCG companies are facing across the globe. Food & beverage industry has also not been spared by the impacts of COVID-19. For instance, companies involved in manufacturing of processed food and non-perishable has seen robust increase in sales owing to the lack of availability of fresh fruits and vegetables. However, restaurants and retail food establishments are facing challenges owing to shortage of food supplies, employees and stringent government lockdowns. Additionally, demand for organic and natural ingredient infused food products are increasing at an exponential growth rate. Demand for cosmetic & color products, amid the COVID-19 outbreak is anticipated to see a steep downfall. Apart from those products that are deemed to be essential during such crisis, other non-essential products are anticipated to cater huge loss in later half of the year. On the other hand, demand for personal hygiene products such as hand sanitizers and hand washes is growing at an exponential rate across the globe.

Strategic Approach to curb this pandemic situation: The first priority is to get the supply chain back on track, Get production back and running and ensure availability of essential items. The focus is to resume production activities of essential items. First priority is to keep employees healthy and safe. Availability takes precedence over pricing.

Government role to preventing supply chain disruption: The government has clarified in the revised guidelines about the transportation of essential items and about the definition of essential and non-essential items. The government is extremely responsive and accommodative. It is clear that the steps being taken are to resume operations. There will be some commitments that companies also have to make to in terms of only having half-the-number of manufacturing people, companies can request for changing shift from 8 hours to 12 hours and having half the number of distributors in the market etc. Along with this, if the government can acknowledge that all the frontline workers who are ensuring that essential items are available, are doing so in national interest, it will help remove fear from their minds and enable them to report to their work locations with higher responsibility.

Major challenges for government to improve the situation: The biggest challenge for the government will be to ensure translation of the guidelines with consistency and uniformity to ensure enforcement of the guidelines at the local level. If the processes are streamlined, it will help things move faster. The need of the hour is to act quickly to ensure adequate supply and that's how the government can help the FMCG sector. Need an approach to develop a structured approach to competitive pricing, which will play a major role in enhancing the FMCG company's bottom line. The competitive pricing will leverage the use of competitive intelligence to gather insights on the competitor's strategies with regard to their product offerings.

Suggested Solutions to overcome Covid-19 Challenges in FMCG sector: After the detailed assessment of pricing strategies, a unique competitive pricing strategy should be devised to empower the FMCG industry player to differentiate their brand by setting unique prices for their products. The adoption of a holistic, intelligent competitive pricing solution that customarily aligns itself to the company's business goals and the market dynamics to enable the FMCG industry player to break through the cluttered market space with a unique and convincing proposition in terms of pricing. The implementation of the new competitive pricing strategy for sure will improve their competitiveness, leading to the generation of million dollars in annual revenue. As a result, FMCG industry players will surpass the global competition by successfully capturing a top spot in the global market space by enhancing both customer satisfaction and customer retention levels. And Focus on Telephonic Order Feature, Share Order via WhatsApp and social network sites and Apps and Use Survey Apps to the pulse from time to time.

Optimistic Approach for a bright future ahead in FMCG industry: Rural consumption has improved, led by a mixture of increasing incomes and higher aspiration levels, there is an increased insist for branded products in rural India. The rural FMCG market in India is expected to grow to US\$ 220 billion by 2025 from US\$ 23.6 billion in FY18. In FY18, FMCG's rural segment contributed an estimated 10 per cent of the total income and it is forecasted to contribute 20-25 per cent in FY20. FMCG sector is forecasted to grow at 13-15 per cent between June-Dec 2020. On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, also augmented by the growth in modern retail. Another major factor propelling the demand for food services in India is the growing youth population, primarily in the country's urban regions. India has a large base of young consumers who form the majority of the workforce and, due to time constraints, barely get time for cooking. Online portals are expected to play a key role for companies trying to enter the hinterlands. The Internet has contributed in a big way, facilitating a cheaper and more convenient means to increase a company's reach. It is estimated that 40 per cent of all FMCG consumption in India will be online by 2020. The online FMCG market is forecasted to reach US\$ 45 billion in 2022 from US\$ 20 billion in 2017. It is estimated that India will gain US\$ 15 billion a year by implementing the Goods and Services Tax. GST and corona are expected to drive demand in the rural and urban India, economic growth in a structured manner in the long term and improve performance of companies within the sector.

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