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FMCGS IN THE PANDEMIC ERA: A STUDY

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ABSTRACT

The Worst is not yet Over- Pandemic thought a big lesson to all class of people across the society, but according to my observation the sales of FMCGs zoomed right from the pandemic era (March 2020- Till Date). Pandemic was too good for FMCG's retail outlets. Twenty - Twenty (2020) was the period when the global FMCG market generated a revenue of over eight (8) Trillion U.S $ (dollars). That Period (2020) noticed an annual growth of 15.4 percent increase in revenue, it was an increase of over 12% (percent) when compared to the last year (2019). While yearly revenue growth in 2021 will be somewhere around 0.3 percent. The Statista (Research Firm) which is a CMO (Consumer Market Outlook) predicted that growth in terms of revenue will continue to grow and reach around 3.6 percent by 2025. The present paper focuses & tries to examine the growth of FMCGs in the pandemic era.

Keywords: *Pandemic, Fast Moving Consumer Goods, Sales, Food Market, Retail Outlets.*

Introduction

The world is still dealing with the effects of the corona virus pandemic, it is more than a year & the problem still exists. There is total shutdown of all retail outlets due to this pandemic, Almost all parts of the world imposed a temporary shutdown of essential stores to some extent & non-essential stores to a greater extent, Hotels and cinemas are also putting a ban on large public gatherings and most of the organizations are encouraging the people to WFH (Work From Home) wherever possible.

This is now slowly relaxing as vaccination rates increase (63.9 Cr- as on 31 Aug 2021) and the incidence rate drops. The market for FMCGs i.e. fast-moving consumer goods noticed a tremendous changes & the importance for consumer packaged goods (CPG) surged to a greater extent in many countries throughout the world, while growth in household goods spending surged as well. One strategy was to stop people entering the retail outlets and that idea was successful to a greater extent, the main

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focus was to decrease the chances of contracting the corona virus and the main purpose to decrease the frequency of people moving on to the grocery store was curtailed. Some individuals were resorting to stockpiling the essential items like water and food. Few people used online and e-commerce platforms to purchase essential groceries and products that they usually would buy in a store. The Pandemic has changed consumers' behavior to a greater extent and there will be further changes in their needs & wants in the coming days.

In the past six-eight (6-8) months, much has changed for firms in the FMCG industry. After the initial shock due to the shutdown and lockdown in March 2020, sales have gone up in Q2 and Q3. Sales Automation Firm" Bizom " was of the view that the 3rd quarter noticed a growth of Seventeen Percent (17%) in total sales by value. SC (Supply chain) and (M) manufacturing hurdles took a toll on the sector for the beginning 2 (two) months of the shutdown after which some players have gelled well through technological digitization, e-commerce sales and other methods.

(FMCGs) Fast Moving Consumer Goods industry in India displayed wonderful signs of recovery in the 3rd (third) quarter of 2020 with a 1.6% growth (versus Q3 '19), after an unprecedented decline of -19% in the April-June (Q2'20) quarter. Although it slashed its 2020 growth outlook for the industry for the third time in the year to -3% from -1%, research and analytics company, Nielsen said the recovery augured well for the sector that is being buffeted around by strong headwinds after having faced the full onslaught of the covid-19 pandemic.

The pandemic (Covid-19) has allowed FMCGs (fast-moving consumer goods) companies to pay more attention to both growth & volume which is considered something difficult in the normal course of business. The main cause or reason for this is the nature of the Fast Moving Consumer Goods (FMCGs) industry. When few organizations focus on volume growth then margin expansion takes a hit, since the product mix is focused or skewed towards mass-market items and not the class or premium items that are not considered to be margin-accretive. Similarly, high-value or premium products are regarded as margin-accretive, but restricted to a smaller base of people, impacting volume growth

In the year 2020, the world or global Fast Moving Consumer Goods & food market generated over eight (8) trillion U.S $ (dollars) in revenue. The year noticed a record annual revenue growth of 15.4%(percent), an increase of 12 % (percent) when compared to the last year. While annual revenue growth in 2021 will only be 0.3 % percent, the Statista (Research Firm) CMO - Consumer Market Outlook estimates that revenue will continue to grow and reach around 3.6 % (percent) by Twenty-twenty Five (2025).

Pronouncing dramatic change has become a cliché for our times. But there is little doubt that the pandemic (COVID-19) has had a significant impact on consumer behavior, especially when it comes to FMCG shopping. Some individuals are doubtful whether they ever move into a T-E (Tesco Express) during their lunch time again ? It's still very tough to imagine. So, it is no more an astonishing Fact that the United Kingdom (UK) grocery sales through online & digital platforms or channels have increased or grown by seventy five percent (75%) according to a world's leading data consulting company KD i.e., Kantar Data, Crisis brings opportunities. This could not have been accurate and true for the Fast Moving Consumer Goods (FMCGs) industry in 2020 even as the world struggled with the impact of the pandemic (Covid-19). The sector is focusing on state of the art learning & innovating and rising from the disordering situation to put all the worst behind and looking forward to the new things to happen with lots of enthusiasm & optimism and a new-found reliance.

Supply Chain Agility

The past year saw many jolts to the supply chain. The Demand for many products & items was evaporative. Meanwhile the short-term demand for some commodities & items increased positively , for few it significantly reduced / decreased. Shutdowns & Lockdowns decelerated & slowed or interrupted the physical flow of all the materials throughout the nation for a few days and required all the players to work closely & well coordinated with local and state governments till essential products / items were allowed to move without any hurdles.

There was a greater amount of disturbances & uncertainty, for instance a stockroom / warehouse could well become unavailable because of some problems or a supplier going out of the business. According to the world's most trusted advisor and counselor to the businesses around the globe (McKinsey report), laid emphasis on the companies to simplify their portfolios to optimize the retailer's supply chains. Firms have allotted / allocated insufficient inventory across different customers to create a win-win situation & addressed the deteriorating service levels with partners and improved end-to-end cost to serve.

The main focus has been on tracking the new supplier approval processes, increasing & maximizing the supply continuity and to check the raw material availability, planning for backup sourcing, flexible and mobile storage and re-thinking last-mile delivery.

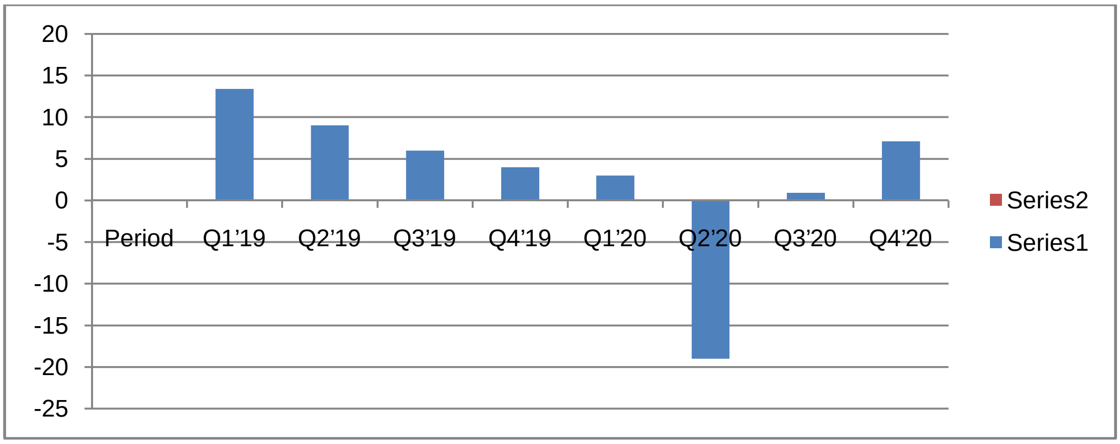
The Rs 4.3-trillion fast-moving consumer goods (FMCGs) market in India will revive this calendar year(2021) in line with the trend visible across Asia, market researcher Nielsen IQ said. The prediction was part of a broader outlook the agency released for the Asian region comprising China, India, Korea, Singapore, and Thailand. India witnessed a nationwide lockdown a year ago, hurting FMCG growth. While the January-March 2020 period saw the market grow 3 per cent, it contracted in April-June, reporting a 19 per cent fall.

Table 1: **Performance of FMCGs in the Pandemic Era**

Period	% Growth/Decline
Q1- 2019	13.40%
Q2- 2019	9.00%
Q3- 2019	6.00%
Q4- 2019	4.00%
Q1- 2020	3.00%
Q2- 2020	-19.00%
Q3- 2020	0.90%
Q4- 2020	7.10%

Source: Nielsen

Figure 1(a): **Performance of FMCGs in the Pandemic Era (% Growth/Decline)**



But some firms differ with this view following a surge in Covid-19 infections in India.

"Certainly, consumer staples and packaged foods will do good and climb up the ladder positively in a situation where shutdown & lockdown curbs will drastically increase because of the 2nd (second) Covid wave," as told by Mayank Shah, senior category head, Parle Products. "But discretionary segments will take a hit because the attention of consumers will be on essentials rather than non-essentials. So, Fast Moving Consumer Goods (FMCGs) growth is not likely to be even if viewed category-wise as well."

This particular trend was clearly visible in the last year during the nationwide lockdown when pantry loading increased considerably and significantly, and at the same time, in-home consumption also surged / rose, pushing up the growth of packaged foods and staples. Personal care and out-of-home categories were hit hard on the other side.

And in addition to the healthy demand, the pandemic also allowed consumer companies to optimize their cost base as well. For instance if focus is on distribution. Many Companies and organizations have now begun to experiment with eradicating one layer of the distribution network, and are servicing the local kirana shops directly. An increasing share of internet-based sales could again reduce distribution costs. If this works, it could shave off 3 to 4 percent of their costs, and add 1 to 2 percent to the bottom-line over the next two or three years.

Despite the growth in sales and profits, the BSE(FMCG Index) has underperformed the market over a 3-, 6- and 12-month period. The only trade they participated in was the 'unlock trade' in June 2020, when the initial relaxations in the lockdown brought consumer and pharma stocks into focus. "This underperformance is not structural. At a price, everything has a buyer," says Amit Khurana, head of equities at Dolat Capital.

Since 2014 when sales growth slowed, consumer stocks continued their upward march taking their multiples higher. In 2013 HUL quoted at 32 times earnings; it now quotes at 65 times. The company's profits rose 13 percent a year over the last five years (mainly on account of margins expanding), while its stock rose 22 percent a year. Now, investors expect cyclical and capital goods companies to outperform, and are shifting money there. A slow revival in growth could see Fast Moving Consumer Goods (FMCGs)become a sought after sector again.

Conclusion

India's fast moving consumer goods (FMCG) industry displayed signs of recovery in the third quarter of 2020 with a 1.6% growth (versus Q3 '19), after an unprecedented decline of -19% in the April-June (Q2'20) quarter. Although it slashed its 2020 growth outlook for the industry for the third time in the year to -3% from -1%, research and analytics company, Nielsen said the recovery augured well for the sector that is being buffeted around by strong headwinds after having faced the full onslaught of the covid-19 pandemic. While yearly revenue growth in 2021 will only be 0.3 percent according to Statista.

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