



NEW LANDSCAPES IN INDIAN CONSUMER PRODUCT INDUSTRY - WITH THE ONSET OF THE PANDEMIC THE ALTERING CONSUMER PRODUCT DEMAND PATTERNS AND EXPENDITURE TRENDS

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ABSTRACT

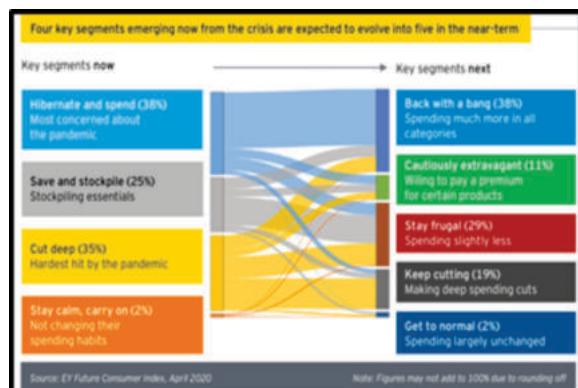
The pandemic proves to be a sharp indication of the fragility of conducting economic activities. Consumer products manufacturing corporations found themselves in uncharted territory after the pandemic-induced lockdown was announced by the Indian government. These businesses confronted a bunch of challenges in the "now" (onset of the pandemic and the subsequent lockdowns), the "next" (ease in government pandemic constraints and businesses target to bounce back from the pandemic emergency) and the "beyond" (the future period when industries concentrate on transforming to succeed in a fresh business landscape and prepare to curb similar future turmoil) stages.

This white paper discusses in detail the pandemic-induced altering consumer demand and expenditure behavior patterns and evolving dynamics of product categories, with soaring consumer demand for staples, healthcare and technology and reduced spending and diminished investments in luxury goods and discretionary commodities, as demonstrated in the figure here.

It also talks about resilience techniques consumer product firms can adopt to mitigate the economic impacts related to the pandemic and evaluation of the future consumer index. This research lays emphasis on the transition in consumer expenditure trends, through the pandemic stages, as depicted in the survey figure below.

| Impact of the pandemic and changing consumer behaviour on category dynamics | | | |
|---|---|--|---|
| Category Type | NOW Immediate response | NEXT Reboot and react | BEYOND Adapt to the new world |
| Essentials | <ul style="list-style-type: none"> Surge in demand to stockpile sufficient supplies during initial lockdowns Shift shift to online; attract many first-time users Choose functionality over form; same in short supply scenario Attract many first-time users for preventive and OTC medical products High concern around safety and hygiene of undressed products due to multiple human touchpoints | <ul style="list-style-type: none"> Afterstockpiling of essentials, there could be temporary lull in their sales Online buying continues, store visits resume Decreased consumer purchase driven in guarantee clean and hygienic environment norms Increased awareness of health and hygiene to sustain demand for vitamins, minerals, healthy food, etc. Accelerated shift towards branded perishables from undressed perishables | <ul style="list-style-type: none"> Return of brand stickiness; proven results for functional brands Demand increases for fresh produce Opportunities rise in cleaning, personal care, OTC consumer health, etc. Opportunities in branded perishables rise |
| | <ul style="list-style-type: none"> Halt in sales of more discretionary products like beauty, makeup Drop in sales for beverages due to closure of bars, trade channels and lower discretionary spending | <ul style="list-style-type: none"> Revalue discretionary buying of packaged beauty products, in-store sales continue to be hit Increase in sales for all income consumption, on-trade channel continues to suffer | <ul style="list-style-type: none"> Need-based spending may increase for basic products; stores need safety measure to attract footfall Online buying and single-use convenience Sustained impact on out-of-home consumption of discretionary products; eating out becomes more prevalent Demand pick up for healthy beverages |
| Non-Essentials | <ul style="list-style-type: none"> Surge in demand to stockpile sufficient supplies during initial lockdowns Shift shift to online; attract many first-time users Choose functionality over form; same in short supply scenario Attract many first-time users for preventive and OTC medical products High concern around safety and hygiene of undressed products due to multiple human touchpoints | <ul style="list-style-type: none"> Afterstockpiling of essentials, there could be temporary lull in their sales Online buying continues, store visits resume Decreased consumer purchase driven in guarantee clean and hygienic environment norms Increased awareness of health and hygiene to sustain demand for vitamins, minerals, healthy food, etc. Accelerated shift towards branded perishables from undressed perishables | <ul style="list-style-type: none"> Return of brand stickiness; proven results for functional brands Demand increases for fresh produce Opportunities rise in cleaning, personal care, OTC consumer health, etc. Opportunities in branded perishables rise |
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Source: EY Analysis



The appendix section goes through the survey analysis report conducted by Ernst & Young Global Limited, to study the impact of the pandemic on retail marketing trends and consumer behavior. However, the pandemic crisis is still evolving and it is not easy to totally verify the socio-economic consequences of the situation on the consumer product sector.

This scenario will be a game-changer for businesses that will concentrate on unfolding new business prototypes - transformational modification with emerging rapid digitization and optimizing the usage of data analytics, re-evaluating brand portfolios to win back customers, re-adjusting batch sizes and costing to re-define price recommendations and grab an opportunistic stance by developing "product categories of tomorrow" (pandemic protective gears).

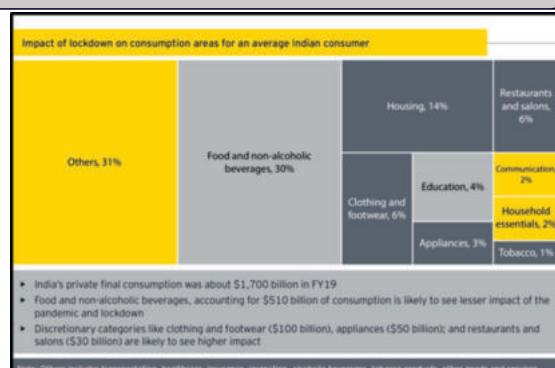
KEY WORDS :

OPENING STATEMENT

Retail trade has invariably been a very competitive business as the sprint for profit margins and revenue earnings can be uncertain. Shoppers bounce from one retailer to another in the exploration of the most promising bargains. The current pandemic and the consequent lockdown led to further challenges with disruptions in all economic activities with outlet closures for non-essential products, triggered panic buying among consumers for staples, decreased market demand and reduced buyer football for non-essential commodities, disrupted logistics and supply chains, transition to online e-commerce strategies and with the uncertainty of the return of the boom in the retail business cycle.

Before the onset of the pandemic, the Indian consumer products (CP) industry was in flux. The sector had been confronting demand tension, primarily from rural consumers due to agri-slowdown, liquidity crunch and employment challenges. The pandemic crisis, which extensively affected a majority of businesses at a phenomenal scale worldwide, had an impact on consumer products. They have observed substantial upheaval in their market sales and values over the last two years.

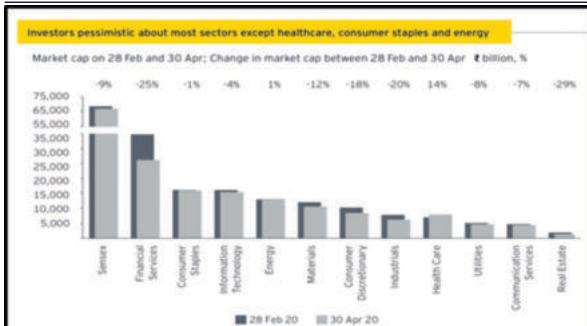
Essential commodities such as - staple food and packaged food industries, home and hygiene products; health care and pharmaceutical firms; energy and technology providers were less adversely impacted in comparison to business concerns manufacturing luxury goods and discretionary commodities, which have experienced reduced spending on their products and services. Refer to figure 1 for further details.



(Courtesy: Oxford Economics, EY Analysis)

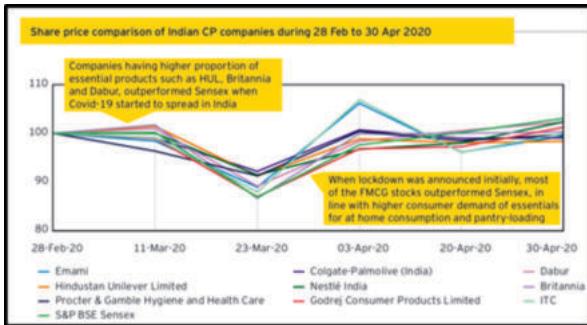
Figure 1: Consequences Of Pandemic-induced Lockdown On A Few Consumer Products

This trend is also being indicated in sector investments. Subsequently, post the onset of the pandemic in India; healthcare is the only industrial sector which witnessed a market cap expansion during March - April 2020. Consumer staples were also well conserved from market cap decay despite persistent challenges in the industry. Refer to figure 2 and 3 to view investor moods and share price comparison for Indian CP firms during this period.



(Courtesy: Capital IQ and EY Analysis) (Note: Top 30 companies by market cap considered for each sector)

Figure 2: Investment In Various Indian Industries March To April 2020



(Courtesy: Capital IQ and EY Analysis)

Figure 3: Share Prices Of A Few Indian CP Firms From March To April 2020

The Indian CP businesses confront a bunch of challenges "now", "next", and "beyond". The "now" phase comprises the onset of the pandemic and the lock down stage where a majority of firms encountered several challenges namely, labor scarcities in manufacturing plants, not optimized output production, constraints in transportation activity and the inability to assure essential commodities are obtainable for consumers.

The "next" phase covers the period when the Indian government administration begins to reduce constraints and corporations target to bounce back from the pandemic emergency. They experience a see-saw contour of recovery and construct an agile operating system to minimize future disruptions. The long-term "beyond" phase covers the future time period when industries concentrate on transforming to succeed in a fresh business landscape and contemplate strategic adaptations and prepare to curb similar future turmoil.

To address the economic catastrophic situation and ensure business continuity, corporations must formulate programs for the "now", "next" and "beyond". The modifications will be multifaceted - establishing durable protection gauges in offices and on shop floors to attain considerable control over the entire dispersion network. Businesses must be able to foresee and be prepared to concede to recent consumer behavior patterns surviving through the pandemic crisis.

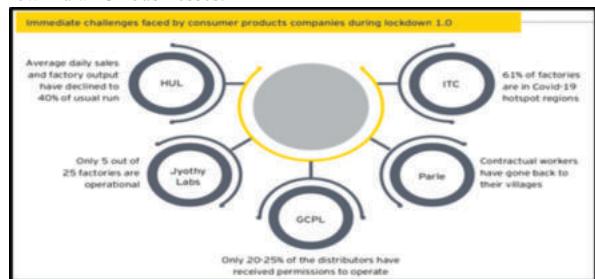
Social distancing norms have expedited the adoption of e-commerce trade and buyers adopt digital platforms to purchase products and services. Consequently, businesses have widened their connections with third-party e-commerce platforms and also utilize deeper data exchange or shared warehousing, reinforce their self-direct-to-consumer capabilities and develop presence on both online and offline sales models.

In the current scenario corporations need to digitize rapidly, optimize the usage of data analytics, invest in technologies such as artificial intelligence, for developing demand-responsive supply chains to overcome any future disruption and enhance customer experience. Merchandisers who deal only in conventional offline sales face considerable challenges with shoppers due to the phenomenal rate of changing course to online shopping tendencies. They need to introduce digital platforms, be flexible and revamp their business techniques across the buyer's requirements to deal with altering consumer behavior patterns and maintain their previous market share.

Also, reviewing their operations and re-evaluating the brand portfolio to win back customers would encompass re-adjusting batch sizes and costing to re-define price recommendations and grab an opportunistic stance by developing "product categories of tomorrow" namely protective gears such as masks, gloves, hand sanitizers, disinfectants, and immunity boosters.

Pandemic Induced Challenges Faced By Consumer Product Manufacturing Firms

Consumer products manufacturing corporations found themselves in uncharted territory after the initial lockdown was announced by the Indian government. There was a surge in demand for certain product categories; like hygiene and sanitation products, healthcare goods and groceries. Firms dealing in these products were not able to rapidly move manufacturing lines or ramp up production to keep up with the inflating demand. Also, the online demand for these commodities was soaring, but these firms were incapable of promptly revising channel partnerships. Public laws adhering to social distancing norms restricted full-scale production, firms faced labor scarcity and skepticism in the business environment persisted for some time, restricting new investments for further growth and development. Figure 4 demonstrates a few such challenges faced in lockdown 1 by a few Indian CP businesses.



(Courtesy: EY Analysis)

Figure 4: Pandemic Lockdown Challenges Faced By A Few Top Indian CP Firms In The Short Term

Ernst & Young Global Ltd. interacting with numerous consumer products businesses evaluated the on-the-ground reality related to the economic pandemic crisis and their report claimed that the senior management was concerned about numerous challenges, varying from the short-term upheavals to the long-term business implications, which are depicted in figure 5.

| EY enterprise resilience framework areas | NOW Immediate response | NEXT Reboot and react | BEYOND Adapt to the new world |
|--|---|--|--|
| Employee well-being and workforce management | <ul style="list-style-type: none"> Protecting health and well-being of employees Diverting resources to critical issues Scaling up remote working Labour shortages in factories and for transportation; workforce is down to 25%, in some case even 15% | <ul style="list-style-type: none"> Developing safer working environment in offices and factories Moving workforce expectations around rewards and compensation | <ul style="list-style-type: none"> Inculcating remote working culture for business continuity Managing reputation risk in case of job losses |
| Consumer safety and brand protection | <ul style="list-style-type: none"> Making essential products available Communicating safety and hygiene of products | <ul style="list-style-type: none"> Reviewing priority categories and pricing framework Using consumers temporarily or permanently to compete due to stock outs | <ul style="list-style-type: none"> Rebuilding trust in the brand Re-evaluate product portfolio |
| Supply chain and trade | <ul style="list-style-type: none"> Adjusting production lines and ramping up manufacturing of essentials - 50% of Indian CP companies are concerned about production capacity shortage for in-demand and essential products Building global and local partnerships to make essentials available Non-essentials being majority of portfolio Ensuring raw material sufficiency - 30% of Indian CP companies are facing challenges in sourcing raw materials | <ul style="list-style-type: none"> Developing online capabilities Managing inventory in volatile times | <ul style="list-style-type: none"> Understanding long-term supply chain risks Maintaining lean supply chains |
| EY enterprise resilience framework areas | NOW Immediate response | NEXT Reboot and react | BEYOND Adapt to the new world |
| Funding needs and financial impact | <ul style="list-style-type: none"> Curtailing non-essential costs - 30% CP companies are facing cash flow issues Ensure financial health of current partners Managing stakeholder expectations | <ul style="list-style-type: none"> Arranging for short-term financing Assessing long-term financial implications | <ul style="list-style-type: none"> Building larger contingency fund Refueling growth |
| Business continuity and risk management | <ul style="list-style-type: none"> Responding to fast changing environment Resuming operations as soon as possible | <ul style="list-style-type: none"> Building business continuity plan Understanding risks to business partners | <ul style="list-style-type: none"> Safeguarding from potential future disruptions |
| Government and regulations | <ul style="list-style-type: none"> Complying with changing state and central government restrictions Working with state governments to classify products as essentials | <ul style="list-style-type: none"> Assessing impact of force majeure triggers and tax implications | |
| Technology and information security | <ul style="list-style-type: none"> Supporting work-from-home arrangement | <ul style="list-style-type: none"> Protecting data and digital network | <ul style="list-style-type: none"> Using technology for remote communication to avoid future disruptions |

(Courtesy: EY Analysis)

Figure 5: Now, Next And Beyond Challenges Faced By CP Firms

Firms asserted that the consequences of the recent pandemic catastrophe would fundamentally alter the manners of conducting businesses. Corporations need to follow social distancing regulations to ensure employee health, prepare for remote working opportunities, build supply chain flexibility, undertake risk mitigation practices, cash flow management to improve liquidity crunches and adapt to altering consumer behavior patterns.

Altering Consumer Behavior Patterns And Evolving Dynamics For Product Categories.

Listed here are the "Now" stage consumer behavior changes (Immediate response of consumers due to the onset of the pandemic)

Change In Lifestyle Patterns:

1. Consumer obsession over personal hygiene and sanitization, greater than 90% of individuals washed hands more frequently
2. Constant household cleaning trend, about 50% of households cleaned toilets more frequently
3. Adhering to social distancing norms, limited activities beyond the domestic boundaries, decrease in shopping trips or entertainment in the form of sports or movies
4. Decline in food service and increased eating at home, more than 95% of restaurants were shut during the initial lockdown and the famous food delivery service app Zomato operated at a 30% delivery capacity
5. Diminish all non-essential expenditures, economy on save mode due to uncertainties - life under panic for healthcare and wellbeing, unavailability of essential goods and services, reduced revenues

Change In Consumer Demand Patterns:

1. Downgrading consumption to less costly commodities, avoid brand stickiness and buying products that do the job
2. Heighten consumption of packaged foods, health and immunity boosting foods and beverages
3. Higher sales volumes of hygiene, sanitation and cleaning products
4. Enhancement in intake of over the counter medicines to treat flu, cold & cough and vitamins
5. Change in the direction from on-premise consumption of alcoholic beverages to at-home consumption
6. Curtail spending on beauty products and services and tobacco
7. Decline in the purchase of gadgets, appliances, electronics and luxury commodities

Healthcare And Preventive Actions:

1. Bulk purchase of preventive gears - masks, gloves, sanitizers to limit the spread of the pandemic
2. High consumption of immunity-boosting products, fresh fruits and vegetables and enhance health through at-home exercises equipment
3. Tele-consultation with doctors and adoption of telemedicine

Altering Shopping Trends:

1. Panic buying and hoarding of essential commodities and foodstuff
2. Rapid growth in online purchase techniques and home delivery services and minimum store visits
3. Vicinity grocery stores become a preferred choice for shopping
4. Rise in first-time online customers - older age customers - for essentials like grocery, hygiene and cleaning products

Adoption of technological platforms:

1. Utilize cell phone apps for online purchases and digital platforms for contactless payment techniques
2. Utilize health and fitness apps; online learning and teaching platforms; video calling facilities for business, personal and educational purposes; virtual gaming options
3. Enhanced adoption of the internet for social mingling by first-time users by housewives, aged individuals and rural residents

Online Work Mode:

1. Transition to work-from-home criterion for the majority of employees working in the services sector
2. Gig breadwinners experience a reduction in jobs and permanent workers take over their positions

Restricted movement:

1. Resist leaving the domestic front unless facing essential or critical situations
2. Resist the usage of public means of transport

3. Try to cease domestic and international travel
4. Curtail in-person interactions and outdoor leisure recreations

Online Gaming:

1. Utilizing online gaming alternatives and streaming online video content for entertainment purposes, users spent 12% extra time duration on online streaming platforms during the first lockdown in India from 20th March to 3rd April 2020 than earlier the same year.

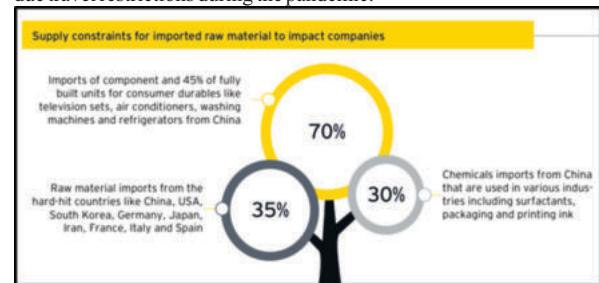
Refer to figure 6 which demonstrates the percentage changes in the Indian consumer product sector during the initial lockdown period in 2020.



(Courtesy: EY Analysis)

Figure 6: The Immediate Impact Of The Pandemic On CP In India

In the first quarter of 2020, India's FMCG industry expanded by 6.3% in terms of market value including e-commerce trade, which was a harsh downward trend from a 13.8% growth rate in the same period in 2019. Also, the economic recession related to the pandemic witnessed employment losses and diminishing incomes, hence consumers became more careful in spending, especially on non-essential commodities. The Nielson estimates claim that 54% of Indian consumers planned to reduce expenditure on luxury brands and leisure travel; 43% planned to postpone expenses on fashion, personal grooming and home decor and 42% planned to incur reduced expenditure on alcohol and tobacco products. Figure 7 discusses the challenges faced by CP firms to source raw materials internationally due travel restrictions during the pandemic.



(Courtesy: EY Analysis)

Figure 7: Supply Constraints Faced By Indian CP Firms

Listed here are the "Next" stages of consumer behavior changes (The rebooting and new consumer trends due to the ongoing pandemic)

Change In Lifestyle Patterns:

1. Habituate enhancement in personal hygiene, sanitation and home cleaning trends
2. Social distancing becoming a lifestyle change and leaving the domestic front for only essential needs and attempt to visit not crowded secure places
3. Reallocation of savings to spend on eating out sometimes only, travel and vacations still restricted
4. Enhance in spending on bargain purchases especially during upcoming festivals, but overall expenditure is controlled
5. Develop strategies for fund building
6. Hoarding of essential commodities for extended time periods

Change In Consumer Demand Patterns:

1. Consumers overall consciousness to purchase value for money brands and commodities, hence affecting brand loyalty trends

2. Select preferred brands only for essential commodities such as grocery, food stuff, health care and personal care products as ease in availability of goods expands over time
3. Persistent enhanced consumption of packaged food, healthier, immunity-boosting foods and beverages
4. Continued high demand for hygiene, sanitation and cleaning products
5. Conserving a big stock of preventive medicines for flu, cold & cough and vitamins
6. Experienced an enhancement in consumption of beauty and make-up commodities and services, and other non-essential goods such as tobacco, alcohol and aerated beverages
7. Postponement still in purchasing non-essential equipment, electronics, and luxury commodities
8. Rural residents still continue to inhabit the basic frugal survival mode

Healthcare And Preventive Actions:

1. Continued usage of protective gear to prevent the further spread of the disease
2. Deal with mental health challenges originating from extended duration of social distancing norms and physical health deterioration
3. Continuing on-call medical consultations and telemedicine techniques.

Altering Shopping Trends:

1. Retain an adequate stock of essential commodities
2. Carry on purchasing online essential commodities and a boost in online purchases of non-essential goods too
3. Start again limited visits to not crowded and secure stores, shopping mall visits still lesser than pre covid era

Adoption Of Technological Platforms:

1. Heightened penetration of digital platforms for shopping and payments
2. Rise in usage of online arenas that enhance healthcare, entertainment sources and social mixing attitude

Online Work Mode:

1. Carry on work-from-home techniques whenever possible restricting exposure levels
2. Pursue safer and secure working environments for employees for who working online is not a choice

Restricted Movement:

1. Everyday routines such as work schedules and schools start again, but now with extra vigilance
2. Public means of transportation are still not a preferred choice and avoid crowded public areas
3. Travel restrictions eased to enable supplies of commodities but restricted domestic and international travel for individuals

Online Gaming:

1. Carrying on the usage of online entertainment options, with restarting to engage in limited in-person entertainment pastimes maintaining social distancing

Listed here are the stages “Beyond” of consumer behavior changes (The adaptation of consumer to the “new normal” strategies due to the ongoing pandemic)

Change In Lifestyle Patterns:

1. Embed personal hygiene, sanitation and regular home cleaning trends as a permanent lifestyle behavior
2. Not overcrowding of public areas still prevalent, emphasis on personal domain
3. Venture into cleanliness-certified food outlets
4. Save mode is still prevalent, as the economy has not resumed to normal and limited expense attitude
5. Remain cautious and ready for future catastrophes, curb anxiety levels

Change In Consumer Demand Patterns:

1. Prevalence of controlled expenditure and curtailed conscious consumption
2. Demand maintained for trusted commodities that propose tested outcomes
3. Strive for high standards for hygiene, freshness, sanitation products and ethical commodity traceability.

4. The surge in adoption of “vocal for local”
5. Pent-up demand for electronics, equipment, clothing and additional delayed bargains affirmed functionality

Healthcare And Preventive Actions:

1. Accept a prophylactic lifestyle by purchasing personal home health care equipment – oximeters, concentrators
2. Heighten demand for commodities that ensure enhanced healthcare and cleanliness

Altering Shopping Trends:

1. Online purchase trends adapted by older generation shoppers permanently
2. Visit brick and mortar stores only when offline is more beneficial and effective, seek hygiene-certified shops

Adoption Of Technological Platforms:

1. Adopt digital retail channels as the new normal for purchases and payments
2. Online learning modifies to encompass virtual reality and augmented reality, to enhance experiences
3. Surge in concerns and suspicions on privacy issues due to enhanced use of digital platforms

Online Work Mode:

1. Develop sustainable and flexible online work prototypes to encounter future crisis
2. Increased demand for secure and certified work environments in all businesses
3. Advantages and benefits taken by permanent employees are expanded to gig employees

Restricted Movement:

1. Improvement in activities outside the domestic boundaries
2. Ease in constraints on individual activity with renewed health advisory safeguards, skepticism in domestic and international travel reduced

Online Gaming:

1. Combine online gaming options with in-person and outdoor airy entertainment recreations

| Category | Market size, INR b,2019 | NOW | | NEXT and BEYOND | | Remarks |
|---------------------------------|-------------------------|--------------------|----------------|--------------------|----------------|---|
| | | Household stocking | Consumer usage | Household stocking | Consumer usage | |
| Fresh Food | 39,290 | ▲ | ◆ | ◆ | ◆ | Higher demand for fresh fruits & vegetables; Aversion to meat and eggs, which accounted for 10% of fresh food sales, has led to import of fresh food, but expected to bounce back to pre-Covid level in long term |
| Cooking Ingredients and Meals | 2,208 | ▲ | ◆ | ◆ | ◆ | |
| Alcoholic Drinks | 1,703 | ▼ | ▼ | ◆ | ◆ | Distribution and sales were ceased due to lockdown, but expected to recover to previous level in the long term |
| Dairy Products and Alternatives | 1,651 | ▲ | ▲ | ◆ | ◆ | |
| Snacks | 1,293 | ▲ | ▲ | ◆ | ◆ | With people staying at home and children staying indoors, demand for frozen snacks, namkeen and biscuits have increased, which will return to normal level in long term |
| Staple Foods | 820 | ▲ | ▲ | ◆ | ◆ | |
| Consumer Appliances | 972 | ▼ | ▼ | ◆ | ◆ | 60% of consumers are expected to defer spending on consumer durables, appliances and large ticket electronic items; however, there will be higher demand during festivals like Diwali |
| Soft Drinks | 500 | ▲ | ◆ | ◆ | ◆ | |
| Home Care | 436 | ▲ | ▲ | ▲ | ▲ | Consistent efforts to increase awareness of disinfecting surfaces has resulted in overstocking. Habit persistence will accelerate growth in floor cleaners and toilet cleaners |
| Hot Drinks | 301 | ▲ | ◆ | ◆ | ◆ | |
| Bath and Shower | 249 | ▲ | ▲ | ▲ | ▲ | Growing awareness of maintaining high hygiene standards would lead to higher demand for bar soap and liquid handwash |
| Hair Care | 246 | ▲ | ◆ | ◆ | ◆ | |
| Tissue and Hygiene | 147 | ▲ | ▲ | ▲ | ▲ | 55% of consumers intend to increase spending on hygiene and safety products |
| Skin Care | 147 | ▼ | ▼ | ◆ | ◆ | Focus on personal hygiene while beauty takes a backseat |
| Oral Care | 134 | ▲ | ◆ | ◆ | ◆ | |

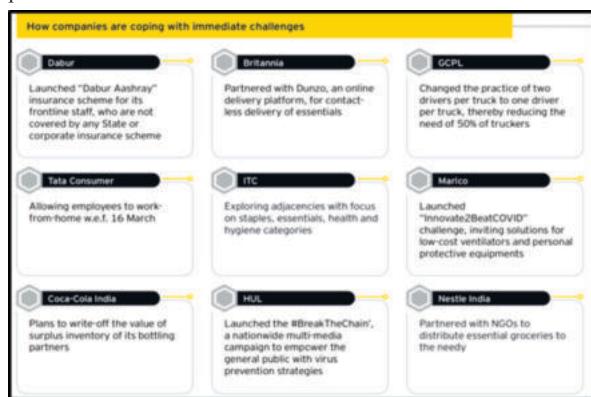
(Courtesy: Euro monitor and EY Analysis)

Figure 8: The socio-economic consequences of the covid-19

pandemic will alter consumer behavior and leave a permanent impression on product classifications

Resilience Techniques Adopted By Consumer Product Firms

Every economic emergency disrupts normality and forces businesses out of their comfort zone; but it also extends alternatives to reinvent business prototypes to establish themselves to be capable and fitter for the new normal. While formulating resilience strategies, corporations are required to eradicate functional inefficiencies and reorient the company to navigate future development. Figure 9 depicts how big Indian business houses incorporated changes to survive through the pandemic-induced economic recession.



(Courtesy: EY Analysis)

Figure 9: Examples Of Developing Resilience By Indian Business Organizations

Listed here are a few suggestions which firms can adopt to overcome the pandemic-induced recession-

Overcoming Employee Based Challenges-

1. Redesign staffing and employee prototypes to establish a dynamic workforce, up skill staff to adapt to current digital techniques and online platforms
2. Follow social distancing norms, stagger employee movement and minimize exposure at work locations
3. Protect job retention and salaries of workers

Overcoming Consumer Demand Challenges-

1. Review product portfolios, manufacturing costing, ethical market pricing and realign brands towards a defined purpose to meet consumer demand
2. Communicate the hygiene and safety of products to retailers and consumers through media channels and also share product ingredient traceability

Overcoming Functional Challenges-

1. Enhance plant safety measures, resource optimization and full capacity utilization
2. Focus on effective operation of supply chains, build demand responsive supply chains and diversify alternative supply chains across the globe
3. Explore direct to consumer distribution networks
4. Build new partnerships to diversify product range according to consumer demands, increase production to meet supply volumes of in-demand product categories and assess financial impact of operational changes

Overcoming Technical Challenges-

1. Work towards digital integration of entire business outlook of the firm from manufacturing to marketing to logistics to audits
2. Ensure data security and data privacy for consumers as well as employees as they might work from remote locations and safeguard cyber attacks
3. Investment in digital technologies for employees by providing laptops for work from home, internet connections and tracking of real-time alterations in consumer behavior patterns and supply chains
4. Introduction of virtual reality techniques for online viewing of product portfolio for B2B and B2C sales

Overcoming Financial Challenges-

1. Limit liquidity crunches by postponing non-critical expenses

2. Make adjustments to economically support channel partners
3. Administer product portfolio surveys to disinvest non-essential products and develop new products to suit customer trends
4. Implement cost-saving strategies - reevaluate vendor payments, partner with start-ups

Overcoming Risk-

1. Develop a cross-sectional emergency response team and leverage analytics to handle future economic risks
2. Build flexibility in business strategies
3. Discuss and evaluate risk with vendors, suppliers and channel partners to mitigate future economic recessions

Complying With Government Regulations-

1. Use various public schemes to support businesses - moratorium to pay bank loans, employment support subsidies etc.
2. Build a safe work environment for employees
3. Evaluation of force majeure triggers consequences and tax implications

Evaluation Of Future Consumer Index

In order to analyze the future consumer behavior and the impact on the consumer product industry this report studies and discusses the 'EY Future Consumer Index' survey report. This survey questioned approximately a little more than 12,000 individuals across 13 nations including India, in May 2020.

Based on the survey respondent's answers, the report divided the surveyors into four categories during the "now" stage and later in the "next" stage they were divided into five categories, depending on the consumer preferences trends and their spending habits. Refer to figures 10 and 11 which depict these classifications of consumers.



(Courtesy: EY Future Consumer Index, May 2020) (Note: Figures may not add to 100% due to rounding off)

Figure 10: "Now" stage consumer classifications



(Courtesy: EY Future Consumer Index, May 2020) (Note: Figures may not add to 100% due to rounding off)

Figure 11: "Next" stage consumer classifications

The majority of the survey respondents who pertain to the "Hibernate and spend" classification are greatly apprehensive about the pandemic consequences but are well established to deal with the situation. Hence, post the pandemic, a majority of this category will migrate to the "Back with a bang" category as they are longing to get back to the pre-pandemic situation and shop.

However, the consumers in the "Cut deep" category are highly affected by the pandemic. They have witnessed the greatest effect on their employment status and have had diminishing income in this scenario. Their shopping decisions will be governed by product price and a majority of them will remain in the "Stay frugal" or "Keep cutting" category and generate expenses only on essential goods. The

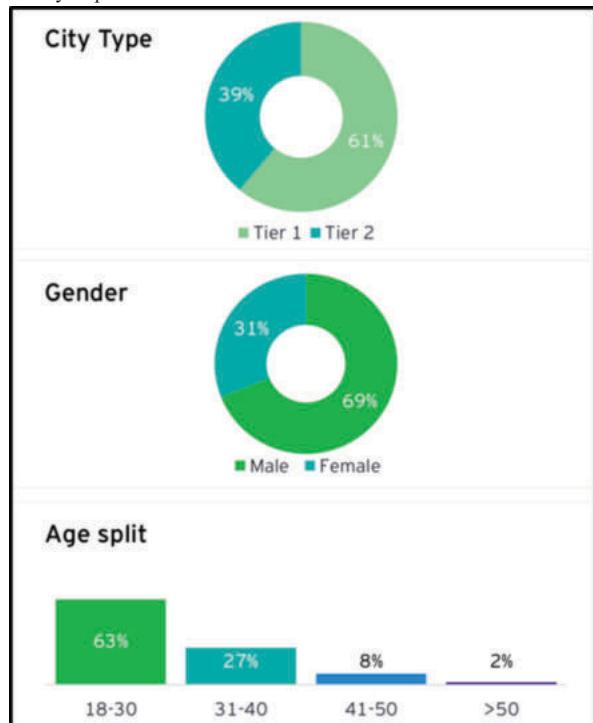
"Cautiously extravagant" group in the "next" stage is created with a blend of the "Hibernate and spend" category, the "Save and stockpile" classification and the "Cut deep" category.

Consumers in the "Save and stockpile" category are anxious about their families' well-being, have limited means, are pessimistic about the future and are anticipated to evolve into the "Stay frugal" group.

Those survey respondents pertaining to the 'Stay calm, carry on' category are less impacted by the pandemic and are anticipated to continue their former shopping behavioral pattern as for them nothing has changed and will evolve to the "Get to normal" group.

Appendix - Survey Analysis Report: Impact Of The Pandemic On Indian Retail Marketing Trends And Consumer Behavior.

In order to gain knowledge on the impact of the pandemic on Indian retail trade, I analyzed the study conducted by Ernst and Young titled 'Life in a pandemic: future of retail' in 2020. The case study was conducted for a minimum of 385 salaried individuals residing across India, whose earnings were not affected by the pandemic. The online survey demonstrates the effect of the pandemic on consumer tendencies for in-store retail shopping experiences both during the peak of the pandemic as well as the long term impact of the pandemic on consumer choices. Figure 12 depicts the demographics of the survey respondents.



(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 12: Demographics Of The Survey

Survey Assumptions:

- ♦ Enhanced adoption of digital strategies using artificial intelligence and virtual reality across the full value chain to encourage contactless services, reduce physical interactions during business activities and improve consumer experience. Also, buyers are cautious of trials and physical contact.
- ♦ Consumers prefer retail outlets in the nearby vicinity and resist traveling longer distances during the pandemic.
- ♦ Shopping trips are planned and purposeful. Customers prefer quick and more convenient shopping experiences, are inclined to spend reduced time periods in retail outlets and are likely to search online choices before in-store visits.
- ♦ Luxury, premium and non-essential products are likely to experience extended recovery periods and curtailed spending tendencies.

Survey Questionnaire Results:

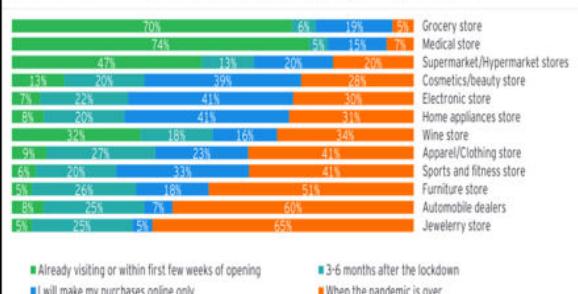
In order to conduct a detailed study of the impact of the pandemic on the Indian retail market the survey questionnaire identified three touch

points across the shoppers' experience:

- Pre-purchase Stage
- Where to shop
- When to shop
- How to shop

Before the onset of the pandemic, a buyer would decide on the product choice, brand alternatives, retail channels, outlet platforms and budget of a product, but now these choices have become more rudimentary. Buyers are now mulling over - how far they are ready to travel to shop, when and where they should travel to shop, and what essential goods should they shop for and how should they be shopping. Listed below are the results of the pre-purchase stage survey questionnaire.

Q: After the lockdown is over and all stores are open, when are you likely to visit them?



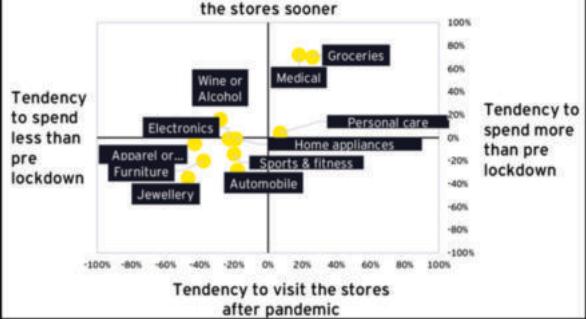
■ Already visiting or within first few weeks of opening

■ 3-6 months after the lockdown

■ I will make my purchases online only

■ When the pandemic is over

Tendency to visit the stores sooner



(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 13: Q.1 & A.1

Q: How far are you willing to travel to shop or visit a particular store?



(Courtesy: EY COVID Impact Retail Survey, 2020)

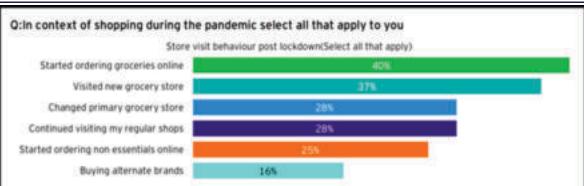
Figure 14: Q.2 & A.2

Q: What was your preferred location of shopping before the lockdown and after the stores open?



(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 15: Q.3 & A.3



(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 16: Q.4 & A.4

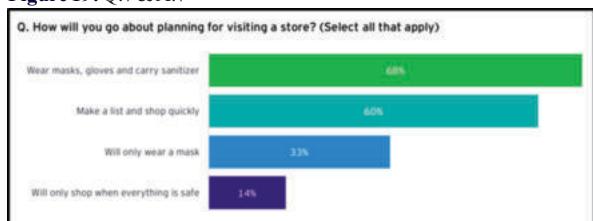
(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 17: Q.5 & A.5

(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 18: Q.6 & A.6

(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 19: Q.7 & A.7

(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 20: Q.8 & A.8

Survey Result Highlights

- Consumers now prefer proximity to retail shopping outlets, about 67% of shoppers are not willing to travel more than 5kms for shopping
- Shopping malls and multi-brand retail stores have experienced reduced footfall due fear of higher levels of exposure to the pandemic, approximately 50% consumers who liked shopping at malls and multi-brand stores before the pandemic now demonstrated that they would now like to shop at locations closer to home
- Online sale techniques being adopted for electronic goods, home appliances and cosmetics, with roughly 40% buyers preferring to purchase online
- Less than 20% of buyers document a readiness to make online purchases for jewelry, automobiles and furniture and choose offline purchase channels as customers still value in-store experiences of physically evaluating these commodities and their relationships with the retailers and brands, reinforcing Omni channel power
- Premium and luxury goods, high end apparels, jewelry, furniture to experience longer recovery sale periods as a majority of shoppers postponed their purchases till the end of the pandemic
- Groceries and non-prescriptive medicines have observed a sales growth and increased spending in these commodity categories
- Shoppers reduce human exposure and believe only in purposeful shopping trips with maximum contactless service options

- 60% of survey respondents would pre-plan a shopping list to be able to finish the shopping agenda as quickly as possible
- 78% survey respondents claimed customers that they would not enter retail stores that appear to be over crowded
- 51% survey respondents stated that they would go to an alternate retail store if there is a long queue outside their normal retail store
- Retailers can no longer depend on price differentiation solely to entice and secure clients
- 46% of buyers select to go to different new stores over their regular stores due to proximity, better hygiene and sanitation measures adopted by the new stores and if they are less crowded, also for 28% of survey respondents this change was permanent
- Survey respondents express their readiness to make an effort to experiment with alternate brands that are locally manufactured and that can be home delivered
- 68% of survey respondents asserted that they would wear protective pandemic gear namely - masks and gloves and also keep sanitizers while shopping



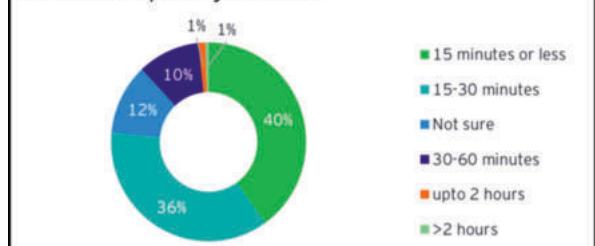
(Courtesy: EY - Life in a pandemic: future of retail)

Figure 21: Current And Emerging Trends In The Indian Retail Market In The Pre-purchase Stage

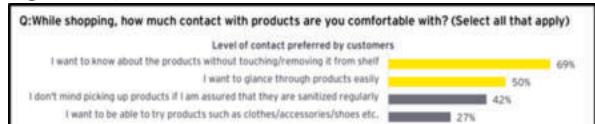
B) Minimization Of In-store Experiences

With the onset of the pandemic, shoppers are exploring efficient techniques to restrict their exposure outside the sanctuary of their residences to protect themselves from disease. Hence, there is a heightening force on retailers to revamp their business strategies keeping in mind the expanding demand for online and contactless deliveries and diminishing preference for visiting retail stores physically. Also, digital technology has evolved; conventional brick and mortar retail stores now use online/Omni channel platforms. Listed below are the results of the minimization of in-store experiences survey questionnaire.

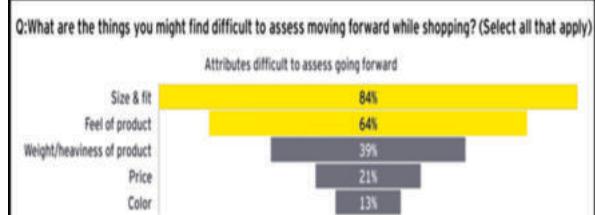
Q: Going forward, what is the maximum time you are comfortable spending in a store?



(Courtesy: EY COVID Impact Retail Survey, 2020)

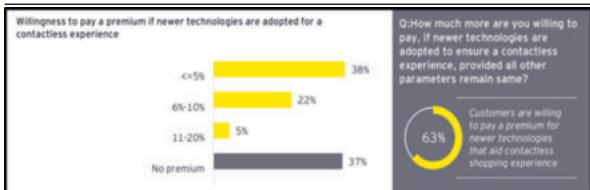
Figure 22: Q.1 & A.1

(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 23: Q.2 & A.2

(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 24: Q.3 & A.3



(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 25: Q.4 & A.4**Survey Result Highlights**

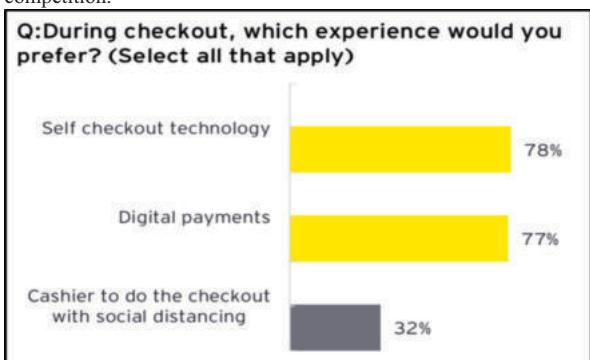
- During the peak of the pandemic, 40% of survey respondents were not willing to spend more than 15 minutes in any particular store
- Digital innovative strategies need to be developed in certain product categories such as apparel, jewelry, and luxury commodities where buyers value in-store experiences
- Techniques need to be developed to examine physical attributes like size, fit, feel of the commodity for efficient delivery of service and meeting consumer satisfactions
- 69% of survey respondents expect to know about the products without touching or removing products from the store shelves
- Retailers need to invest and utilize emerging digital skills namely AR, AI, VR, magic mirrors, kiosks, RFID/QR enabled information screens, in-store messaging, catboats and store information transmission through technology platforms, which will assist in enhancing the buyers' in-store experiences in the post-pandemic world
- Retail stores need to deploy the navigation of technologies that will aid clients to effectively steer through stores based items in their baskets to diminish touch points and time spent in-store
- 63% of the buyers are inclined to spend a premium to help merchandisers in making their in-store shopping experiences quicker, more seamless and contactless
- Retail shops can design ingenious sales prototypes where a part of the collection can be viewed online before store visits through video calls or online catalogs and the shortlisted choices in the appropriate sizes and variations can then be sampled, tried out and seen in person at a scheduled visit in store
- Branch rationalizations and in-store layout optimization can benefit to boost KPIs



(Courtesy: EY - Life in a pandemic: future of retail)

Figure 26: Current And Emerging Trends In The Indian Retail Market In The Minimization of in-store experiences**C) Quick Checkouts And Delivery Services**

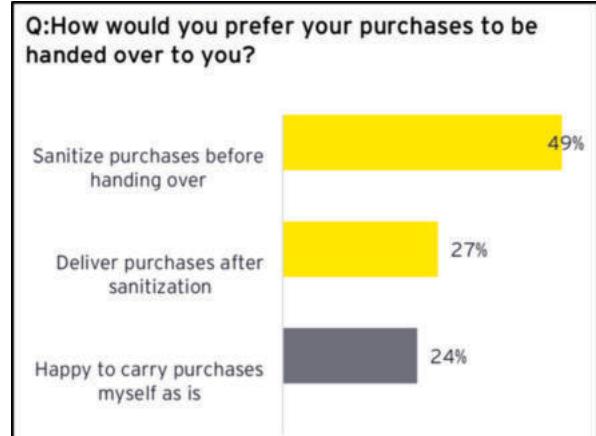
The pandemic has expedited the adoption of contactless technologies among shoppers. Quick, efficient and contactless checkouts prove to be a twofold victory for merchandisers as executing emerging technologies boosts effective processes in the short-term and provides retailers with considerable and sustainable cost savings across the value chain. Developing technologies like IoT and AI can boost traders to transmit seamless and efficient checkouts and stay ahead of competition.



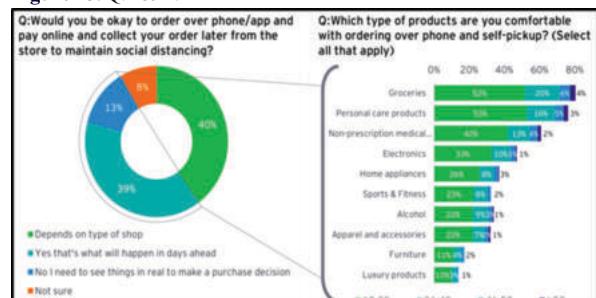
(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 27: Q.1 & A.1

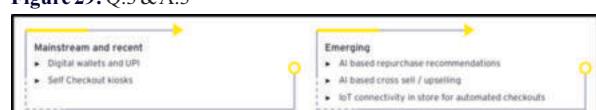
Merchandisers have to locate and put the preliminary building blocks in place, assist it with longer-term investments in formulating the contactless experience and then can be satisfactorily established to capitalize on this trend. Utilization of geo-tagging techniques to facilitate quick delivery within favorable distances and charges based on kilometers traveled are few of the key implications which can be adopted. Execution of procedures, such as curbside pickups, drive-through pickups, and shared pickup points for sister brands, can assist to secure old client's as well as attracting new shoppers who choose to curb social interactions due to the pandemic. However, fraud administration and retaining discipline are challenges which vendors will require to undertake in a resourceful manner.



(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 28: Q.2 & A.2

(Courtesy: EY COVID Impact Retail Survey, 2020)

Figure 29: Q.3 & A.3

(Courtesy: EY - Life in a pandemic: future of retail)

Figure 30: Current And Emerging Trends In The Indian Retail Market In Quick Checkouts And Delivery Services**Survey Result Highlights**

- 67% of buyers are happy to embrace technologies that assist in making their shopping experiences more productive, faster, efficient like kiosks, fast tag lanes, smart carts and are willing to spend a premium for the same
- 75% of survey respondents choose to utilize digital payments platforms like - m-wallets and UPI and self-checkout facilities to enable contactless and seamless experiences
- 78% of clients choose to utilize self-checkout kiosks and it is likely to become mainstream shortly
- Buyers are willing to discover fresher techniques like Buy Online Pick-up In Store (BOPIS) or self-pickup with fluctuating adoption ratios across multiple product classifications
- 79% of survey respondents affirm preferences toward BOPIS, with 39% of consumers willing to adopt the technology across all product classifications and 81% of survey respondents are inclined to adopt BOPIS in the grocery and personal care product sector
- 76% of buyers want their purchases to be sanitized post the buying process
- 69% of clients would prefer to gain product knowledge without touching products while shopping

- Size, fit and feel are product characteristics which consumers believe they cannot discover and assess in a contactless domain.

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