

Impact of COVID-19 on Consumer Behaviour in Regards to FMCG

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Abstract: The pandemic, COVID-19 has resulted in a massive change in the operations of the FMCG industry in India and the way it has been functioning over the years has also changed. This research paper shows how relevant this statement is and how secondary and primary research has proven it right or wrong. By the use of primary research there is answers from a ground level and with edition of secondary research there it's a backing to the findings of the primary research.

Keywords: Consumer behaviour, COVID-19, FMCG.

1. Introduction

This research paper is about the paradigm shift that has occurred in the FMCG industry in India. There is a description of the numerous changes that COVID-19 has brought up all the consumers worldwide, and a lens which focuses on India in specific along with an analysis of the changes the industry has undergone due to a change in the consumer behaviour.

The COVID-19 pandemic has affected every country worldwide in a manner which has not been seen since the SARS virus. There has been panic in every country since the virus had an outbreak like none other. Every industry has been affected directly or indirectly due to this and the FMCG industry in India is no exception. (Aher, Biba, Iyengar, 2022).

The FMCG industry has been focusing on its numerous non-tangible platforms through which it has been selling its products such as websites and mobile applications. In India, digital transactions have grown exponentially since the decision of demonetization was undertaken by the Indian government. There has been an exponential growth in e-commerce in India. There has been a robust sale of FMCG products and the major money minting time was witnessed just 2-3 weeks before the nationwide lockdowns wherein there was a sales growth of 15-45% in regards with the segment the product falls in. (Chaudhary, 2022)

A. Discussing consumer behaviour and impacts that various environmental factors have on the buyer behaviour in regards to FMCG products

Small time grocery stores and shops also adopted online retailing and electronic payments for customer's ease and safety. Big e-retailing firms such as Amazon, Bigbasket, Grofers (Wright and Blackburn, 2022).

The grid above is a result of a research done by Accenture

where it has been found that consumers have been greatly fearful of the health effects that COVID-19 has brought about. There has been more of conscious purchasing of products which are through compromise of one's health and of the people around them. For example in regards to FMCG products, there is a lesser propensity to go and crowd at marketspaces for goods which are of not urgent need or necessity in a far long period of time. (Wright and Blackburn, 2022).

Consumers are more fearful of the economic impact of COVID-19 than for their health



Source: Accenture COVID-19 Consumer Research, conducted April 2-6. Proportion of consumers that agree or significantly agree.

Fig. 1. Accenture's Consumer psychology model (Wright and Blackburn, 2022)

There can be numerous changes seen in a consumer's buying mentality. This can be noted and changes are seen in due to the following reasons:

- 1) Increased focused on health: Consumer Packaged Goods companies such as Nestlé, Pepsi Co., Unilever, P&G are to take into consideration that consumers have grown more aware that their health is their greatest wealth and companies are to take note of this. There can be "Health Strategies" imbibed into products which will take into consideration of this, which will create a competitive strategy in the long run. (Wright and Blackburn, 2022)
- 2) Rise of conscious consumption: Consumers have become sensitive to their purchases. Striving to minimize their food waste, cost conscious shopping and sustainable product purchase options are on the rise. (Wright and Blackburn, 2022)

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- 3) Preference for local products: FMCG products have one major factor which makes the industry a difficult ball game. Products are mass manufactured and are catered to a large geographic area. Products can be customized in a manner which makes it more localized, making it more appealing to consumers striving to purchase a product which is localized. Consumers are taking into account the origin of the product has and the connect they feel to the brand and the product. (Wright and Blackburn, 2022)
- 4) Increased usage of e-commerce and growth of rural demand: There has been a robust growth on the dependency on the numerous e-commerce platforms such as amazon, flipkart, Grofers, etc., There is an estimation that by the end of 2022, the rural FMCG market of India is to grow to \$220 billion. This is because people in these parts have grown to use products which were once available only in tier-1 and tier-2 cities at first. Big companies such as Dabur, HUL, etc., are making their moves in order to capture these markets. There has been a growth by 10.6% in usage of e-commerce in rural India, which was higher than the growth rate seen in the urban locations. (Growth trends in the Indian FMCG sector, 2022)

B. Objective of the Study

1) Understanding the trends in the FMCG industry as a shift in consumer ideologies and needs which are a result of the Covid19 pandemic

The literature reviews have suggested that the customers are impacted by a number of internal and external factors in regards to the purchase of various FMCG products. In this relation, the numerous studies compiled suggest there is a difference in the consumer’s purchasing behaviour after the COVID-19 pandemic as it has become one of the major factors affecting a consumer’s propensity to buy a product for being an external factor affecting demand. (Aher, Biba, Iyengar, 2022)

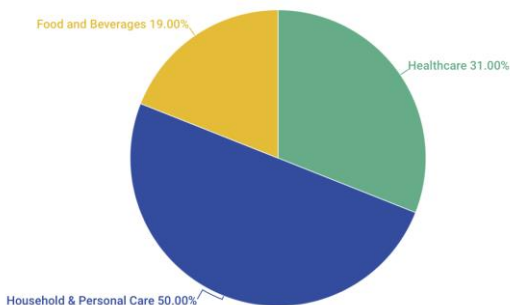


Fig. 2. Purchase of household FMCG product breakup (Garg, 2020)

As a result of COVID-19, certain the characteristics of the market has changed along with the demand for certain products. There is going to be an increased focus on hygiene and health, which will soon become the new normal. The discretionary categories in the market will have their demand gained in a slow pace. There is an observation of an increased demand by customers for personal hygiene products not just at home, but

at offices as well in regards to a typical customer. There is a growing market for items such as hand washes, soaps, disinfectants, bathroom sanitary items, gloves, towels, home cleaning goods such as cookware cleaners and floor cleaners. The latest mantra in the market is that of hygiene and cleanliness. This is an important criterion that FMCG Firms have to take into consideration. (Mahajan, 2020).

2) Radical change

Individuals and organizations are alike today and they recognize the growing importance of digital in their lives. Consumers increasingly want safer deliveries and interaction ways, which is crucial and is the new normal, as firms in the FMCG sector, particularly in the foods category, reengage with customers. This shows that many customers would prefer to have items delivered to them rather than buying in crowded markets, and that they would like them carefully and securely packaged. Customers also expect brands to be more aware of and concerned about the people they serve. The former can help you figure out how to communicate with your customers.

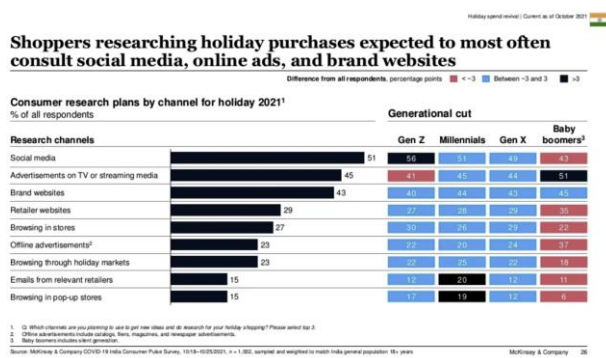


Fig. 3. How do shoppers research on potential purchase? (McKinsey & Company, 2021)

Due to the work-from-home regime, COVID-19 has changed the frequency and quantity of many things consumed, so companies must rethink how to efficiently manage their supply and distribution channels. According to a McKinsey study, the pandemic has forced 91% of Indians to change their purchasing habits. According to the report, internet purchases have increased by double digits in every category around the world. According to a McKinsey research, 61 percent of Indians are aware of where their money is spent, and up to 45 percent are shifting their spending to less expensive items.

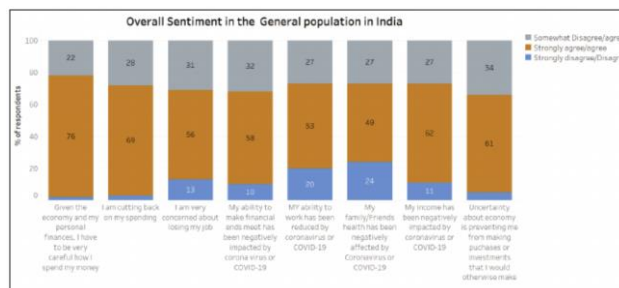


Fig. 4. Sentiment of general population of India (Mehta, Saxena and Purohit, 2022)

3) What could be the future in regards to consumer's expectations and needs?

There is a growing number of industry participants having their operations decentralized. They have been localizing their supply chains and this way, they are getting closer to their end user. "To ensure stability, we are also aiming for further localization and diversification to minimize disruption on supply of key raw materials," says Mohit Anand, MD, Kellogg South Asia. Kellogg India has its product line in India being produced in India at a rate of 95% of all its portfolio. (Rana, 2021)

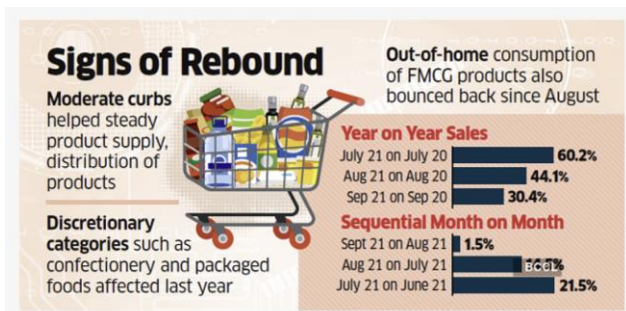


Fig. 5. Signs of rebound in the FMCG Industry (Malviya, 2022)

2. Literature Review

Aneesh Reddy, (April 14, 2020), According to Aneesh Reddy, the COVID-19 pandemic has transformed the way we work, shop, and interact with others. People are only going out to get essential items from retail shops because they are terrified of becoming infected by the virus if they go out to buy essential goods. According to Trifecta, Indian e-commerce is expected to reach US\$200 billion by 2026, owing to a lower-cost 4G network and gradually rising consumer income. These estimates, however, were based on the pre-covid19 time. However, now that COVID-19 has arrived in India, the spike in e-commerce demand has been so great in recent months that the e-commerce business may cross \$200 billion far sooner than projected.

(Antonio, 2021), The COVID-19 pandemic, according to Aneesh Reddy, has changed the way we work, shop, and engage with others. People only go to stores to buy important products, and they are still afraid of becoming infected if they go to buy vital goods. According to Trifecta, e-commerce in India is predicted to rise to US\$200 billion by 2026 as a result of a cheaper 4G network and progressively rising consumer income. However, these forecasts were created before to Covid19. However, with the arrival of COVID-19 in India, the surge in e-commerce demand has been so strong in recent months that the e-commerce market could surpass \$200 billion far sooner than expected.

(PTI, 2020), PTI is a private firm that specialises on (April 06, 2020) In the face of the COVID-19 threat, consumer demand for hygiene products will increase, and online sales will skyrocket: As a result of the Coronavirus, GCPL MD and CEO advised Vivek Gambhir that there will be a significant shift in customer purchasing behaviour and preferences, and they will be more concerned with health, hygiene, and

sanitation. As a result of this fear and worry, he feels that e-commerce companies have a high possibility of increasing their online sales since people want to buy items without dealing with humans. As a result of a growth in online sales of FMCG items via e-commerce, FMCG corporations are currently creating sanitizers and associated health goods.

Mukherjee W, Bailay R, Srivastava A (March 16, 2020), Consumer products are flying off the shelves, according to W. Mukherjee, R. Bailay, and A. Srivastava (March 16, 2020). The Covid-19 lockdown has resulted in a surge in panic purchase of consumer products such as groceries via new online platforms such as Grofers, Big Basket, and others. The sales of these commodities have increased by 20-25 percent in each category, according to various FMCG businesses. E-commerce companies such as these have claimed that they are stocking these goods ahead of time in comparison to the pre-lockdown period, and that they see this as a chance to encourage customers to shop online and take advantage of the savings. They've also given consumers a reason to be concerned about social isolation as a preventative step against the pandemic.

Avatar P, (May 05, 2020), FMCG products are in high demand, as they are today, but how consumer behaviour will change after the lockdown is released is a huge unknown. With the release of Lockdown 3.0, e-commerce platforms can now sell non-essential items in the orange and green zones, and Flipkart claims that personal care products like trimmers, electronic goods like mobile phones and laptops, and fans and air conditioners to beat the heat are among the most popular. According to Snapdeal, these orange and green zones across the country accounted for 75% of all orders. According to predictions, there would be a significant demand for items like these after the lockdown phase.

A consumer is someone who perceives a need or want, purchases it, and then discards it at the end of the consuming process. Consumption of agricultural and industrial commodities, as well as services, housing, and money, determines a typical consumer's utility (Grundey, 2009).

Because each is influenced by a range of internal and external elements that drive consumer behaviour, no two are alike. The process of locating, acquiring, using, reviewing, and rejecting goods and services is referred to as consumer behaviour (Valaskova et al., 2015).

Individuals are not all the same, according to Amalia et al. (2012), and not everyone has the same perspective on a situation with negative effects, such as an economic or other crisis. During times of crisis, new consumption patterns emerge. The most important elements that model customer behaviour in a crisis are risk attitude and risk perception. The consumer's risk attitude reveals how he or she feels about the risk content and how much he or she despises it. Risk perception reflects the consumer's assessment of the risk of being exposed to the risk material.

Personality factors, according to Hoon Ang et al. (2001), may attenuate these changes in consumption behaviour as a result of an economic crisis.

S. Bansal (April 02, 2020) Opinion Will post-covid-19 consumer behaviour change?

According to Shuch Bansal, the COVID-19 lockdown would result in a substantial shift in the supply chain as well as increasing internet consumption of e-commerce portals. It is predicted that online companies selling groceries and other FMCG products would see a significant increase in demand as people avoid crowded malls and marketplaces.

After examining consumer purchasing patterns from the time India first encountered COVID-19 until the time it was placed under lockdown, it can be concluded that people have become more health and hygiene sensitive, resulting in less store visits and more online shopping for customers.

3. Hypothesis

The Hypothesis that has been drawn up for this research paper is that “There is a major change in the FMCG industry’s functioning and operations due the hit of COVID-19 as consumer behaviour has changed”.

4. Hypothesis Testing

The Hypothesis that has been taken into account has to be put to test in order to understand if the data collected makes it a statement which can be accepted or reject it.

The Indian FMCG industry had been seeing significant changes since 2018 as it had been seeing a slowdown for about 18 months. There were numerous price cuts which were adopted by companies in order to provide customers with quality products at low costs. Price wars were common in that tenure and market share was what companies concentrated most on. This could be seen especially in the urban India. (Garg, 2020)

A. Shift in Supply Chain

In the past year, industry had witnessed huge volatilities in demand for products, resulting in a disruption of the supply chain. While numerous lockdowns were put into order, ironically in a haphazard manner, companies were forced to make ties stronger with state governments and local supply bodies in order to acquire raw material. The lockdowns put moment of raw materials and essential items on a complete halt and this resulted in usage of localized materials in order to commence business. While the demand for one item decreased significantly, demand for another increased in almost the same manner. A report by McKinsey stated that companies had to lean down their portfolio of products and the supply chains with their retailers. (Garg, 2020)

B. Primary Research Findings

The kind of Primary research that has been undertaken is by using Non-Probability Sampling where in a set of persons with different backgrounds, demographics, income levels, age, sex, etc., are taken into account and are asked a set of questions regarding their consumer behaviour has changed. (Aher, Biba, Iyengar, 2022)

A questionnaire had been floated and distributed to a number of respondents and a total of 21 respondents filled out the form from numerous geographical locations, such as Delhi, Mumbai, Kolkata, Chennai, Jalgaon, Bhubaneswar and Nashik.

- 1) What your preferred purchasing channel for groceries and other FMCG products during COVID-19?
The maximum number of respondents said that their preferred method of purchasing FMCG products and groceries was through e-retailing platforms such as Amazon, Grofers and Bigbasket and the next through the nearest general stores and Kirana shops as it was the most convenient.
- 2) Was online purchase of FMCG products your first time after COVID-19 pandemic began?
The maximum respondents voted that their first time to purchase a FMCG product was before the pandemic. 67% of the respondents said they have had purchased FMCG products before the pandemic.
- 3) Would you ever have purchased FMCG products online even if COVID never existed?
71% of the answers were in favor of the fact that purchase through e-retailers was something they would have done even done even if COVID-19 never existed.
- 4) Is online purchase of essentials and FMCG products your preferred manner of purchase?
54% of the respondents said that online purchase of FMCG and essential products was something they would like to do as it is more convenient and time saving.
- 5) Has covid 19 affected your brand loyalty towards FMCG products?
Yes, because due to lack of products in the market has changed the customer mindset for being loyal to a single brand has taken place and sometimes the customers have had to use and look out for alternative products. Although 68% of the respondents have said that they are still loyal to their brands, it shows that if the product is not on shelf the, out of sight out of mind is a tact competing brands can take advantage of.
- 6) Post COVID-19, is there a shift in your liking towards your preferred FMCG brands?
71% of the respondents have stated that their favorite brand before the pandemic is the same as what it is now, that the pandemic is near-end. They still prefer their older brand.
- 7) Has there ever been a point of confusion in the purchasing medium in recent times as COVID-19 Pandemic is near end?
Purchasing of products through a selected few number of outlets in physical locations near the residence of a customer is something they have to choose between, but online mediums that the consumer has is numerous.
- 8) Do you still prefer purchasing FMCG products offline?
Offline purchasing is the first preference in Indian market because people have been accustomed to going out to stores and purchasing things, even if it is for FMCG products, they prefer asking for it on calls and ordering it from their general visiting store. 78% of

people responded citing that they prefer purchasing FMCG products offline.

- 9) Have your purchasing preferences become healthier since the COVID-19 pandemic began?

Since the pandemic, people have become more conscious of what they are purchasing and consuming. 57% of the consumers have said that they have a better and healthier purchasing habits.

- 10) Do you believe e-retailing will be the future for FMCG products?

85% of the respondents have been in favour of the statement that e-retailing is going to be the future of FMCG products. This could be seen as other product categories have become online in regards to numerous manners, for example real estate can be viewed through Virtual Reality, Features of Cell phones can be seen online and compared with another.

- 11) Was the demand for luxury and premium FMCG products constant during the pandemic?

No, 87% of the respondents have said that their propensity of purchase a luxury FMCG product was not constant. Some consumers have said that theirs was never down but some said that after the first lockdown, they almost did not purchase any luxury FMCG product till the end of 2021.

5. Conclusion and Way Forward

There can be seen that numerous industries have been affected by the COVID-19 pandemic. The reason for the FMCG industry in India to have not have completely collapsed during the pandemic is because there was a set of buffers in regards to the product stock. There was a robust demand for numerous

products just some time before the lockdowns were announced in India. Due to this, there was an increased cash flow in the market which was utilized in order to rearrange the product line and have the companies COVID-19 sustained.

Government Initiatives such as decreased interest rates and raising of capital in an easier manner has helped the companies in India grow and sustain through this trying times of the pandemic. Even now, after almost 2 years the pandemic shows just signs of end but not a complete end. This is because of the mutated virus or could be because of any other factor.

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