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Turn the Tide

Unlock the new consumer path to purchase

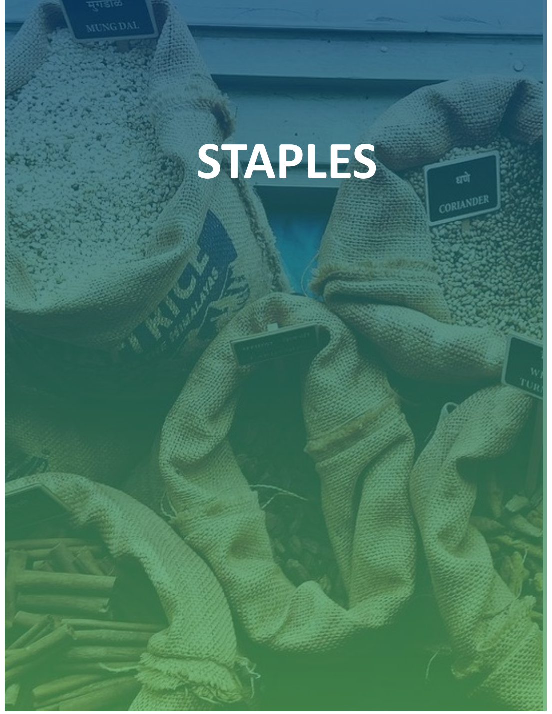
Category: Consumer Product Goods

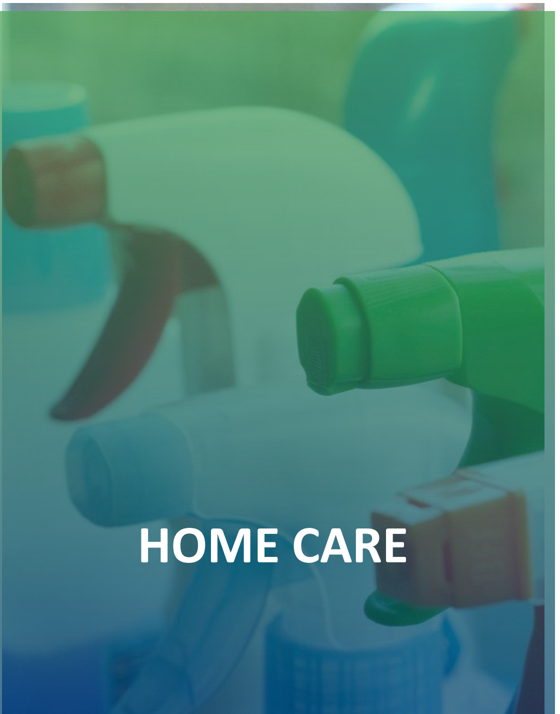
June 2020

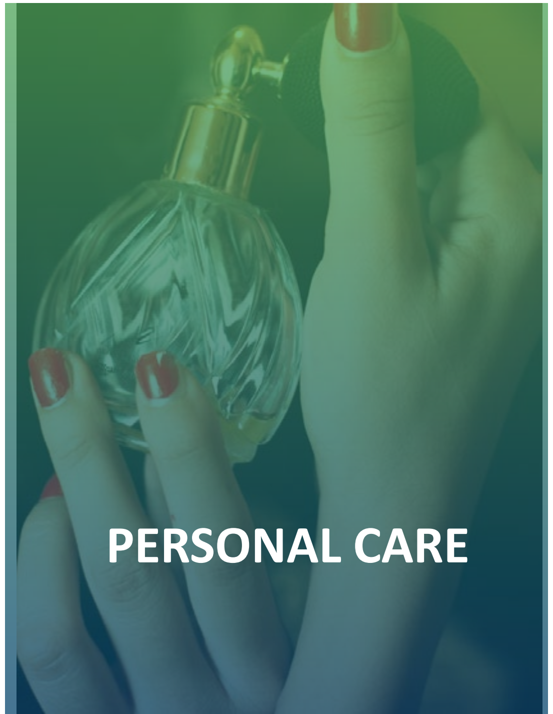
Turn the Tide
Unlock the new normal

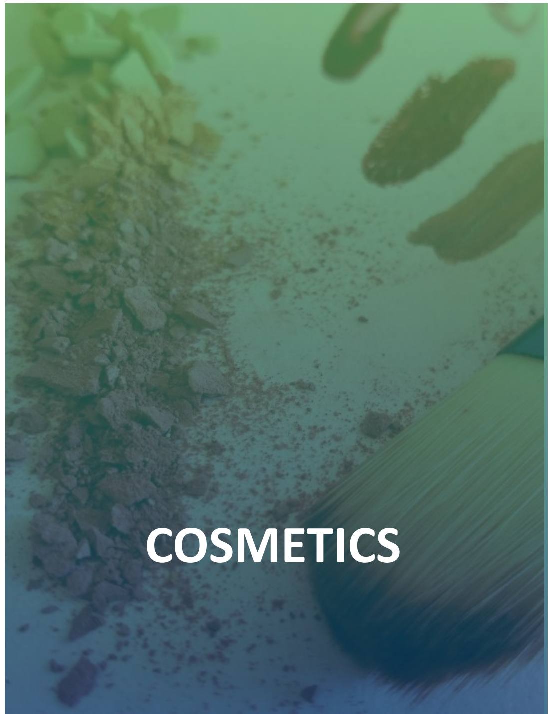
Consumer Product Goods

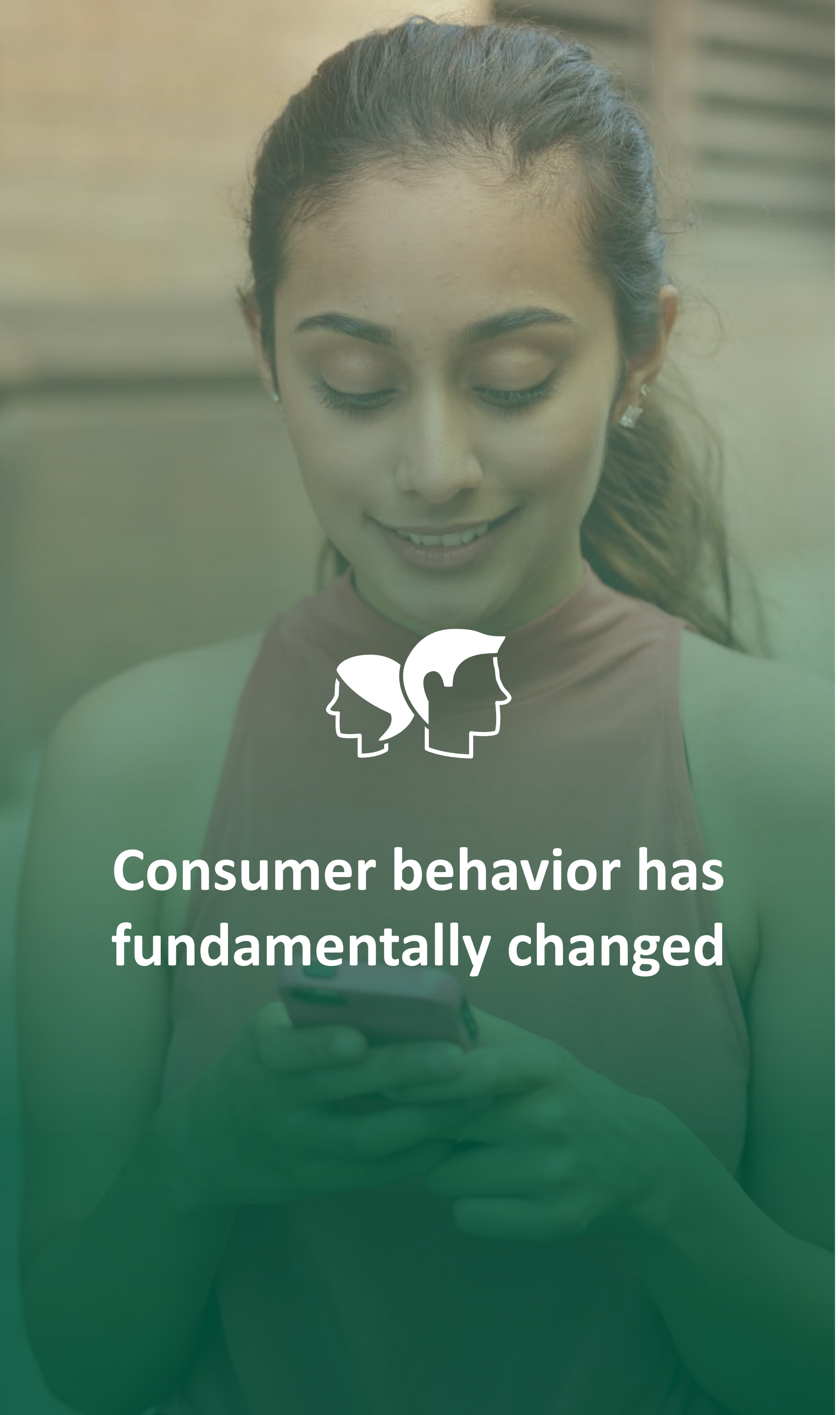
(6 sub-categories covered)

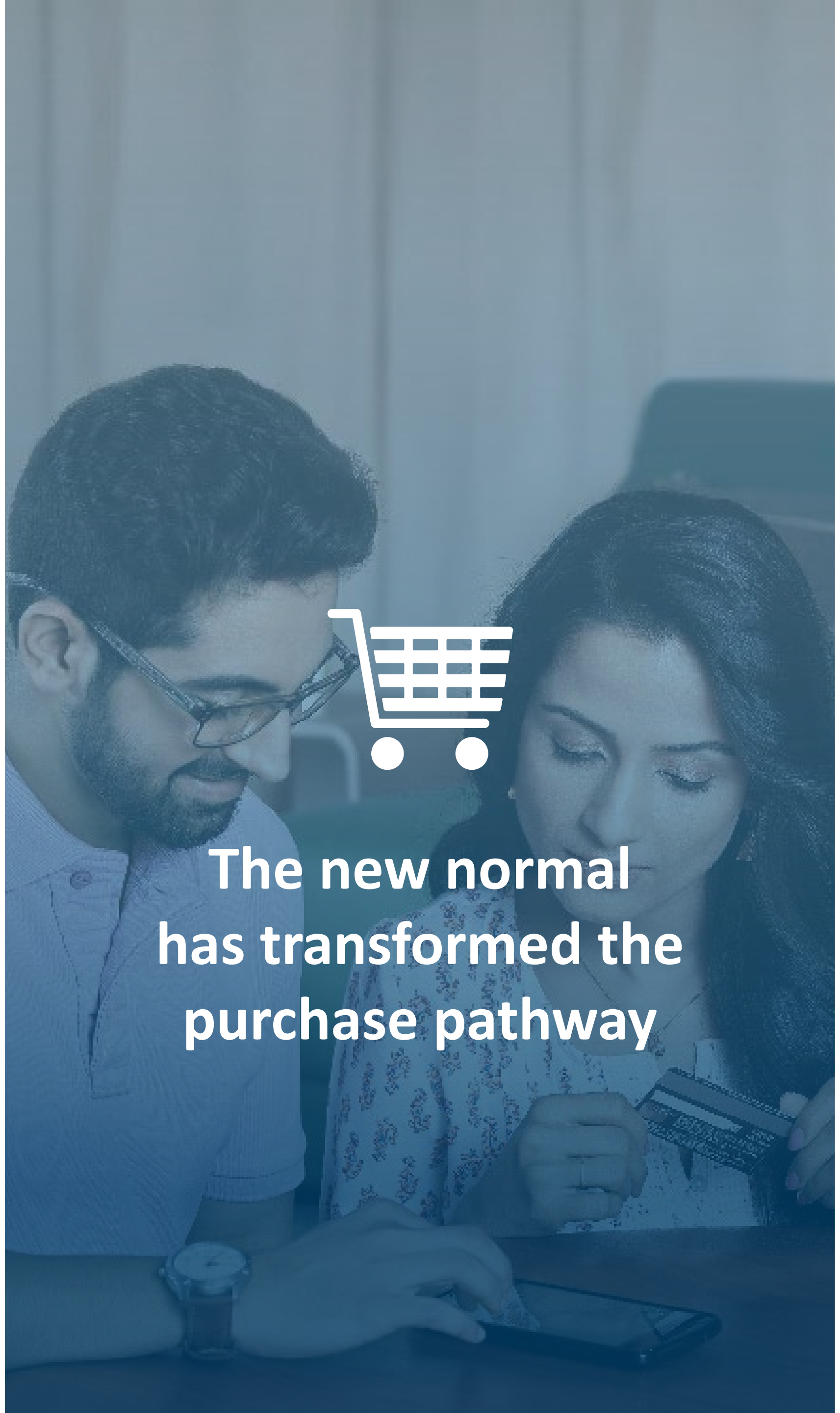









Consumer behavior has fundamentally changed


The new normal has transformed the purchase pathway


Businesses must unlock the new normal to help revival
Turn the Tide
Unlock the new normal

Great [leaders] rejoice in adversity just as brave soldiers triumph in war

—Lucius Annaeus Seneca

Covid-19 is an unprecedented epidemic

However to win in adversity, companies need to tailor strategies to today's unique context and look through layers

Turn the Tide

Unlock the new normal

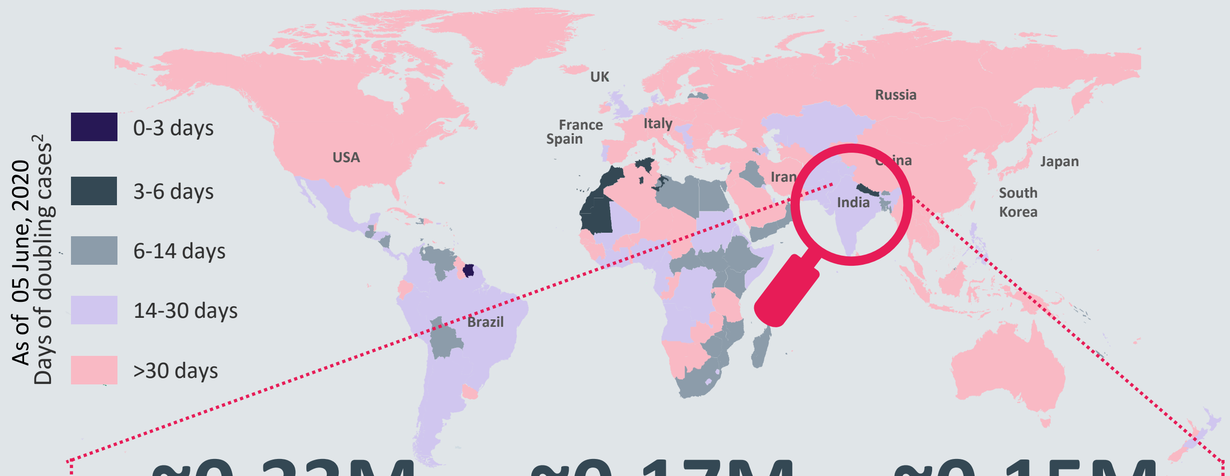
While the pandemic is far from over, calculated means to open-up the economy are in progress. Both consumer staples and food unrestricted since the start

Pandemic spread in different degrees across the globe

As of 15 June 2020

~7.9M
Confirmed cases globally[1]

188
Countries with cases[1]



~0.33M Total no. of cases[1]

~0.17M Recovered[1]

~0.15M Active[1]

As of 15 June 2020

India gradually moving towards opening up economy[3]

Based on guidelines released on 17 May

Lockdown stages

Industry	1.0 (25 Mar)	2.0 (20 Apr)	3.0 (4 May)	4.0 (18 May)
Education offline	Fully restricted	Fully restricted	Fully restricted	Fully restricted
Travel & tourism[1]	Fully restricted	Fully restricted	Fully restricted	Partially restricted
Public transportation[2]	Fully restricted	Fully restricted	Fully restricted	Partially restricted
Fashion, luxury & other retail	Fully restricted	Fully restricted	Partially restricted	Unrestricted
Other services	Fully restricted	Fully restricted	Partially restricted	Unrestricted
Auto and components	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Building materials	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Construction/infra	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Consumer durables & discretionary	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Forest products	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Chemicals	Partially restricted	Partially restricted	Partially restricted	Unrestricted
Machinery	Partially restricted	Partially restricted	Partially restricted	Unrestricted
IT services	Partially restricted	Partially restricted	Unrestricted	Unrestricted
Goods transportation & logistics	Partially restricted	Unrestricted	Unrestricted	Unrestricted
IT hardware	Partially restricted	Unrestricted	Unrestricted	Unrestricted
Metals & mining	Partially restricted	Unrestricted	Unrestricted	Unrestricted
Packaging	Fully restricted	Unrestricted	Unrestricted	Unrestricted

Fully restricted | Partially restricted | Unrestricted

Industries unrestricted (across all lockdowns)

- Consumer staples
- Food/drug retail
- Oil & gas
- Financials
- Insurance
- Education (online)
- Media
- Energy & utilities
- Pharmaceuticals
- Health services
- Telecom
- Agriculture

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Unlock the new normal

Note: Continued cases and fatalities are subject to different testing, propensity, reporting standards and hence imperfect measures

1. . [NDTV Corona Virus - Live Statistics Data - accessed on 15th June, 2020] 2. [BCG Analysis - No. of doubling days based on 7 day CAGR, Source: John Hopkins CSSE data] 3. [Ministry of Home Affairs (MHA), BCG Analysis]

The pandemic has impacted the socio-economic fabric of India

Essential categories in CPG resilient even amidst income uncertainty

The pandemic has created a never-before focus on health & safety

Social distancing and structural interventions will drive faster recovery

Uncertainty around income and weakened demand potential in near term

Consumer priorities being re-calibrated; certain behavior changes will stick long term

HEALTH & SAFETY

1 **COVID-19 Cases**
0.33M+ total cases in India[1]

2 **Web Trends**
~120% spike in online searches on health & immunity in India post COVID[2]

3 **Demand of health products**
49% consumers intend to buy more vitamins, herbs and supplements in the coming days[3]

PUBLIC POLICY

4 **Public Health Measures**
Social distancing enforced via nation-wide lockdown

5 **Industry Guidelines**
CPG industry in unrestricted category as per latest government guidelines[4]

6 **Monetary Relief Measures**
~$13Bn infusion by monetary relief measures by RBI[5]

ECONOMICAL

7 **Income Uncertainty**
- **60%** of total household expenditure in hotspots; **45%** of consumption in hotspots non-essential[6]
- **198M** workforce employed in hotspot districts[7]

8 **Inflation / Price Indicators[8]**
- **70 bps** drop in CPI
- **130 bps** drop in WPI

9 **Trade / Logistics Indicators[9]:**
- **35%** decline in exports and **29%** decline in imports
- **14%** decline in retail freight traffic

10 **Market Sentiment Indicators[10]:**
20% decline in Nifty index since 1st Feb

SOCIAL

11 **Consumer Sentiment**
CPG category showing positive consumer spending sentiment[11]

12 **Media, Smartphone Usage**
16% increase in smartphone screen time (May vs Pre-COVID)[13]
Globally, **~3Bn** average **MAUs** across Facebook, WhatsApp, Instagram & Messenger[14]

13 **Web Traffic trends**
Medicine and Beverages with highest traffic growth[15]

14 **Mobility**
40%+ reduction in number of visits to public places due to lockdown and social distancing[16]

Source: 1. [NDTV Corona Virus - Live Statistics Data - accessed on 15th June 2020] ; 2. [Online Search Trends (India)] 3. [BCG COVID-19 Consumer Sentiment Survey, April 30- May 03 (N = 1,327)] 4. [Ministry of Home Affairs (MHA), Govt. of India; Do not apply for containment zones, States and Union Territories may prohibit certain activities] 5. [RBI Notification – 17th April] 6. [BCG Analysis, Source: Nielsen-Indicus database 2017-18, Hotspot list as of 15th April (MoHFW), data compiled in 2017-18 , Press Search] 7. [BCG Analysis, Source: Hotspot list as of 15th April (MoHFW), PLFS workforce survey 2017-18, Census 2011-12 district workforce report] 8. [CPI (MOSPI), WPI (Office of economic advisor) – Change comparison Feb 20 vs March 20] 9. [Import-Export movement (Ministry of Commerce & Trade), Railway Traffic (Ministry of Railways) – YoY decline in March'20] 10. [Bloomberg data - As of 23-April] 11. [Source: TechArc] 12. [Source: BCG COVID-19 Consumer Sentiment Survey 13. [BARC Nielsen – TV + Smartphone consumption report during crisis, 7th May 2020] 14. [Facebook Q1 2020 Earnings Release/ Call Transcript – 2.6Bn users just on Facebook] 15.[BCG Analysis, Source: SimilarWeb data *www.similarweb.com] 16. [Source: COVID-19 Community Mobility Report – India – Apr 17, 2020]

'Social distancing' has been the key to fight disease globally and in India; making it the new way of living

Social distancing advocated as key measure to control COVID spread

CDC

Social Distancing

Keep Your Distance to Slow the Spread

Johns Hopkins University

Now is not the time to ease social distancing measures, experts say

Amid talk of restarting the economy, Johns Hopkins public health officials and leaders urge people to remain at home to slow the spread of COVID-19

South Korea — South Korea keeps social distancing post COVID-19 -qz.com

Hong Kong — Hong Kong extends social distancing measures as cases drop -Bloomberg

Globally strict measures followed to ensure social distancing

Up to 15 April 2020

10+ Countries — **Closed public transportation[1]**

19+ Countries — **Closed workplaces[1]**

India is actively following social distancing guidelines

India has observed a stark drop in number of visits across public places

RETAIL & RECREATION

~85%[2] Reduction in number of visits compared to baseline

WORKPLACE

~65%[2] Reduction in number of visits compared to baseline

Strict social distancing guidelines issued for reopening workplaces[3]

Non-Exhaustive

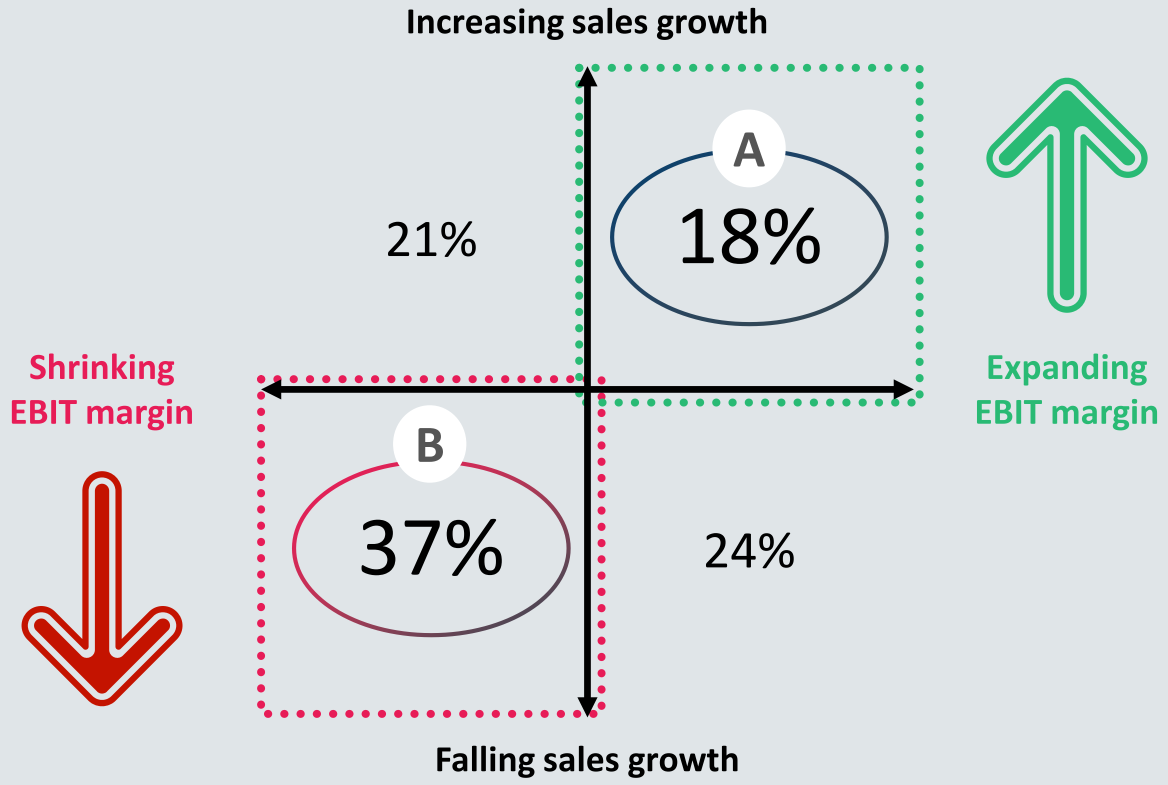
Seating at least 6 feet away from others on job sites

Gap of 1 hr. between shifts & stagger lunch breaks

1. [Oxford COVID-19 Government Response Tracker] 2. [COVID-19 Community Mobility Report (April 17, 2020) - The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020]; 3. Press Search; [Live Mint] [Coronavirus lockdown rules for offices: 6 feet apart seats, one hour gap between shifts]

Even in the face of adversity, historically there are organizations that have found opportunities to grow

18% of Indian companies[1] improved both growth & margin during the 2008-09 Global Financial Crisis, while 37% declined in both[2]



There are many success stories of Indian companies weathering historical crisis[3]

HCL TECHNOLOGIES

While most players were struggling to survive the 2008 crisis, HCL increased its revenues by 23.5% in 2009 with a three-pronged approach: enhanced customer centricity, strategic shift towards sophisticated value adding services and an "employee-first" mantra. The stock price has increased 18X since 2009

MARUTI SUZUKI

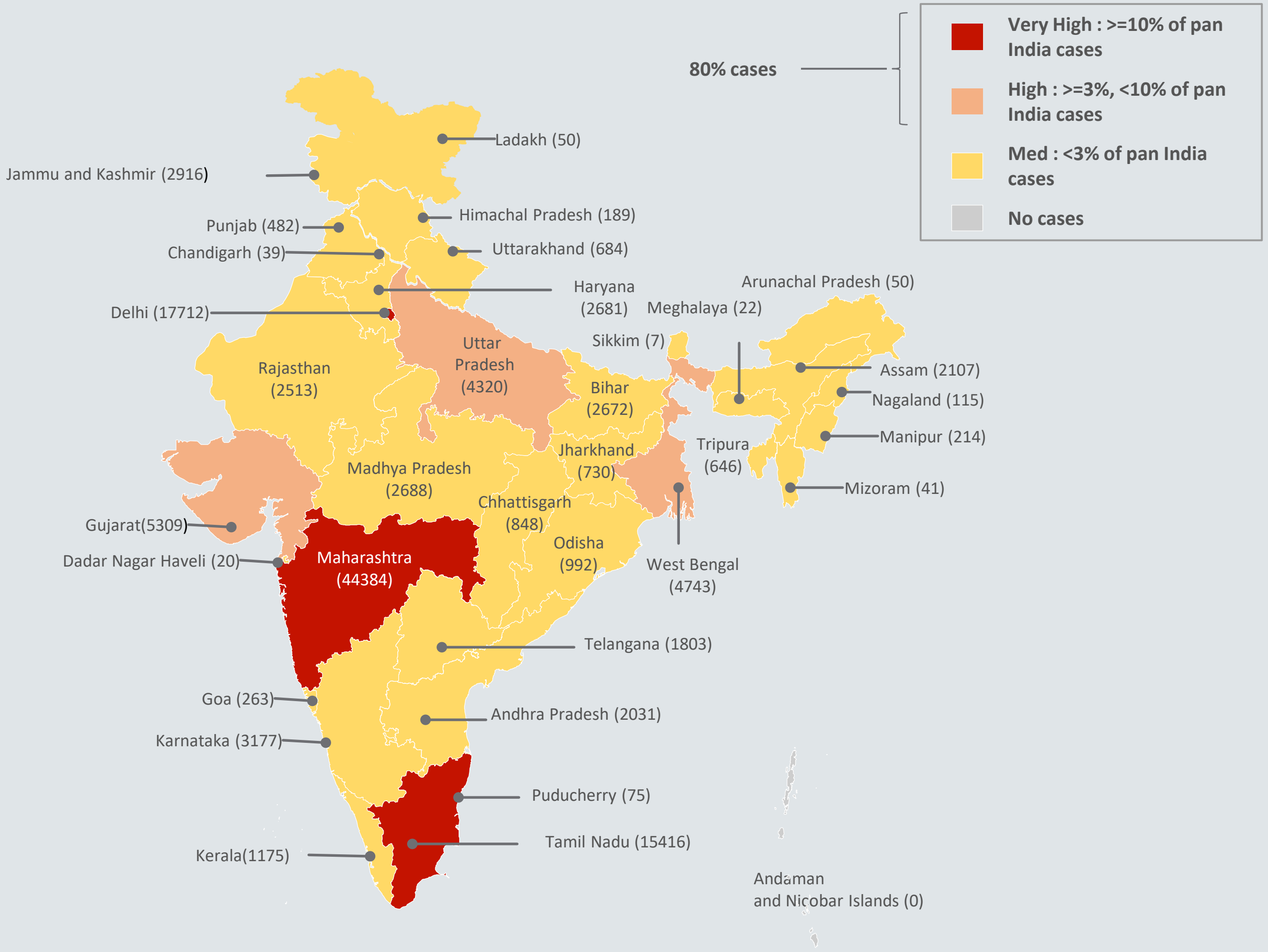
While the global recession of 2008 affected the sales of all car manufacturers, Maruti Suzuki embarked on a forward-looking journey. The reaction included capacity expansion, increased headcount in R&D, flexible product-mix and breaking new ground in consumer markets. Stock price has soared 10X since 2009

1. [Indian public companies with Market Cap > $10M, excluding Banks, Insurance, Asset Management companies] 2. [BCG Analysis: Based on revenue growth & EBIT Margin growth (from FY'09 to FY'12) compared to three-year pre-downturn baseline (from FY'06 to FY'09); Source: S&P Capital IQ Financial Statements] 3. [BCG Analysis, Source: Press Search, BCG Valuescience, Press Search: financial Express, Economic Times]

As the current crisis unfolds in India, near term potential exists in pockets; need to look at the de-averaged picture

25 states have less than 20% active cases[1]

Data as of 09 June



Companies should strategically prioritize re-opening and scaling up business as lockdown starts easing across regions

Potential to target specific micro-markets further along recovery to 'normal'

1. [BCG Analysis, Source: Ministry of Health & Family Welfare (MoHFW) website; Press reports]

Spending sentiment translating differently across categories

Essentials like fresh food, staples, homecare have witnessed positive sentiment consistently; personal care and packaged food have seen mixed sentiment; pure discretionary spends like cosmetics witnessing cutbacks

Essential CPG sub-categories have seen the most positive spending sentiment across time

	"Growing" Categories Categories with net increase in spends	Wave 1 23-26th Mar	Wave 2 17-20th Apr	Wave 3 30 Apr-03rd May
Daily essentials	Fresh foods	Positive	Positive	Positive
	Staples	Positive	Positive	Positive
	Household care products	Positive	Positive	Positive
	Personal care products	Positive	Neutral	Neutral
	Utilities (electricity, water)	Positive	Neutral	Neutral
At-home entertainment	Mobile services	Positive	Positive	Positive
	Home wifi connection	Positive	Positive	Positive
	Paid OTT subscription	Positive	Positive	Positive
	DTH services	Positive	Neutral	Neutral
	Toys & games	Positive	Neutral	Neutral
Saving/ Investments	Savings	Positive	Positive	Positive
	Insurance	Positive	Positive	Positive
Health	Preventive diagnostics/test	Positive	Positive	Positive
	Vitamins, herbs, supplements	Positive	Positive	Positive
	Medical procedures	Positive	Positive	Positive
	First-aid	Positive	Positive	Positive
Education	Education	Positive	Neutral	Positive

Packaged foods has evolved to neutral, pure discretionary spends like cosmetics seeing weaker sentiment

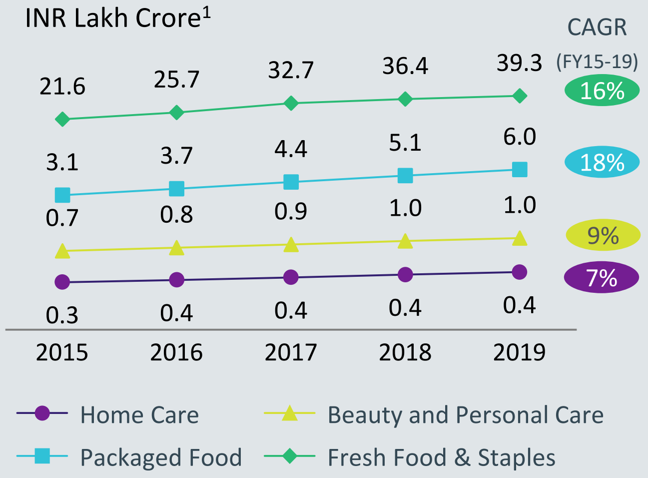
	'Shrinking' Categories Categories with net decrease in spends	Wave 1 23-26th Mar	Wave 2 17-20th Apr	Wave 3 30 Apr-03rd May
Discretionary spends	Packaged food & beverage	Neutral	Negative	Neutral
	Cosmetics, makeup, perfume	Negative	Negative	Negative
	Apparel/fashion	Negative	Negative	Negative
	Tobacco & smoking supplies	Negative	Negative	Negative
	Alcohol	Neutral	Negative	Negative
	Food delivery	Neutral	Negative	Negative
	Luxury brands/products	Negative	Negative	Negative
Travel	Vacation/leisure travel	Negative	Negative	Negative
	Business travel	Negative	Negative	Negative
	Public transport	Negative	Negative	Negative
OOH Entertainment	Spas, theme parks, concerts	Negative	Negative	Negative
	Restaurants	Negative	Negative	Negative
	Movies at cinema hall	Negative	Negative	Negative
Electronics	Sports equipment & clothing	Neutral	Negative	Neutral
	Non-mobile consumer electronics	Negative	Negative	Negative
	Mobile electronics	Neutral	Negative	Neutral
Home	Home construction/renovations	Negative	Negative	Negative
	Home furnishings and décor	Negative	Negative	Negative
Auto	Scooters/bikes	Negative	Negative	Negative
	Cars	Negative	Negative	Negative

Consumer sentiment Positive Neutral Negative

Note: Question text: "How do you expect your spend to change in the next 6 months across the following areas?" Categories with Top 2 Box > (5% more than average) classified as winning categories. Categories with Bottom 2 Box > (5% more than average) classified as losing categories. Categories neutral across waves: Baby/children's food, Non prescription medications, Prescription medicines, House rent, Home purchase & Home loans.
Source: BCG COVID-19 Consumer Sentiment Survey March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively)

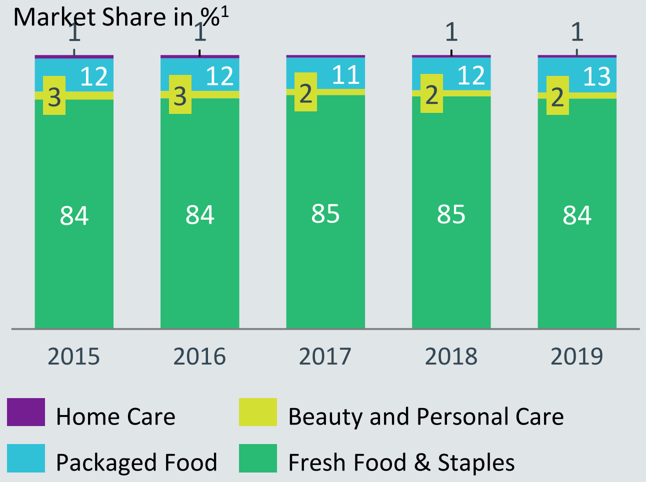
Pre-COVID-19, CPG was a steadily growing industry in India

CPG industry was growing at 15%



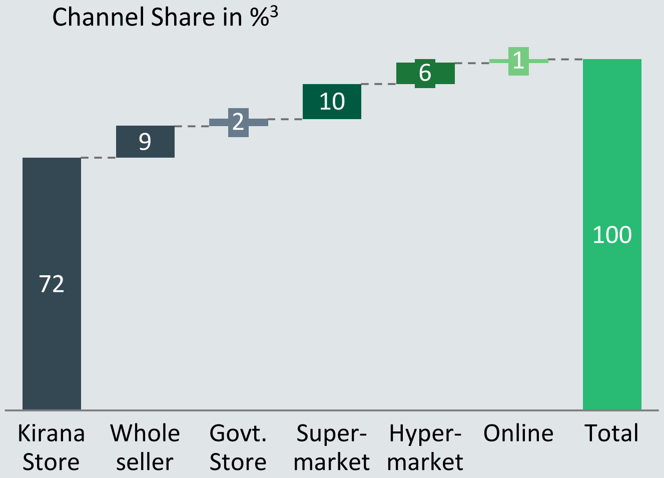
- CPG industry was at ₹46 Lakh Cr and was growing at a CAGR of 16% from 2015-19[1]
- 64% of sales was driven by urban population[2]

Industry structure remained consistent



- Fresh Food: 97% unbranded; Staples: 60% unbranded; Packaged food: 50% unbranded[1]
- Cosmetics, personal, home care: 80% branded[1]

Most shopping was through kirana stores; online was a small but a growing channel

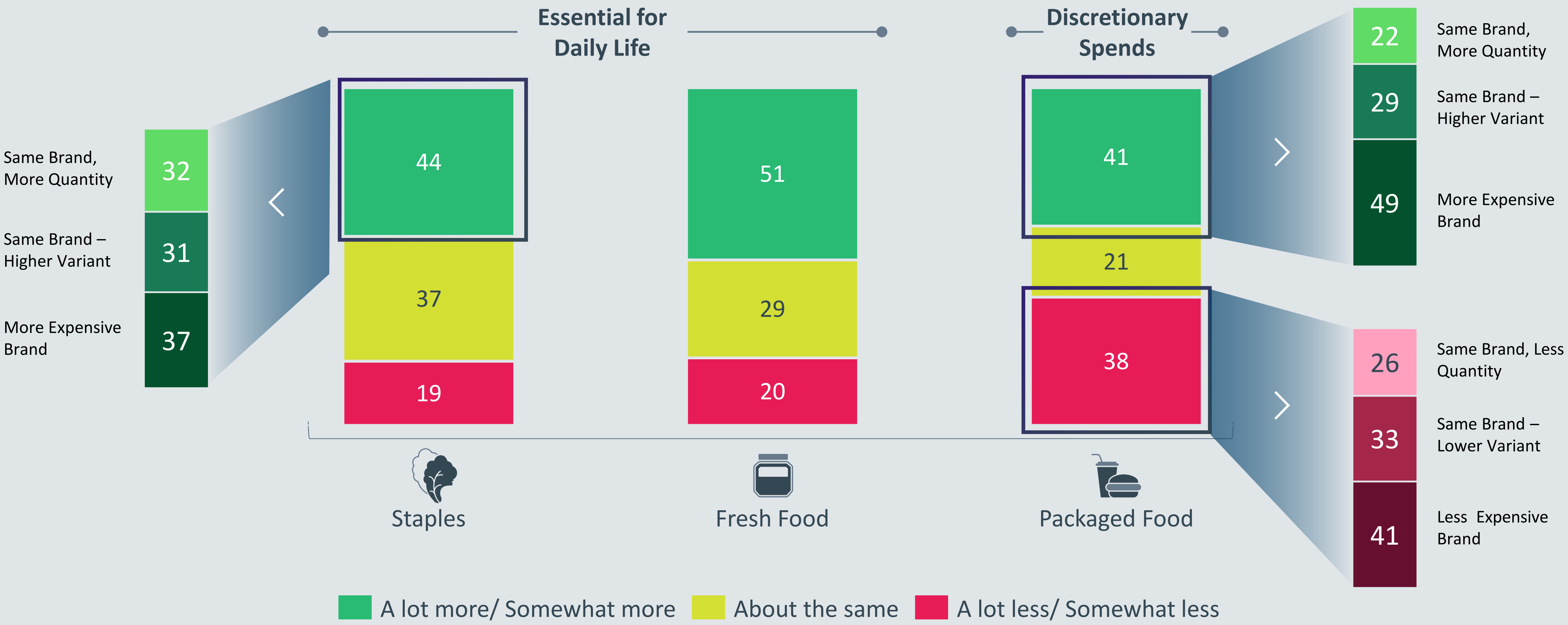


- Online channel was small, but growing (CAGR of 32% from 2015-19[1]) across sub-categories
- Online spend per transaction 1.2x times in urban cities[3]

1. Euromonitor; 2. IBEF FMCG, 2020; 3. Data of urban consumers shown. Definition: Hypermarket: These stores stock multiple categories such as food and grocery, clothes, electronic (E.g. D'mart, Big Bazaar); Supermarket: These stores stock only food and grocery (E.g. Reliance Fresh, More); Kirana store: These stores are located near you and not self service stores; Online: Websites/apps like Big Basket. Q: Can you tell me what proportion of total spends did you make across the channels for purchasing each of the following type of staples, in the last month. Source: CCI Survey & BCG analysis, 3. Redseer

~80% consumers planning to increase or maintain spends for fresh food and staples; ~60% plan to do the same for packaged food

% of consumers looking to increase / decrease / retain spends in the next 6 months[1]



1. [BCG COVID-19 Consumer Sentiment Survey, categories considered: Fresh Food, Packaged F&, Makeup, Staples, Personal Care, Home Care & Baby Care, Question text: " In the next 6 months, how do you expect your online spend for the following types of products to change?, In the next one month (CPG), how do you expect the choice of your brands to change", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

More affluent consumers and couples with children have a more positive outlook towards food categories

% of consumers looking to increase or retain spends in the next 6 months – Demographic profile[1]

	Fresh food		Staples		Packaged food	
Affluence	SEC A: 82%	SEC B: 72%	SEC A: 82%	SEC B: 77%	SEC A: 64%	SEC B: 58%

- **Affluent consumers trading up more in fresh food, staples, and packaged food;** thus have a more positive spending outlook

	Fresh food		Staples		Packaged food	
Life Stage	Couples without child: 48%	Couples/families with children: 67%	Couples without child: 71%	Couples/families with children: 85%	Couples without child: 54%	Couples/families with children: 53%

- **Couples with children more likely to increase spends on fresh food and staples,** given higher focus on health and hygiene for kids

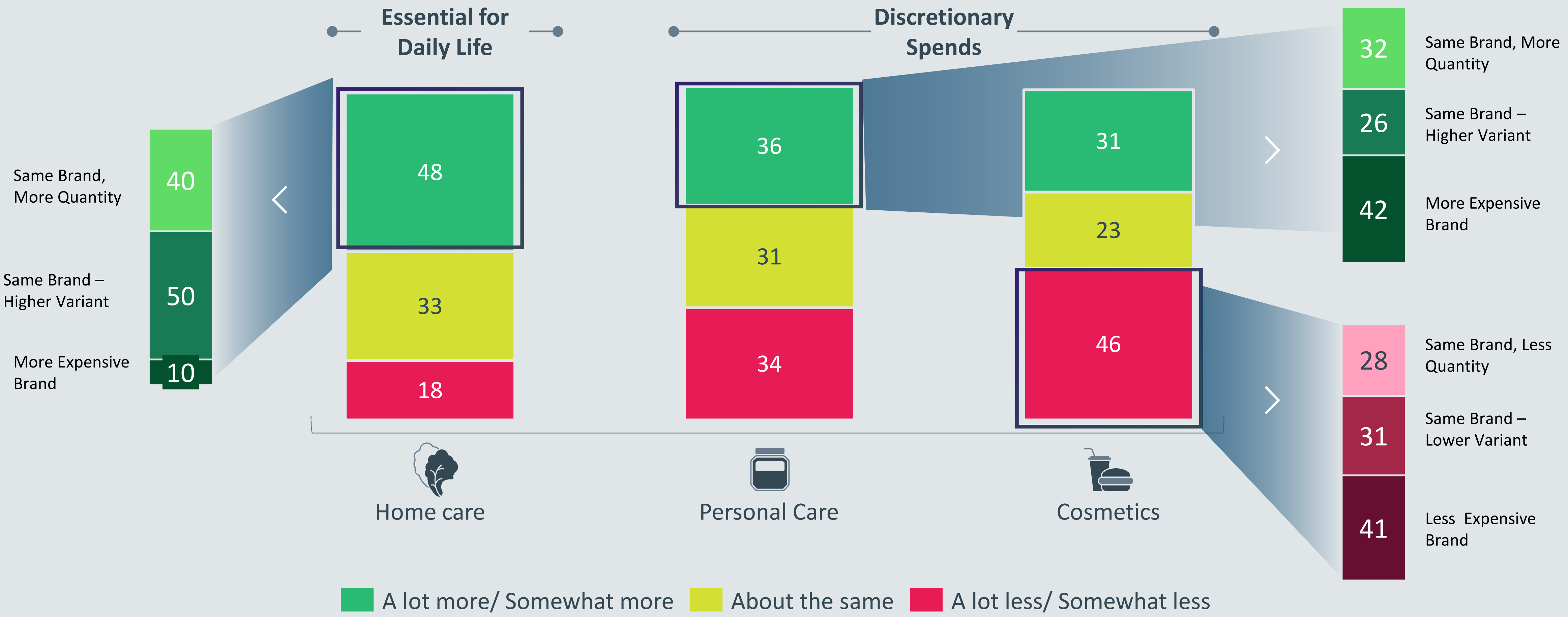
	Fresh food			Staples			Packaged food		
Age	18-25 yrs: 85%	26-35 yrs: 83%	36-45 yrs: 72%	18-25 yrs: 82%	26-35 yrs: 78%	36-45 yrs: 83%	18-25 yrs: 62%	26-35 yrs: 68%	36-45 yrs: 62%

- **Similar spending sentiment across age groups** across **fresh food, staples, and packaged food** with more "at home" consumption

Source: [BCG COVID-19 Consumer Sentiment Survey, categories considered: Fresh Food, Packaged F&, Makeup, Staples, Personal Care, Home Care & Baby Care, Question text: " In the next 6 months, how do you expect your online spend for the following types of products to change?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

Positive sentiment for homecare given focus on hygiene; discretionary spends in personal care and cosmetics seeing cutbacks

% of consumers looking to increase / decrease / retain spends in the next 6 months[1]



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Mid to older, more affluent, and couples with children have a more positive outlook in non-food categories; homecare sentiment strong across demographics

% of consumers looking to increase or retain spends in the next 6 months – Demographic profile[1]

		Home care	Personal care	Cosmetics
Affluence	SEC A	82%	69%	56%
	SEC B	78%	56%	48%
Age	18-25 yrs	79%	65%	43%
	26-35 yrs	84%	62%	63%
	36-45 yrs	82%	72%	52%
Life Stage	Couples without child	69%	46%	52%
	Couples/families with children	76%	53%	35%

- **Affluent consumers less impacted** by income uncertainty; have a more positive spending outlook across **personal care and cosmetics**
- **Similar spending sentiment across SECs for homecare** given the increased focus on hygiene

- **Older consumers (26+) are more resilient** and have a more positive spending outlook towards **personal care and cosmetics**
- **Similar spending sentiment across age groups for home care,** given the increased focus on hygiene

- **Couples with children more likely to increase spend on home care,** showcasing higher importance to hygiene for the family
- **Couples without children more resilient towards discretionary expenses** like cosmetics vs couples with children

Source: [BCG COVID-19 Consumer Sentiment Survey, categories considered: Fresh Food, Packaged F&, Makeup, Staples, Personal Care, Home Care & Baby Care, Question text: " In the next 6 months, how do you expect your online spend for the following types of products to change?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

The pandemic will create different types of changes in consumer behavior – some more long lasting than others

REVERSAL OF PAST TRENDS

Wild cards; likely to be temporary surges

These are complete reversal of how consumers were behaving in the past

These changes have mostly risen out of a constraint or fear vs. convenience or choice

These trends will likely last in line with recovery period

ACCELERATION OF EXISTING TRENDS

High potential permanent shifts in behavior

Consumer behavior was already moving towards these trends

With the pandemic, the trends have gained momentum and accelerated

Positive reinforcement is essential for consumers to adopt them in the long term

NEW HABITS

Stickiness of change is yet to be determined

Entirely new habits developed during the pandemic and while social distancing

Consumers who gain positive reinforcement out of the habits may retain them

Ecosystem facilitating and feeding these changes can make it last longer

New trends of consumer behavior emerge across categories

This will deeply impact purchase pathways in the new normal

	REVERSAL OF PAST TRENDS	ACCELERATION OF EXISTING TRENDS	NEW HABITS
Social Distancing	1 Bringing the Outside Inside	5 Embracing digital services & experiences 6 Accelerated adoption of e-commerce & O2O	9 Remote way of living 10 'D'o 'I't 'Y'ourself
Health & Hygiene		7 Strive for Health & Wellness	11 Superior hygiene & clean living: a new norm
	2 Trust in brand above all else	8 Rise of 'Smart shopper'	
Income Uncertainty	3 Trading down & bargain hunting 4 Shopping for Utility		
	Wild cards: likely to be temporary surges in line with recovery period	*High potential permanent shifts: linked to positive reinforcement*	*Stickiness of change is yet to be determined*

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9 consumer trends will have a higher impact on the CPG category

	REVERSAL OF PAST TRENDS	ACCELERATION OF EXISTING TRENDS	NEW HABITS
Social Distancing	1 Bringing the Outside Inside	4 Accelerated adoption of e-commerce & O2O	7 Remote way of living 8 'D'o 'I't 'Y'ourself
Health & Hygiene	2 Trust in brand above all else	5 Strive for Health & Wellness 6 Rise of 'Smart shopper'	9 Superior hygiene & clean living: a new norm
Income Uncertainty	3 Trading down & bargain hunting		
	Wild cards: likely to be temporary surges in line with recovery period	*High potential permanent shifts: linked to positive reinforcement*	*Stickiness of change is yet to be determined*

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Unlock the new normal

These 9 trends will vary in their impact across CPG sub-categories

Increased focus on health & hygiene and online adoption emerge as key trends

SUB - CATEGORY	STRIVE FOR HEALTH & WELLNESS	SUPERIOR HYGIENE & CLEAN LIVING: A NEW NORM	BRINGING THE OUTSIDE INSIDE	REMOTE WAY OF LIVING	RISE OF 'SMART SHOPPER'	ACCELERATED ADOPTION OF E-COM AND O2O	TRUST IN BRAND ABOVE ELSE	TRADING DOWN AND BARGAIN HUNTING	DIY DO IT YOURSELF
Fresh food	High	Medium	Medium	High	Medium	High	Medium	Medium	High
Staples	High	Medium	Medium	High	Medium	High	High	Medium	High
Packaged food	High	Medium	High	High	Medium	High	High	High	High
Home care	Medium	High	Medium	Medium	High	High	High	Medium	Medium
Personal care	Medium	High	High	High	High	High	Medium	High	High
Cosmetics	Medium	Medium	Medium	High	High	High	Medium	High	Medium

High impact · Medium impact

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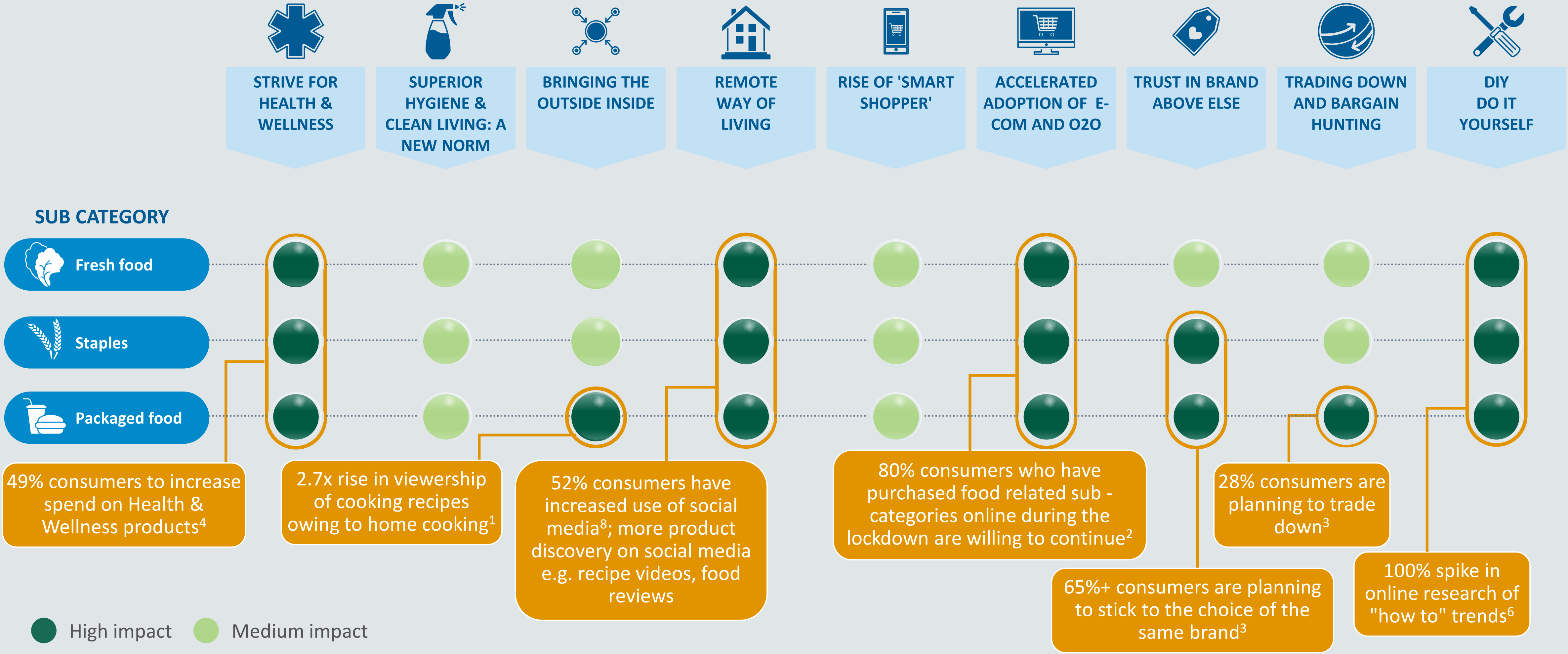
Impact on fresh food, staples and packaged food: High focus on health, more online in pathway, mix of trading up & down, DIY trends



1. [Nielsen, Nielsen TV and Smartphone report, Week of March 30 vs Week of April 27],2. [BCG COVID-19 Consumer Sentiment Survey, categories considered: Fresh Food, Packaged F&, Makeup, Staples, Personal Care, Home Care & Baby Care, Question text: " In the next 6 months, how do you expect your online spend for the following types of products to change?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 3. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "In the next one month (CPG) how do you expect the choice of your brands to change?"; April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 4. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How do you expect your spend to change in the next 6 months across the following areas?" April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 5. [Kantar, COVID-19 Barometer India Research Webinar, 3rd April] , 6. [Online Search Trends (India), 2nd week of Feb to 4th week of April],7. Estimation for 2021, Expert Interview, BCG CCI Digital Influence Study 2017 analysis (N=18,000 per year), 8. [BCG COVID-19 Consumer Sentiment Survey, Question Text: " Which statement best describes your usage behavior across the following areas?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

Impact on personal care, home care and cosmetics: High focus on hygiene, more online in pathway, mix of trading up & down, DIY trends

SUB CATEGORY	STRIVE FOR HEALTH & WELLNESS	SUPERIOR HYGIENE & CLEAN LIVING: A NEW NORM	BRINGING THE OUTSIDE INSIDE	REMOTE WAY OF LIVING	RISE OF 'SMART SHOPPER'	ACCELERATED ADOPTION OF E-COM AND O2O	TRUST IN BRAND ABOVE ELSE	TRADING DOWN AND BARGAIN HUNTING	DIY DO IT YOURSELF
Home care	Medium impact	High impact	Medium impact	Medium impact	High impact	High impact	High impact	Medium impact	Medium impact
Personal care	Medium impact	High impact	High impact	High impact	High impact	High impact	Medium impact	High impact	High impact
Cosmetics	Medium impact	Medium impact	Medium impact	High impact	High impact	High impact	Medium impact	High impact	Medium impact

High impact   Medium impact

47% Indian household claim increased home/toilet cleaning[5] 91% Indian households washing hands more often[5]

2.8x rise in time spent on self help and personal grooming videos[1]

52% consumers have increased use of social media[8]; more product discovery on social media e.g. beauty tips, hacks

~1.3x rise expected in share of digitally influenced urban consumers across non-food categories[7]

84% consumers who have purchased non-food related sub - categories online during the lockdown are willing to continue[2]

88% consumers are planning to stick to the choice of the same brand[3]

29-33% consumers are planning to trade down[3]

100% spike in online research of "how to" trends[6]

1. [Nielsen, Nielsen TV and Smartphone report, Week of March 30 vs Week of April 27],2. [BCG COVID-19 Consumer Sentiment Survey, categories considered: Fresh Food, Packaged F&, Makeup, Staples, Personal Care, Home Care & Baby Care, Question text: " In the next 6 months, how do you expect your online spend for the following types of products to change?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 3. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "In the next one month (CPG) how do you expect the choice of your brands to change?"; April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 4. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How do you expect your spend to change in the next 6 months across the following areas?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 5. [Kantar, COVID-19 Barometer India Research Webinar, 3rd April] , 6. [Online Search Trends (India), 2nd week of Feb to 4th week of April],7. Estimation for 2021, Expert Interview, BCG CCI Digital Influence Study 2017 analysis (N=18,000 per year), 8. [BCG COVID-19 Consumer Sentiment Survey, Question Text: " Which statement best describes your usage behavior across the following areas?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

Turn the Tide
Unlock the new normal

THE NEW NORMAL FOR CONSUMER PRODUCTS GROUP WILL SEE A NEW PATHWAY

UNDERSTANDING THIS WILL BE KEY TO TAP EMERGING OPPORTUNITIES

Food:

- Fresh Food
- Staples
- Packaged Food

Consumer Behavior Change in P2P: **Pre-Purchase**

PRE-PURCHASE

1 **Consumers will trade up in staples and selectively trade up /down in packaged food owing to a more value conscious, yet quality focused mindset**

Consumers will trade up across staples and packaged food

(post-COVID)

31%

% respondents trading up

13% *Buy same brand, higher variant*

18% *Buy more expensive brand*

2x *More than SEC B (post-COVID)*

Trading up more prominent in SEC A consumers for staples and packaged food

Acceleration of existing trends, likely to last longer term

STRIVE FOR HEALTH & WELLNESS

Consumers will also trade down in packaged food

(post-COVID)

28%

% respondents trading down

12% *Buy same brand, lower variant*

16% *Buy less expensive brand*

1.3x *More than SEC A (post-COVID)*

Trading down more prominent in SEC B consumers for packaged food

Reversal of past trends, likely to be temporary

TRADING DOWN AND BARGAIN HUNTING

Turn the Tide
Unlock the new normal

1. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "In In the next one how do you expect the choice of your brands to change?"; April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))],

Consumer Behavior Change in P2P: Pre-Purchase

PRE-PURCHASE

2 Changes in basket with a more at-home, do-it-yourself lifestyle

2.7x

Increase in viewership (post-COVID)[1]

Rise in viewership of recipes with more home cooking

Potential growth in demand for cooking supplies and shelf stable packaged food

79%

% respondents (post-COVID)[2]

Consumers not going out of home, except work

With reduced trips for shopping, dip in impulse buys (e.g., chewing gum)

Owing to more 'at home' consumption, drop in demand for smaller SKUs (e.g., buy 100 gm vs 50 gm biscuit SKU with more consumption at home)

New habit, stickiness unclear — **'D'O 'I'T ' Y'OURSELF**

Reversal of past trends, likely to be temporary — **BRINGING OUTSIDE INSIDE**

3 Surge in demand for specific products/variants with an increased focus on health, hygiene, and wellness

49%

% respondents (post-COVID)[3]

Consumers increase spend on health and wellness products

Spike in demand for healthy variants of food products (packaged and unpackaged)

1.2x

Increase in online search (post-COVID)[4]

Spike in online search on health & immunity

More demand for immunity building food products

Acceleration of existing trends, likely to last longer term — **STRIVE FOR HEALTH & WELLNESS**

1. [Nielsen, Nielsen TV and Smartphone report, Week of March 30 vs Week of April 27], 2. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How much do you agree with each of the following statements about the coronavirus? Combined Strongly agree and somewhat agree", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 3. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How do you expect your spend to change in the next 6 months across the following areas?" April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 4. [Online Search Trends (India)]

Consumer Behavior Change in P2P: **Purchase**

PURCHASE

4 Consumers will look for buying avenues which provide contact-less convenience while fulfilling their core needs of familiarity and immediacy

Increase in new online buyers for food categories

1.6x	1.5x	1.4x
Fresh Food	Staples	Packaged Food

Increase in users (post-COVID)[1]

80+% New online buyers for food categories likely to continue post-COVID[2]

Consumers planning to increase online spend in the next 6 months

44%	51%	47%
Fresh Food	Staples	Packaged Food

% respondents (post-COVID)[4]

Pre-COVID, top 3 barriers to online purchase of CPG[3]

1. Need to check product quality
2. Immediate need for products
3. Easier return and other local store benefits

Consumers will be open to buying models which mitigates these barriers and leverages the convenience of online

Acceleration of existing trends, likely to last longer term

ACCELERATED ADOPTION OF E-COMMERCE AND O2O

1 [BCG COVID-19 Consumer Sentiment Survey, Question text: "Which statement best describes your usage behavior since the Lockdown?", April 17-20 2020, N = 2,324, and N=1,327 respectively], 2. [BCG COVID-19 Consumer Sentiment Survey, categories considered: Fresh Food, Packaged F&, Makeup, Staples, Personal Care, Home Care & Baby Care, Question text: "You mentioned that you have started online purchase of CPG since the Lockdown. How likely are you to continue purchasing CPG online even after the Lockdown gets lifted?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 3. . [BCG, Retail 4.0: Winning the 20s, Feb 2020],4. BCG COVID-19 Consumer Sentiment Survey, Question text: "Which statement best describes your usage behavior since the Lockdown?] April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

Consumer Behavior Change in P2P: **Post Purchase**

POST PURCHASE

5 **Post purchase advocacy will continue to be important; digital will be a powerful medium**

1 in 2 Consumers rely on Word of Mouth (WoM) for first online purchase in CPG

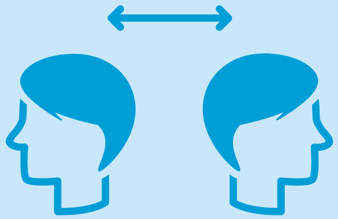
% respondents (pre-COVID)[1]

44% Consumers will start/ increase online research before purchasing food related sub-categories

% respondents (post-COVID)[3]

52% of all consumers have increased use of social media

% respondents (post-COVID)[2]



With more use of social media, significance of social media as a platform for recommendations and thus discovery will go up e.g., sharing recipes, reviews of food products, food related content etc.

New habit,
stickiness unclear

REMOTE WAY OF LIVING

Turn the Tide
Unlock the new normal

1. [CCI Survey and BCG analysis, Question Text: "Can you tell us the reasons of what made you buy food & grocery online the first time?", N= 6000 transactions] , 2.[BCG COVID-19 Consumer Sentiment Survey, Question Text: " Which statement best describes your usage behavior across the following areas?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))] ,3. [BCG COVID-19 Consumer Sentiment Survey, Question Text: " Which statement best describes your online research behavior before buying these types of products?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

Non-Food:

- Home Care
- Personal Care
- Cosmetics

Consumer Behavior Change in P2P: **Pre-Purchase**

PRE-PURCHASE

1 **Consumers will trade up in home care, trade down in cosmetics, and selectively trade up /down in personal care owing to a more value conscious, yet quality focused mindset**

Home Care

29% *(post-COVID)*

% respondents trading up

- 24% — *Buy same brand, higher variant*
- 5% — *Buy more expensive brand*

2x — Trading up more prominent in SEC A consumers for home care

More than SEC B (post-COVID)

Personal Care

24% *(post-COVID)*

% respondents trading up

- 9% — *Buy same brand, higher variant*
- 15% — *Buy more expensive brand*

2x — Trading up more prominent in SEC A consumers for personal care

More than SEC B (post-COVID)

Acceleration of existing trends, likely to last longer term

STRIVE FOR HEALTH & WELLNESS

Cosmetics

33% *(post-COVID)*

% respondents trading down

- 14% — *Buy same brand, lower variant*
- 19% — *Buy less expensive brand*

1.4x — Trading down more prominent in 18-25 years consumers for cosmetics

More than 26+ years (post-COVID)

Personal Care

29% *(post-COVID)*

% respondents trading down

- 16% — *Buy same brand, lower variant*
- 13% — *Buy less expensive brand*

1.4x — Trading down more prominent in SEC B consumers for personal care

More than SEC A (post-COVID)

Reversal of past trends, likely to be temporary

TRADING DOWN AND BARGAIN HUNTING

Turn the Tide
Unlock the new normal

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Consumer Behavior Change in P2P: **Pre-Purchase**

PRE-PURCHASE

2 Surge in demand for specific products/variants with an increased focus on health, hygiene, and wellness

91%
% respondents (post-COVID)[2]

Indian households washing hands more often

14x jump in online sales of **personal care products** such as sanitizer from Feb – March[3]

47%
% respondents (post-COVID)[2]

Indian households claim increased home/toilet cleaning

Increase in demand for disinfecting & cleaning **home care** products **(e.g., surface cleaners)**

3 Changes in basket with a more at-home, do-it-yourself lifestyle

2.8x
Increase in time (post-COVID)[1]

Rise in time spent on self help/personal care videos as consumers are avoiding salons

Increase in demand for **personal care products** such as depilatories, hair dyes, and face masks

79%
% respondents (post-COVID)[4]

Consumers not going out of home, except work

With reduced trips for shopping, dip in **impulse buys (e.g., lip balms)**

Acceleration of existing trends, likely to last longer term

SUPERIOR HYGIENE & CLEAN LIVING: A NEW NORM

Reversal of past trends, likely to be temporary

BRINGING OUTSIDE INSIDE

1. [Nielsen, Nielsen TV and Smartphone report, Week of March 30 vs Week of April 27] ,2. [Kantar, COVID-19 Barometer India Research Webinar, 3rd April], 3. Press Search: [Livemint, Covid-19 impact: Sanitiser market sees more entrants] , 4. [CCI Survey and BCG analysis, Question Text: "Can you tell us the reasons of what made you buy food & grocery online the first time?", N= 6000 transactions]

Consumer Behavior Change in P2P: **Pre-Purchase**

PRE-PURCHASE

4 **Salience of digital influence to rise for home care, personal care, and cosmetics; more consumers will increase online research across these categories**

~1.3x rise expected in share of digitally influenced urban consumers

~1.3x

Post-COVID [1]

Increase in digital influence among urban consumers for non-food categories

Online channels will play a more important role for product discovery, research, and comparisons

30-40% urban consumers will start/ increase online research

30%	35%	38%
Homecare	Personal Care	Cosmetics
Most prominent for 26-35 years segment	Most prominent for SEC B consumers	Most prominent for 18-35 years segment

% respondents (post-COVID)[2]

With 52% consumers planning to increase time on social media[3], it will be an important platform for product discovery and research

Acceleration of existing trends, likely to last longer term

RISE OF SMART SHOPPER

Turn the Tide

Unlock the new normal

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Consumer Behavior Change in P2P: **Purchase**

PURCHASE

5 Consumers will look for buying avenues which provide contact-less convenience while fulfilling their core needs of familiarity and immediacy

Increase in new online buyers for non-food categories

1.45x	1.3x	1.35x
Home Care	Personal Care	Cosmetics

Increase in users (post-COVID)[1]

84+% New online buyers for non-food categories likely to continue post-COVID[2]

Consumers planning to increase online spend in the next 6 months

51%	46%	43%
Home Care	Personal Care	Cosmetics

% respondents (post-COVID)[4]

Pre-COVID, top 3 barriers to online purchase of CPG[3]

1. Need to check product quality
2. Immediate need for products
3. Easier return and other local store benefits

Consumers will be open to buying models which mitigates these barriers and leverages the convenience of online

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Consumer Behavior Change in P2P: **Post Purchase**

POST PURCHASE

6 **Post purchase advocacy will continue to be important; digital will be a powerful medium**

1 in 2 Consumers rely on Word of Mouth (WoM) for first online purchase in CPG

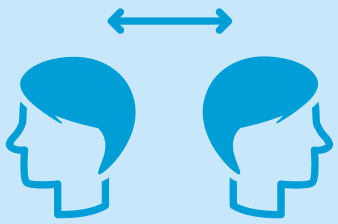
% respondents (pre-COVID)[1]

35% Consumers will start/ increase online research before purchasing non-food related sub-categories

% respondents (post-COVID)[3]

52% of all consumers have increased use of social media

% respondents (post-COVID)[2]



With more use of social media, significance of social media as a platform for recommendations and thus discovery will go up e.g., sharing easy beauty tips, personal care hacks etc.

New habit, stickiness unclear

REMOTE WAY OF LIVING

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Unlock the new normal

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The new pathway is changing and filled with opportunities

PRE-PURCHASE

More digital touchpoints and changes in choice drivers

PURCHASE

Expectations of contact-less convenience delivered in a hyperlocal manner

POST PURCHASE

Opportunity to strengthen consumer engagement

Portfolio & Messaging

Strengthen Brand Proposition
Tweak messaging and portfolio focus to play in targeted micro-markets

Channel & Engagement

Capture the expanding online wallet
Win disproportionate share of new online adopters and aggressively retain customers

Value Focus

Tap the Here & Now opportunity: Induce and Incentivize purchase to deliver value

Presence & Influence

Adjust to the new normal of engagement: Significantly redesign your digital engagement with customers

Turn the Tide

Unlock the new normal

More digital touchpoints and changes in choice drivers

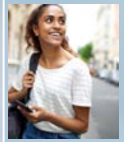
PRE-PURCHASE

'D'o 'I't 'Y'ourself

Trust in brand above all else

Rise of 'Smart Shopper'

1 Win Consumer Trust



- Sequential messaging by **cohort**
- **Interactive & engaging story-telling** on top of mind concerns, e.g., product origin, core ingredients and hygiene
- Drive **product association with problem solution**

2 Focus on Hyper-Localisation

- Connect with consumers where they are
- **Hyperlocal solutions** for targeting, optimization, lead management & communication
- Leverage **vernacular creatives** for regional targeting

3 Relook Media Mix Model to build efficiency

- Align to **new media landscape**
- Accelerated **role of regional**
- Catalogues for prospecting customers in adjacent categories

4 Build Social Connect in Social Distancing

- Deliver consumer **segment appropriate messaging** basis their interest and highlight portfolio accordingly, e.g. **healthy variant, hygiene standards, high quality, made in India**
- Digital discovery through **virtual product launches and virtual roadshows**

5 Create personalized engagement @ scale

- Leverage social media for **cause/ moment marketing** to improve brand relevance

6 Leverage influencers for strong WoM

- Build surround with branded content from influencers, creators & publishers, e.g. **beauty bloggers** for personal care and cosmetics, **chefs** for packaged food

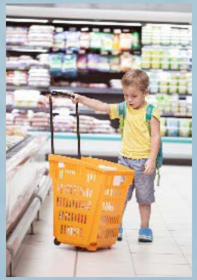
Medium Term | Short Term

Expectations of contact-less convenience delivered in a hyperlocal manner

PURCHASE

'D'o 'I't 'Y'ourself	Superior hygiene and clean living: a new norm	Strive for Health and Wellness	Trading Down and Bargain Hunting	Bringing the Outside Inside	Accelerated adoption of e-com.	Rise of 'Smart Shopper'

7 Optimize Portfolio for Value creation



- **Segment consumers** and target with the right portfolio to drive differential value
- Explore **adjacent and in demand product lines/ solution offering** to increase basket coverage (e.g., disinfectant, groceries, home cleaning services)
- Review the **variant mix basis changing demand pattern**
- Amp up value for money in proposition through levers like **SKU mix, pushing cheaper variants, bundles**

8 Build Online presence

- Provide **O2O & direct to customer models** to assist in **seamless journey** (e.g. easy return, contactless delivery)
- **Drive traffic to local efforts,** Focus on hyper-localization and seller models

9 Replicate In-Person experiences

- **Decision making tools** (e.g., picture of fresh food, virtual makeup try on)
- **Conversational solutions** for personalized suggestions

Medium Term | Short Term

Turn the Tide

Unlock the new normal

Opportunity to strengthen consumer engagement

POST PURCHASE

Remote Way of Working

Drive Value by repeat purchase and consumer up-trade

10

- Remarket with customized offers for **up-trade or repeat purchase**
- Incentivize **social peer recommendation** to create post purchase advocacy
- Use click to messenger ads to **share offers and connect with shoppers**
- Build loyalty with **personalized offers**
- Drive engagement with **retailer co-branded programs**

Medium Term Short Term

PRE-PURCHASE

Brand Showcase

Win Consumer Trust

Quality Focused Campaigns: Tula re-positioned the brand as 'toxic free' beauty creams. Provided home beauty skincare tips on **Instagram**[2,3]

Hygiene Related Campaigns: Godrej launched **#ProtektIndiaMovement** on **Facebook** which educates and give tips to audience on personal & home hygiene, cleanliness & how to stay healthy[4]

COVID Awareness Campaign: HUL launched an online campaign “Break the Chain” to educate people about COVID on **Social Media**[5]

Health & Wellness Center: Kiehl 's turned it's **Instagram** page into a virtual mental center with community check-ins & well being programs[1]

Build Social Connect in Social Distancing

Cause Marketing: Cadbury introduced a **limited-edition Cadbury Dairy Milk** ‘thank you’ bar by giving up the Cadbury Dairy Milk logo on the pack, in recognition of the country’s unsung heroes[7]

DIY Trends: Sunsilk is **engaging audience** by giving quick quarantine hairstyle tips on **Instagram** under #LockdownHairstyles[6]

Influencer Marketing: Campbell Soup Company has created a 3-phase campaign - “The New Pantry” with influencer-hosted virtual experiences[8]

Social Media Marketing: Loreal launched limited-edition makeup through a series of **Instagram Stories, video and photo ads**. This resulted in 20 point lift in purchase intent among 36-45 years old women[9]

Source: 1. [Moodie Davitt] [Communicating in crisis: How beauty brands are reaching customers during the COVID-19 pandemic], 2. [CNBC] [This skincare company saw record sales in April even as coronavirus pandemic ravaged retail], 3. [Instagram] [Tula], 4. [Facebook] [Godrej Protekt] , 5. [HUL] [Committed Towards Combating COVID-19], 6. [Instagram] [SunsilkIndia], 7. [Instagram] [CadburyIndia], 8. [MediaPost] [Group Nine, Campbell Soup Company Collaborate On 'The New Pantry' Campaign], 9. [Business Instagram] [L’ORÉAL PARIS INDIA]

Brand Showcase

Optimize Portfolio for Value creation

Kitchen Hygiene

Marico launches Vegetable wash "Veggie Clean"[1]

Given increased focus on hygiene, Marico Limited forayed into the vegetable and fruit hygiene category with the launch of Veggie Clean which helps disinfect fresh produce.

It is a alcohol free disinfectant to clean fresh fruits and vegetable before consumption

Home Disinfectant

ITC launches spray disinfectant under the Savlon brand[2]

ITC launched surface disinfectant spray owing to increasing hygiene consciousness

This product can be used to clean surfaces (e.g. tables, door knobs, sofa etc.) which are touched by several people

Gadget Disinfectant

CavinKare launches a new disinfectant under "Bacto-V" brand[3]

Given the increasing focus on cleanliness and hygiene, CavinKare launched Bacto-V gadget disinfectant for disinfecting expensive gadget

This product is suited for use on phones, laptops etc.

Natural Home Care

Cycle Pure Agarbatti launches a whole range of Ayurvedic products[4]

Cycle Pure Agarbathies launched ayurvedic hand sanitizers using its fragrance stock

They will also launch liquid soaps and home care products like cleaners as they have the advantage of being in the fragrance space already

Source: 1. [Business Insider] [Marico Limited launches Veggie Clean that helps you wash germs off your fruits and vegetables], 2. [The Hindu Business Line] [ITC launches zero contact 'Savlon Surface Disinfectant Spray'], 3. [The Hindu Business Line] [CavinKare launches 'Bacto-V' brand of disinfectants], 4. [ET Retail] [Covid-19 Impact: Cycle Pure Agarbathies holds back prayer product launches to shift focus on hand sanitizers]

PURCHASE

Brand Showcase

Build online presence

Nykaa launched Nykaa Network, an **online-only beauty forum** to share beauty tips and strengthen brand personal[1]

NinjaCart sells farm produce **directly to the end user** by partnering with local grocery stores, which are available to the consumer via **delivery platforms**[2]

Flipkart has partnered with Spencer's Retail for **hyperlocal delivery** of groceries and essentials[3]

Perpule has launched 'Storese.in' platform and partnered with Ola & Uber to **provide essentials in 24 hours**[4]

Replicate In-Person experiences

Sephora leverages **virtual makeup apps**, where people try makeup and can directly buy products[5]

Payment platform **Simpl** allows customer to **buy now & pay later** function for essentials[7]

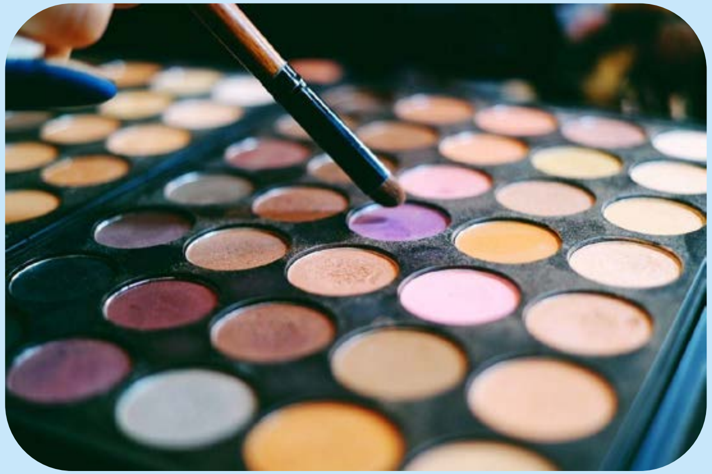
Lin Qingxuan redeployed its 100+ beauty advisors from those closed down stores to become **online influencers** who leveraged digital tools, to engage customers virtually and drive sales[6]

Source: 1. [Fashion Network] [Nykaa launches Nykaa Network to boost interactivity] ,2. [Livemint] [NinjaCart to help farmers sell directly to consumers], 3. [Livemint] [Flipkart, Spencer's to pilot hyperlocal grocery delivery], 4. [Livemint] [Startup Perpule launches grocery ordering platform StoreSe for Bengaluru], 5. [Business of Fashion] [Try-Before-You-Buy Beauty Retailers Pivot in the Age of Covid-19], 6. [HBR] [How Chinese Companies Have Responded to Coronavirus], 7.[Economic Times] [Simpl records 35% upsurge in daily essentials transactions through online orders]

POST PURCHASE

Brand Showcase

Drive Value by repeat purchase and consumer up-trade



Estee Launder is creating post purchase advocacy via consumers and KOLs[1]

- Users are posting reviews on **Instagram**
- Estee models are narrating user reviews on **Instagram**

SkinKraft is encouraging peer recommendation via consumer testimonials[2]

- Consumers are posting testimonials to show the product effectiveness on **Instagram and Facebook**

Source: 1. [Instagram] [Esteelauder], 2. [Instagram] [Sponsored Content] [Skiinkraftofficial]

There is Advantage in Adversity

Brand that tailor strategies to the new pathways will emerge winners

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