

FMCG INDUSTRY

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WORLD FMCG MARKET

01

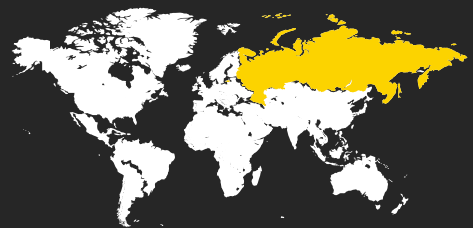
- Changes made in existing products
- Changes mostly done to reduce costs, increase supply chain efficiency and have cheaper products available

02

- Lookout for changes in entire business model
- Heavy reliance on technological innovation
- Growth rates are to increase, both in terms of volumes and in terms of revenues

03

- Looking only to make significant changes and develop newer models
- Can be change in business model to launch never products
- Prime motive it to get competitive edge



KEY FACTS



By 2022, Global E-commerce FMCG sales to amount to more than 400 US billion dollars



World Market Size in 2017 was at 10,020 billion dollars. The Projected value for 2025 stands at 15361.8 billion dollars

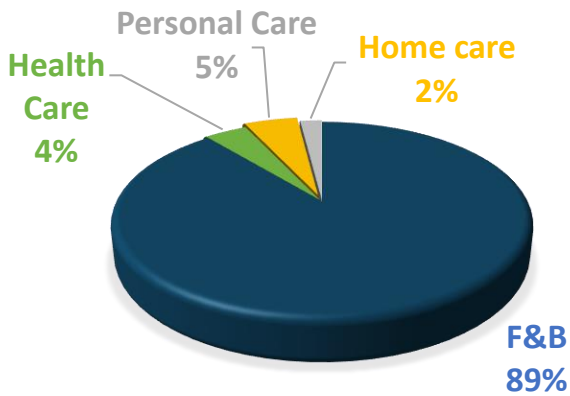


In the beauty segment, Haircare is expected to be the key driver due to rising changes in perception, image popularity and pollution levels



The Highest growth region wise, is expected from the Asia-Pacific region in terms of FMCG, due to high population, large number of local players and increasing Government policy support

COMPONENTS - 2017



DISTRIBUTION CHANNELS – 2018



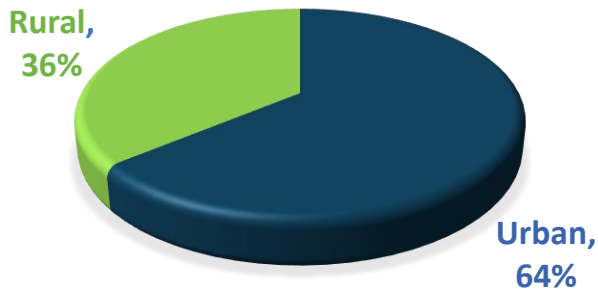
INDIAN FMCG MARKET – MARKET TRENDS

REASONS FOR GROWTH IN INDIAN MARKET SHARE

- ✓ Focus on products which are offering high value for money
- ✓ Continuous innovation in terms of diversification
- ✓ Evolving consumer lifestyle has brought in newer segments with brands like Beardo and NomNomNow
- ✓ Focus on mass-market targeting while increased focus on rural regions
- ✓ High focus on quality and volume growth as compared to margins
- ✓ Increased venturing of FMCG brands into the e-commerce segment
- ✓ India is a developing economy where the amount of raw material import for this sector is low, allowing brands to tap into various local initiatives and cost advantage schemes



FMCG SECTOR CONTRIBUTION FY19



MARKET COMPOSITION – FY2019

F&B	19%
Healthcare	31%
Personal & Home Care	50%

THE REVOLUTION IN INDIA – GOING DIGITAL

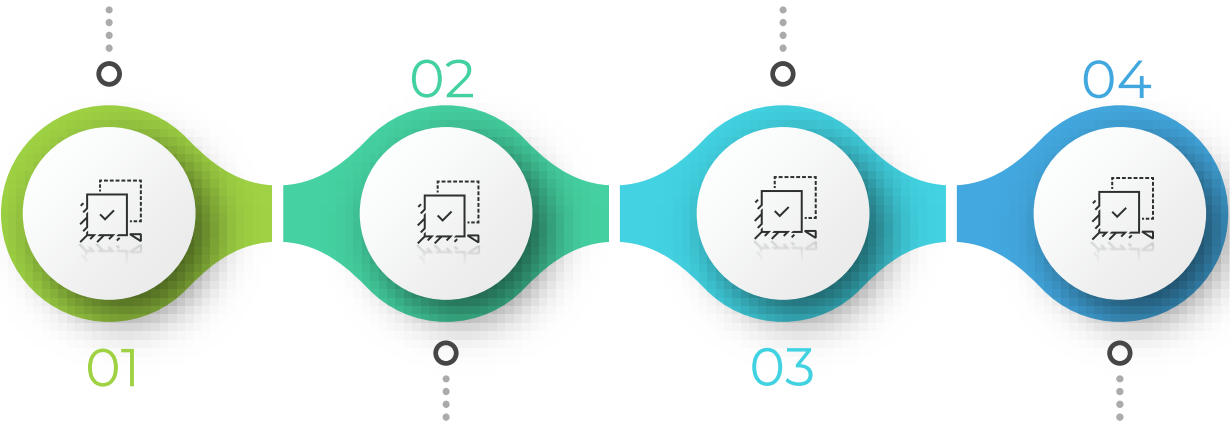
The increasing number of online users, with rising internet penetration and cheaper telecommunication services, FMCG Brands are accurately using this force to support their business. From brands like Amazon having their own Pantry service to rising number of home delivery options, consumer behavior patterns are pushing forth the online mode. With the changing mindset of the millennial generation, Brands have started to move towards convenience over availability. Earlier the online channel was only for necessities and daily consumption, where urgency played a role. However, now, even premium luxury products are being purchased online, be it going local or buying from overseas brands



PRE-COVID FACT CHECKER

The Growth outlook for 2020 was at 9-10%

The sector was scene to be struggling over the past five years due to high competition, slowdown of demand and high costs



Distribution centers in India were increased by 700,000 to ensure zero error in delivery and reach by various brands

The March growth in FY19 for the FMCG Sector was at 13.8% in value

KEY FACTS

There has been a domination of the e-commerce sector, with players like Grofers and Big basket emerging as market leaders



India has around 9.6 million FMCG retailers, out of which modern trade outlets account for around 10%



In India, the FMCG market is the fourth largest market where household and personal care take the lead



With the rise in online users in India US \$20 billion to US \$40 billion in 2020, technological innovation is the only way forward



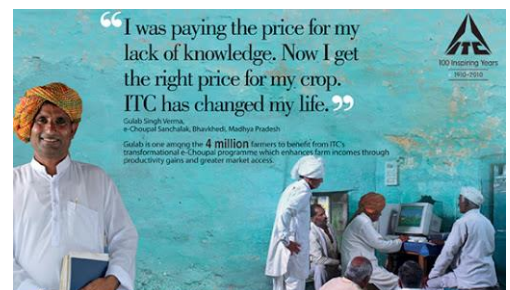
BRANDS IN INDIA (products, new initiative)



74th Independence Day event
organised as a running event under
its CSR initiative

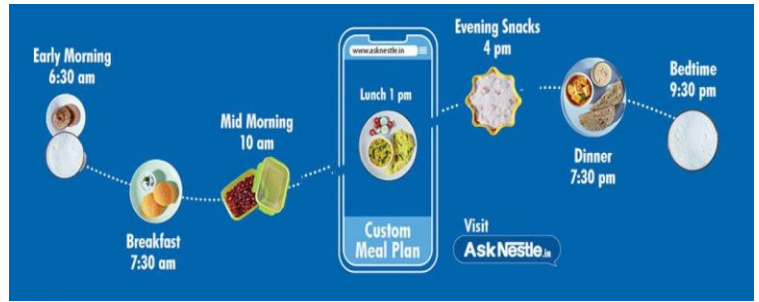


Launching Saffola ImmuniVeda as
a new target domain of immunity
boosting products



The E-Choupal initiative to bring
farmers together

BRANDS IN INDIA



Nestlé's initiative to drive consumer plans via its Ask Nestle portal, taking care of consumer health first



Digital Campaign around Home Cooking launched to promote product



Manufacturing and Donating Masks under its CSR Initiative

BRANDS IN INDIA



Procter & Gamble



RISE WITH HEALTH

A CSR Initiative from Procter & Gamble Health Limited

Manufacturing and Donating Masks under its CSR Initiative



Launching a new Soap with detailed instructions to support the work of World Health Organization

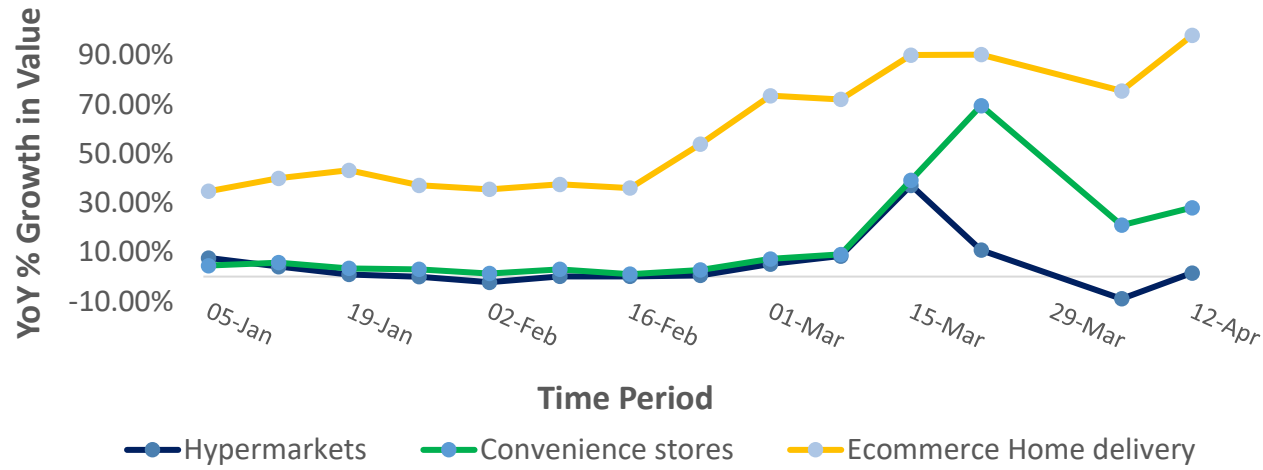


BSI PROGRAMME – Target to double social investment while also launching a Life Skills programme for children in Sikkim

WORLD COVID-19 IMPACT IN FMCG MARKET

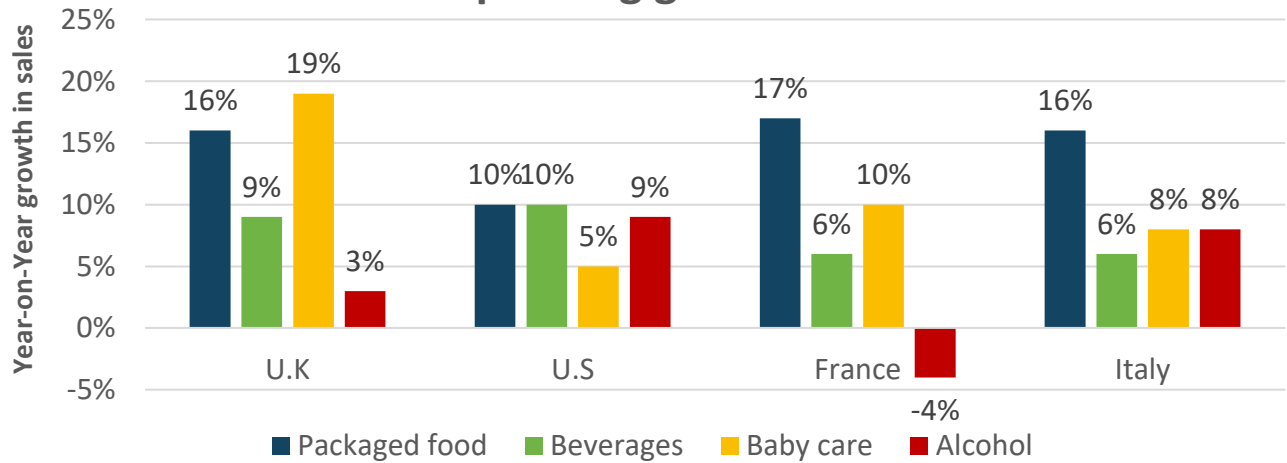
Key dimensions

France FMCG and retail trend



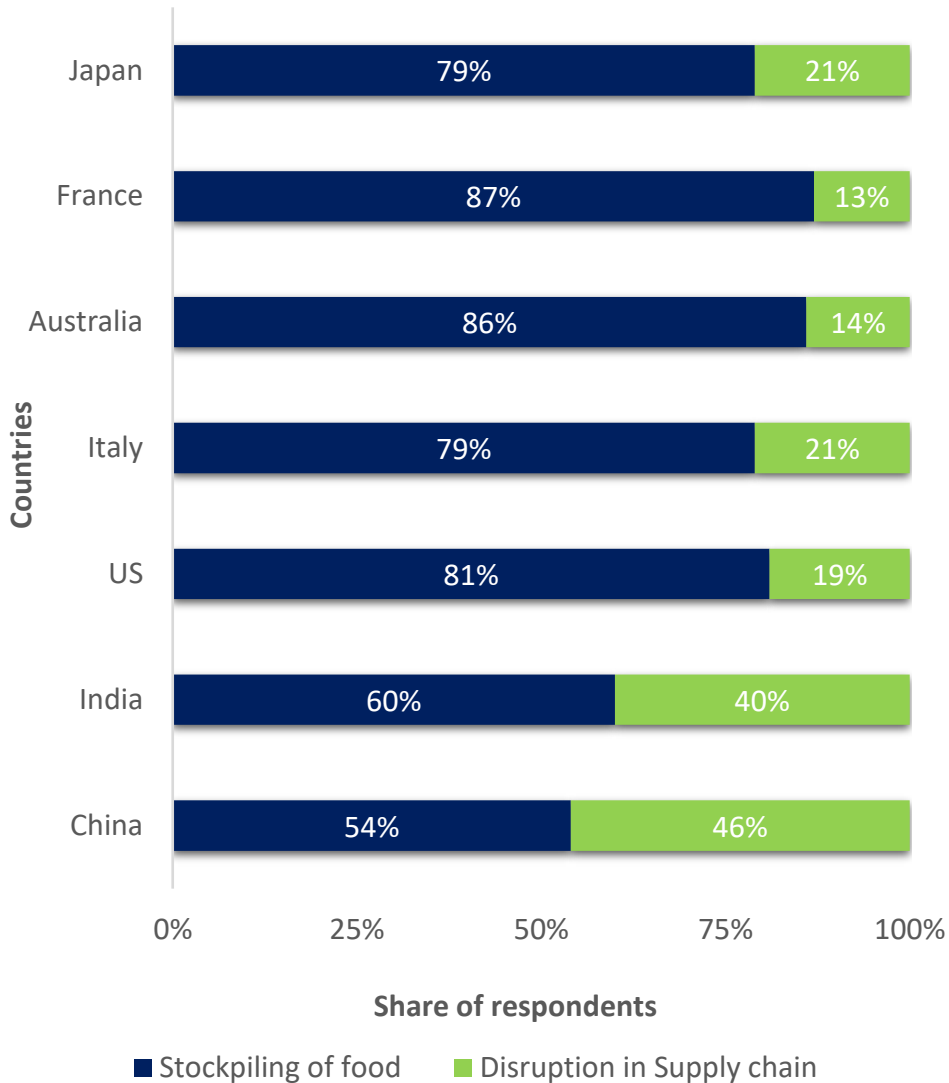
- Drastic shift in distribution channels
- Shift was prolonged even after March 2020
- Same scenarios were observed across most developing and developed nations

Food spending growth – March 2020



- In most countries, alcohol managed to sustain growth
- It was predicted that Food and Beverage sector would grow highly, however they remained in their past almost stagnant or reduced rates
- Baby Care faced a setback in most regions with lowest growths, mostly due to shifting priorities in the period of lockdowns

Most likely reasons for FMCG supply shortages March 2020

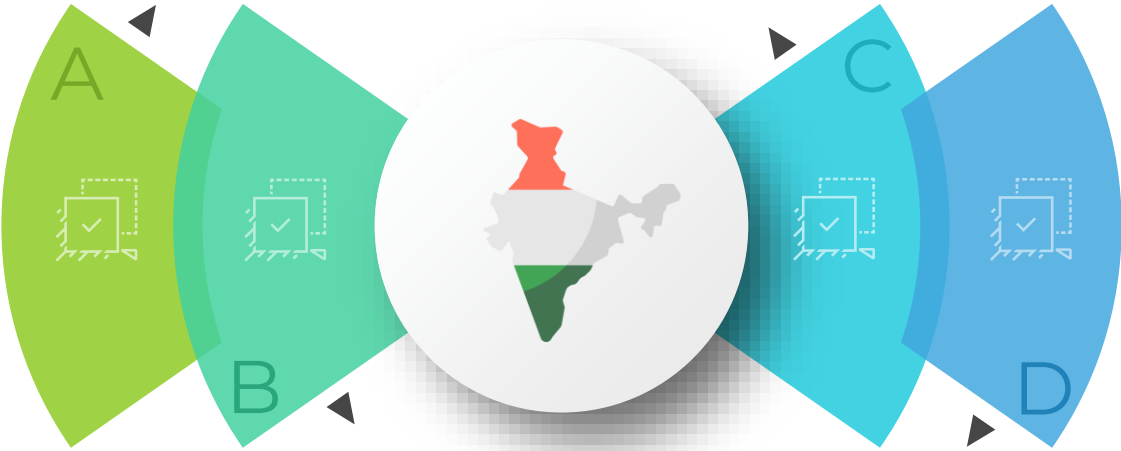


- March, 2020 was categorised by immediate stockpiling and hoarding
- May, 2020 saw shortages mostly due to lack of supply, reduction in productivity and exhaustion of inventories
- July, 2020 was a slight increase and stability, due to ease of norms and facility reopening

POST-COVID FACT CHECKER FOR INDIA

The Growth outlook for 2020 was at 5-6%

71% drop in demand, 95% retail stores received no orders in first week of lockdown



The March growth in FY20 for the FMCG Sector was at 6.3% in value

Expected rate of contribution by ecommerce business to FMCG sector is at 40%

THE ADVERTISING DRIFT

From August,2020 to early September, 2020, Television ads saw a jump of 9% with FMCG Brands in the personal care segment dominating our screens.

This proves no brand is ready to give away their chunk of the market and is ready to fight it out in all possible modes of advertising.

Talking about competition, the top five players who led the television advertising biz are listed in the table:

SEGMENT	% OF ADS
Toilet Soaps	0.07
Toothpastes	0.04
Shampoos	0.04
Washing powder/liquids	0.03

SEGMENT	% OF AD volume
Hindustan Unilever	0.19
Reckitt Benckiser	0.12
Proctor and Gamble	0.03
ITC	0.02
Colgate-Palmolive	0.02

COVID- 19 CRISIS MANAGEMENT

- High rise in personal and home hygiene where beauty takes a backseat for brands
- Extremely quick new launched from FMCG sector, ignoring the earlier strategy for long-term test runs and experimentation:

a) Dabur launched immunity boosting products



b) ITC's rural focus, by launching sanitiser packets worth just 50 paise



c) CavinKare launched vegetable cleaner packs for household segment



- An increase in non-ecommerce tie-ups prove the amount of supply chain innovation that has been implemented

a) ITC tied up with brands like Domino's and Amway for product selling

b) Godrej tied up with Indian Railways for supply of hygiene products

c) Coca-Cola tied up with Common Services centre to be a part of the Grameen e-store

- Government has restricted FDI, where now in 2020, clearance will be needed for all FDI inflow from countries that border India

- It is possible that we see a high number of alliances and deals between start-ups and big brands, due to cash crunches, expansion opportunities and strategic reasons on both ends



MUST KNOW M&As AND DEALS



- A plan of market-entry into a new segment, the female intimate hygiene category by HUL
- Cash payment upfront on closing and then a three-year period of consideration
- With the past deal with GSK, the company can use its new power on pharmaceutical distribution channels to drive sales of VWash
- The announcement of the sale had led to a price jump of 8% of HUL's stock price



- Tata Group plans to invest in e-commerce giant Big Basket
- The plan is said to be of purchasing a 20% stake in the online platform
- This plan is said to be Tata's direct strategy to compete against brands like Reliance Retail, Amazon and Flipkart in FMCG retail
- Big Basket is backed by Alibaba, which due to India's latest tightening on FDI norms by Chinese firms cannot invest more in the brand

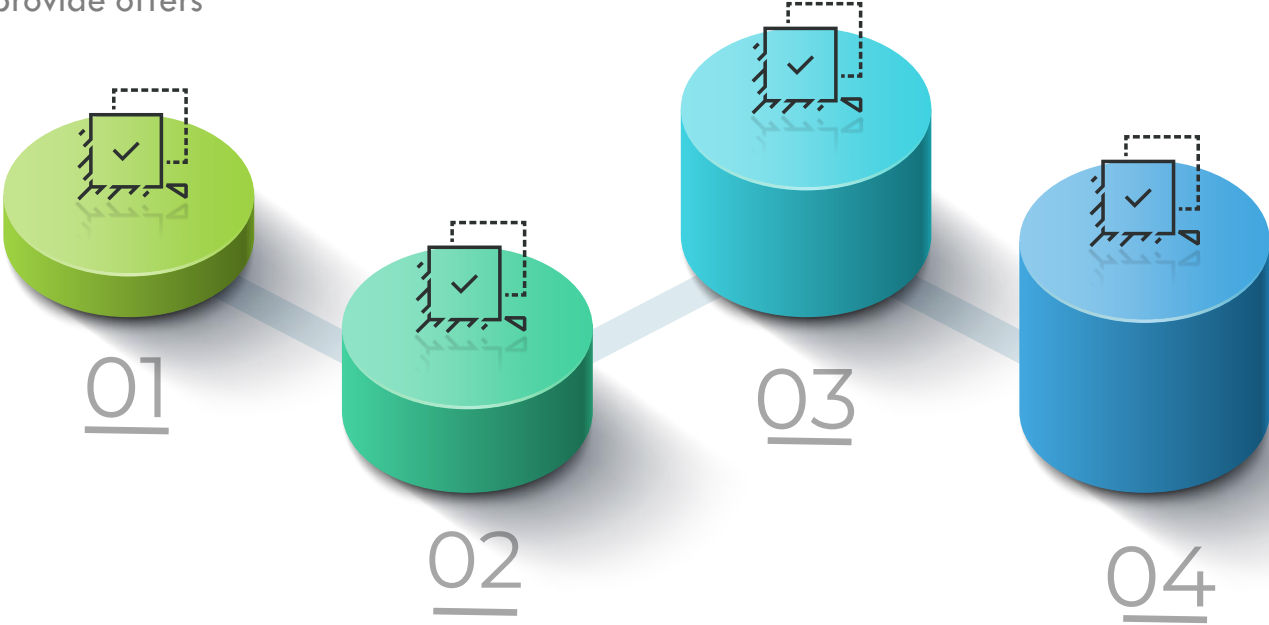


- Ruchi Soya Industries, a bankrupt company was acquired by Patanjali Ayurveda December, 2019
- Ruchi Soya has renowned brands like Nutrela and has a name in the soyabean oil segment in India
- Patanjali paid Rs 4350 crores for the deal, while taking a debt from multiple banks, led by SBI
- This is a case of market expansion and market entry by the company

INNOVATIONS AND ENABLERS

Use of Gamification (Hershey's Kisses) to gather consumers and provide offers

Rise in demand for healthy items, like Ayurvedic products, yoghurt, sanitisers, cleaners, protective gears etc



Big brands can now shift to direct distribution, which is a costly yet effective way to for companies to get control over their distribution channels

Joining hands in improving both Kirana Store and E-commerce demand-supply network in India

PERCENTAGE OF ANNUAL BUSINESS REVENUE SPENT ON INNOVATION

