



A study of changing consumer behavior due to COVID- 19 in the context of FMCG sector

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Abstract

The global pandemic –COVID-19 hit almost every country and disrupted the economy very hard. As we know to prevent the spread of this virus, the government has taken several steps and this has impacted the retail business of the country. Most Stores except the essentials stores has been shut, and these essentials store is given a certain period to allow them to open, still facing a huge loss as they are not allowed to sell non-essential items and facing inventory loss issues because of the inefficiency of supply chain management. Citizens are being afraid of coming out of the houses and have started doing panic buying looking at the lockdown for several days and thinking they won't be able to buy in the coming days. We took a survey of 100+ consumers and find out the factors that are affecting or impacting the FMCG sector. Looking at the situation by our eyes itself we researched how this pandemic is impacting the FMCG sector and what was the buying be like before and during the COVID.

Key Words

Consumer Behavior, FMCG industry, Retail Industry, Covid19, Pandemic situation, Lockdown, Purchase decision, Grocery, Online purchase, Economic crisis, E-commerce, Disposable income, Essential goods, Bulk buying, Health conscious.

Introduction

COVID – 19 has resulted in creating a global crisis in almost every country. The pandemic has already created backdrop across the globe and hitting the global recession. The strong initiative is undertaken by different governments for containing the outbreak in their country. However, social distancing has made a drastic negatively impact on FMCG industry. As this pandemic occurs at a time when India is already being in troubled, beat depreciating currency, increasing trade tension, loss of employment and the problems are never-ending for the country like India, in addition to that this pandemic makes the situation more verse. Logistics issues, lack of adequate labours, operations limiting to the production of only essential items, stringent government lockdown etc. are some of the few examples most FMCG companies are facing across the globe.

FMCG has to feel pain if the consumption and sales didn't go hand in hand and because of this many leading companies and retailer have jointly urged the government to reopen non-essential retail shops to restart the cash engine as per retail association of India survey. Companies need government support to start the cash flow as cash flow become still and fixed cost remains intact.

Seeing this global crisis COVID has also impacted the consumer buying behaviour, particularly for the FMCG sector. As consumers are stuck at their homes as this pandemic has changed the loves and the livelihoods of people around the globe. Consumers are looking at the situation through a new lens. People are responding in

a variety of ways and have different attitudes, behaviours and purchasing habits. People across the country are afraid as they strive to adapt to a new normal. Fear is running high as individuals contemplate what this crisis means for them and their family.

Consumers are responding to the crisis in a variety of ways. Some feel anxious and worried, fueling panic buying of staples and hygiene products. At the other hand, some consumer remains indifferent to this situation and buying and continuing their business as usual, despite recommendations from the government and the health professionals.

The outbreak has pushed consumers out of their normal routines, consumers are adopting the new habits and behaviours that may remain for the long term.

Need for the Study

We all know consumer buying is changing due to this pandemic and outbreak. Consumer priorities have become centered on the most basic needs, sending demand for hygiene, cleaning and staples products soaring, while non-essential categories slump. Some factors are also influencing with the brand decision. Digital commerce has also seen a boost as new consumers migrate online for grocery shopping – a rise that is likely to be sustained post-outbreak.

Before the pandemic there was no fear among the consumers, people are freely moving wherever they want to and stepping out from the house without paying 0% attention to their health and the risk. There was no case of panic buying in the market and consumers are buying whatever brand they like without being specific. This gap brought us to this study where we will find the factors that are affecting the consumer buying behaviour in the FMCG sector.

Research Methodology

Research Problem: To study the impact of COVID - 19 on Consumer Buying Behavior in the FMCG sector.

Objectives:

- To study the factors that affect consumer buying behavior because of COVID -19
- To measure the buying behavior before and during the Pandemic

About the Research:

- The study has been carried out PAN India
- Primary and secondary data have been used.
- The required data has been found through consumers, in this case, everyone who is the consumer of FMCG products.
- The study includes the present scenario; the year 2020
- Simple Random sampling has been used.
- Data has been collected through questionnaire.
- Data has been analyzed through Cross tabulation by SPSS containing dependent and independent variables.

Literature Review

Consumer Products food & beverage companies are facing significantly reduced consumption as well as disrupted supply chains. At-home consumption has increased, but out-of-home consumption – which historically generates the highest margin – has come to nearly a standstill.

Covid-19 lockdown impact: FMCG sales witness a sharp decline in March last week, says Nielsen survey.

Nielsen also expects consumers to be bearish on discretionary spending such as movies and restaurant visits, luxury brands and leisure travel, and defer sending's on fashion, personal grooming and home decor even in the coming months after the magnitude of the outbreak lessens. They may also spend less on alcohol and tobacco products.

“The focus on health and hygiene products, healthy organic food, medical needs, fitness, medical claim, education and financial investments maybe some of the key shifts in consumer behavior,” said Sameer Shukla, west market leader, South Asia, Nielsen GlobalConnect.

The sharp dip in sales was propelled by a shortage of sales staff at retail outlets and out of stock situations post lockdown, Shukla added.

While FMCG sales fell across channels - traditional

trade, modern trade, e-commerce and cash and carry stores, traditional trade witnessed the sharpest decline followed by modern trade, cash and carry stores and e-commerce. Grocery essentials such as atta, rice, pulses, oil, ghee, personal hygiene items, laundry products, hand sanitizers, salty snacks were some of the products which consumers found out of stock.

Traditional trade saw a huge surge in demand for essential food items followed by snacks, modern trade saw the highest demand for lifestyle items after staples Demand for chocolates and confectionery saw a decline in both outlets. (Anand, 2020)

COVID-19 has affected everyone's daily lives. At least 316 million people in 42 states have been asked to stay at home to slow down the pandemic. In this aspect, businesses have been susceptible to make substantial transformations. Workplace operations of many businesses went virtual. The effect of the digital transformation on productivity and corporate culture has been studied extensively. Meanwhile, how COVID-19 has influenced consumers and the consumption culture has received relatively limited attention. Managers often take a wait-and-see approach to the impact of COVID-19 on sales. It is often uncertain whether and how many customers will return after the pandemic passes. Consumers live through the pandemic, and some changes might be long-lasting even after the situation eases. We examine the pandemic as an accelerator of the structural change in consumption and the digital transformation in the marketplace. Managers might adapt to the digital transformation in the market to recover or even grow further the sales after COVID-19.

Six months ago, nobody would have thought of a disruption of such a scale. COVID-19 pandemic starting in China spreading across the grids of global human mobility (Sirkeci and Yucesahin, 2020) sent shock waves around the world and quickly brought life to a halt in many countries. Not only the anxiety and fear of a deadly virus spreading around but also the measures taken against it perhaps changed our lives as consumers, marketers, and researchers.

With social distancing keeping many people at home, we're also seeing major shifts in behavioral trends. Consumers have returned to broadcast and cable television and other premium media sources for credible information. They are also seeking more in the way of escapism and entertainment — downloading gaming apps, spending even more time on social media,

and streaming more movies and scripted programming. And between remote working arrangements and live-streamed workout classes, college lectures, and social engagements, we are testing the bandwidth of our homes in a largely pre-5G world.

Meanwhile, the need for physical goods is placing pressure on new channels, with demand for e-commerce rising to new levels. For those who do venture out, grocery and convenience stores are the sources for essential, but supply is inconsistent. Health and safety concerns are driving more customers towards frictionless payment systems, such as using mobile phones to pay at check-out without touching a surface or stylus.

Some of these behavior changes may be temporary, but many may be more permanent. As people move beyond the current model of survival, the momentum behind digital- experience adoption is unlikely to reserve as people are forced by circumstances to try new things.

COVID-19: TRACKING THE IMPACT ON FMCG, RETAIL AND MEDIA

Around the world, many markets are now planning and testing their exit strategies from living restrictions implemented to “flatten the curve” of the novel corona virus (COVID-19). With no playbook in hand, each government is carving its pathway to “a new normal,” complete with restrictions, health-safety protocol and changed consumer behaviors, in hopes of restarting the economy while still keeping the virus under control.

THREE EXIT SCENARIOS

Factoring in macroeconomic conditions and the resulting impact on consumers' lifestyle and consumption, Nielsen has identified three exit scenarios as markets lift restrictions and begin to return to a new normal. These horizons build on the six consumer behavior thresholds we identified early in the pandemic and provide a framework for understanding the changing consumer dynamics, as well as the intensity and permanence of that change over time.

- i) Rebound (Early): An early return to normal living conditions (schools, workplaces, stores, restaurants, etc. re-open) at some point in the third quarter of 2020.

- ii) Reboot (Delayed): A medium-term scenario that is positioned in the fourth quarter of the year.
- iii) Reinvent (Prolonged): A longer view that places the world in a general return to normal living conditions at some point in the first half of 2021.

Most countries edging forward are looking toward the Rebound horizon, wherein the market successfully manages the virus and re-opens the economy after less than three months of restricted living.

However, how hard the market was impacted, if challenges are managing the virus after lockdown, and the primary industries driving growth will mean a longer recovery time. Consumer behavior will recalibrate, drastically widening the gap between consumers and countries that remain shielded from the harshness of the economic impact and those who are not. (Nielsen, 2020)

COVID-19 Effect on Indian FMCG Industries and Services

Although amongst the last few countries globally to have been infected by a corona virus (COVID-19), the Indian government's announcement on 24 March to lockdown 1.3 billion Indians in the second-most populous country globally for 21 days initially, and then extended by an additional 15 days, has led to the shutdown of factories, crippled the supply chain and made around 278 million sq m of retail space redundant.

This comes on the back of the worst economic slowdown in a decade that the government was trying to revive before the COVID-19 outbreak. Euro monitor International predicts that Indian real GDP could dip into negative territory in 2020 depending on the severity of the COVID-19 crisis

Those FMCG industries selling necessity-driven and essential products, such as fresh food, packaged food and bottled water, are being impacted due to supply chain breakdowns, stockpiling and stock-outs. The COVID-19 pandemic has resulted in a slight shift in the paradigm of what we consider to be essentials; hygiene

products have entered this category, whereas industries like apparel have shifted to discretionary.

Discretionary products more generally have taken a backseat. Travel, consumer foodservice, luxury, apparel and footwear, consumer electronics, alcoholic drinks and tobacco have been severely impacted, as most companies have halted or scaled down their operations during the lockdown. However, some companies have transformed their facilities to produce products like masks, hand sanitizers, ventilators, etc, that aid the government and community in fighting the pandemic. (Euro monitor, 2020)

Countries which are heavily affected by Covid-19 Pandemic, customers here are storing food products and essential goods which are needed for livelihood on daily basis in larger quantities by which they don't have to visit stores on daily basis to avoid the connection with virus.

There are various changes in Consumer Buying Behavior thereafter the existence of Corona Virus diseases in a country like India as the density of population over here is quite high. The population of India estimated on 1st January 2020 is nearly 1.39 Billion people which is an increase of 1.26% as compared to 1.37 billion people in the year 2019. Which makes it even more important to make changes in consumer buying behavior as this virus has not only affected human lives but hit world economy as well to a greater extent which ultimately results in a change in consumer buying behavior.

1. Preference for essential goods -

As the disposable income of families is reducing day by day and families are still facing the heat of economic crisis due to COVID-19, customer's preference has shifted from luxurious goods to essential goods only as the future cannot be predicted.

2. Health management goods - with essential goods a new industry is growing tremendously, and a J curve is been seen in recent time that is the Pharmaceutical Industry. Customers now are more conscious and are taking proactive measures for safety and containment of Corona Virus.

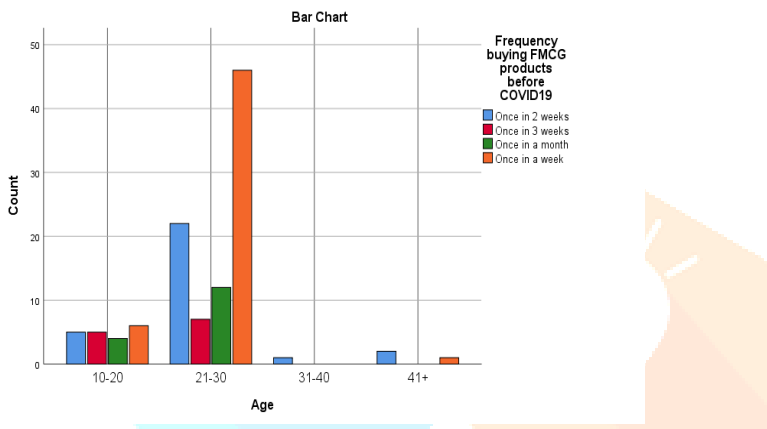
3. Bulk Buying - customers are now inclined towards buying essential goods in larger quantities to avoid visiting the store again and again.

4. Online purchase of goods - preference of buying goods from online medium or e-commerce has increased as customers want to avoid one to one connection in actual stores.

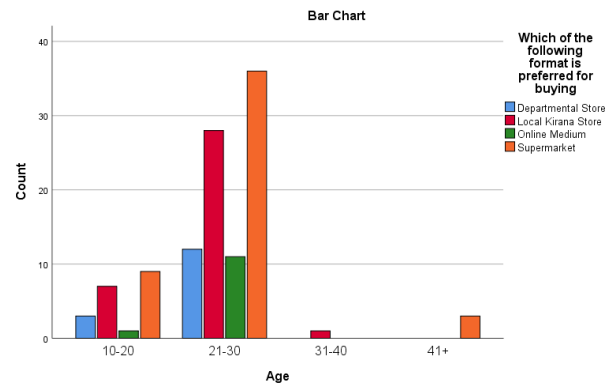
5. Initially, customers were unsure of what the trickle-down effect of the lockdown would be. Consumers started becoming vigilant and began hoarding essential commodities. There was a sense of panic.

Analysis

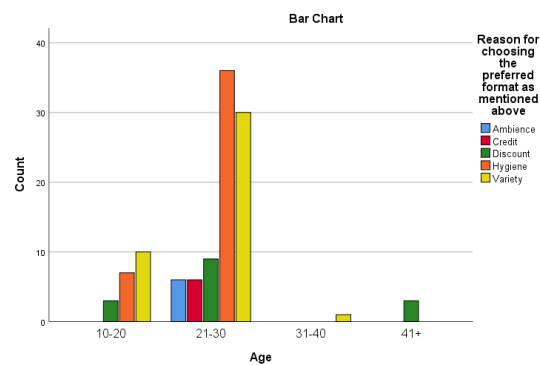
Age * Frequency buying FMCG products before COVID19 Crosstabulation



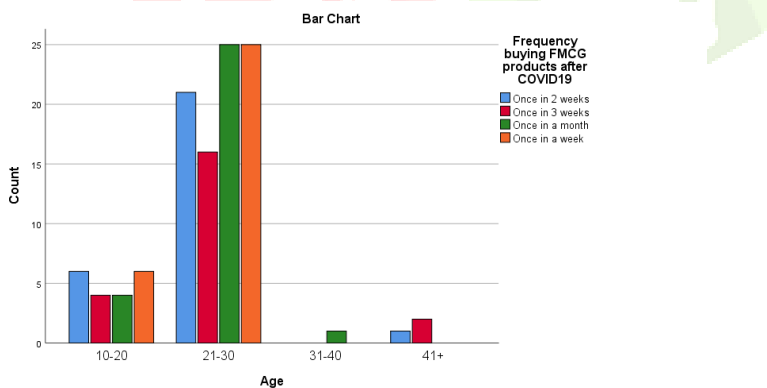
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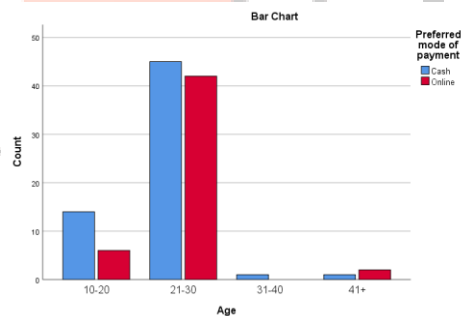
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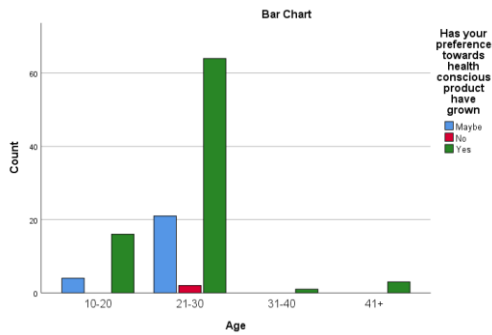
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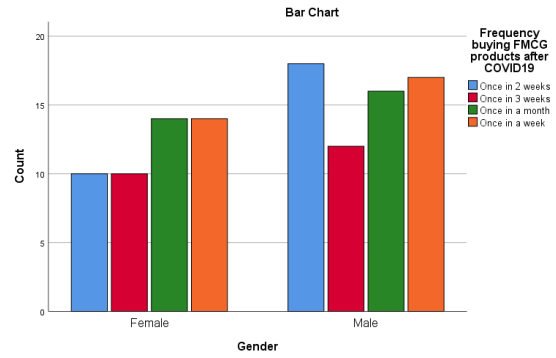
Age * Preferred mode of payment Cross tabulation



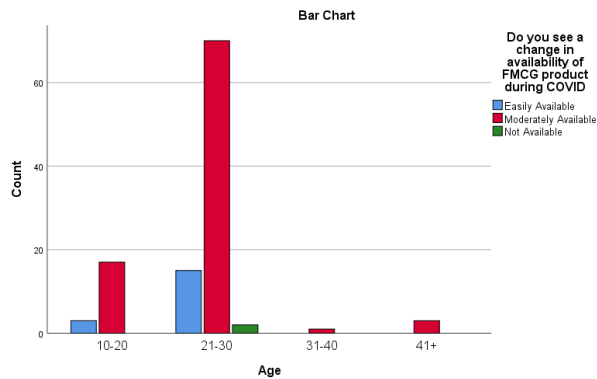
Age * Has your preference towards health-conscious product have grown Cross tabulation



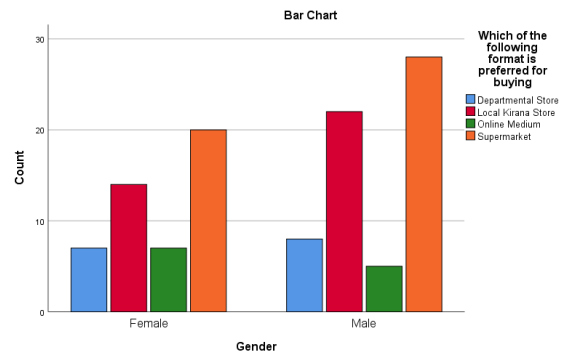
Gender * Frequency buying FMCG products after COVID19 Cross tabulation



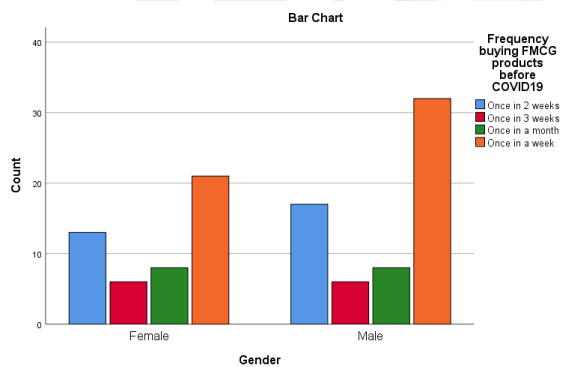
Age * Do you see a change in availability of FMCG product during COVID Cross tabulation



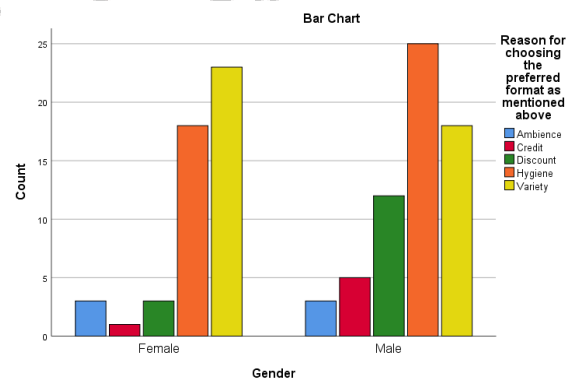
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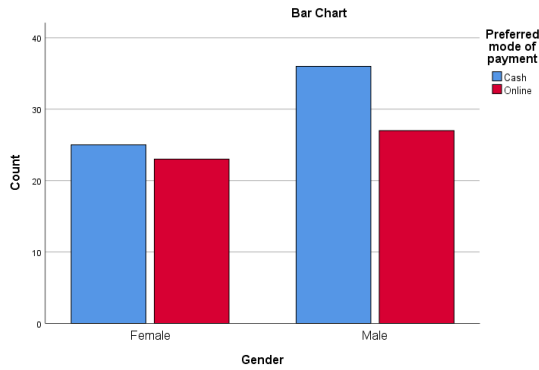
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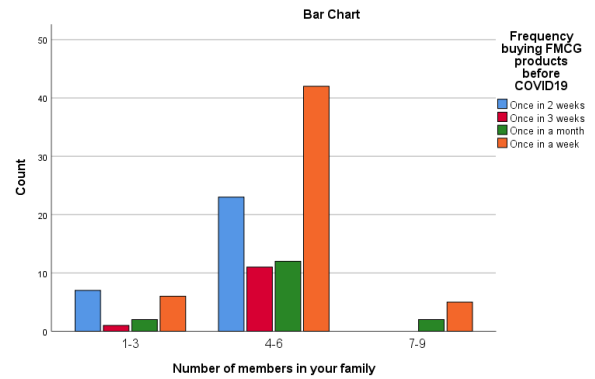
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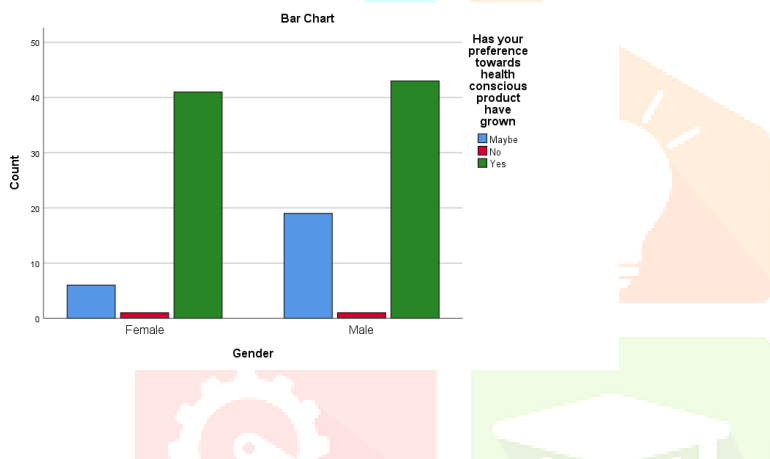
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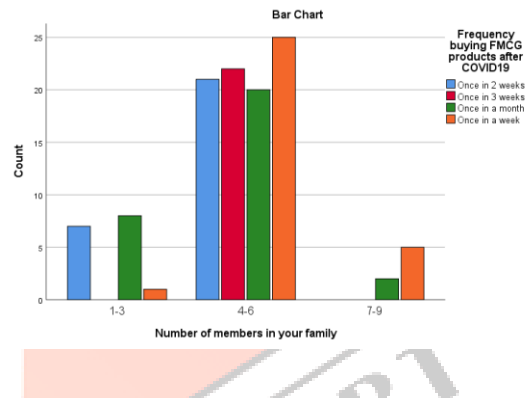
Number of members in your family * Frequency buying FMCG products before COVID19 Cross tabulation



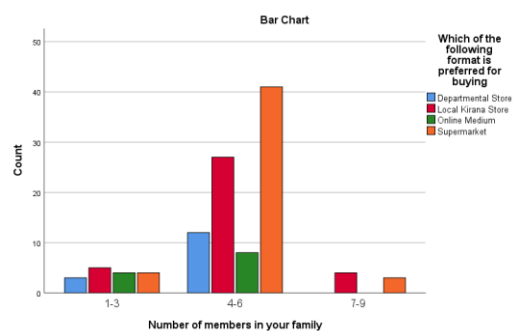
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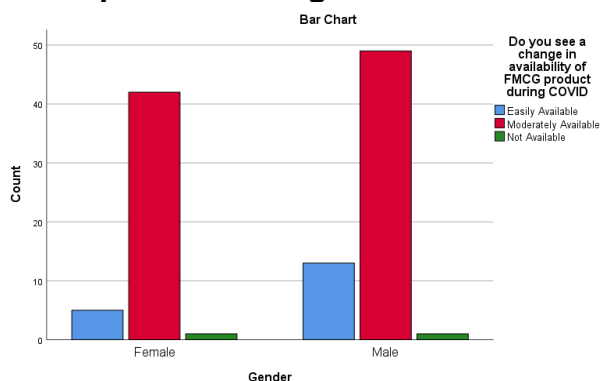
Number of members in your family * Frequency buying FMCG products after COVID19 Cross tabulation



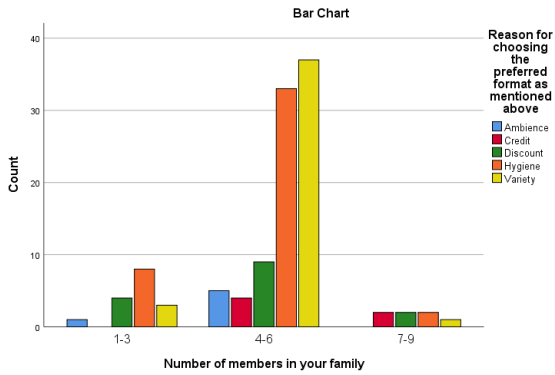
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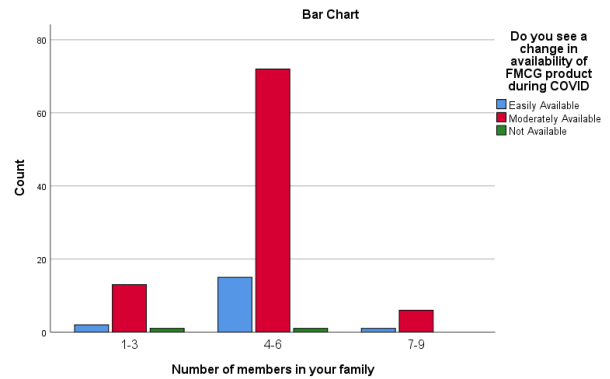
Gender * Do you see a change in availability of FMCG product during COVID Cross tabulation



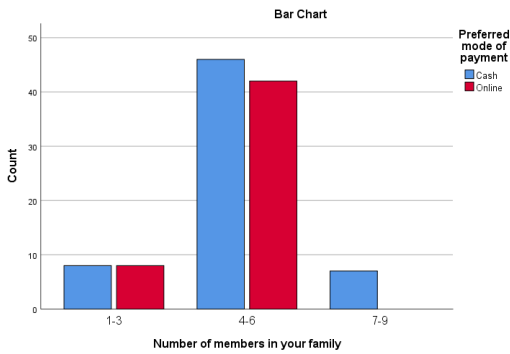
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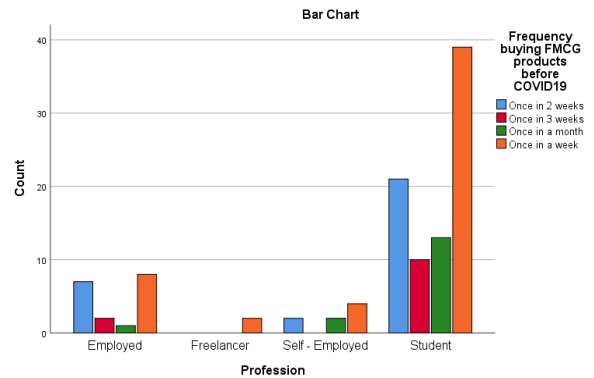
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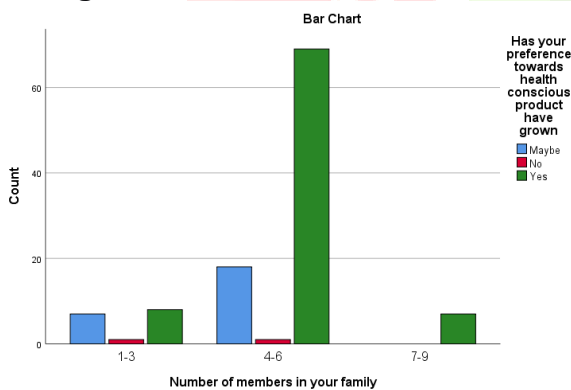
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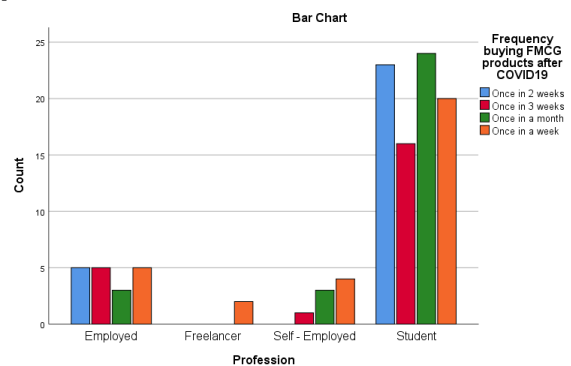
Profession * Frequency buying FMCG products before COVID19 Crosstabulation



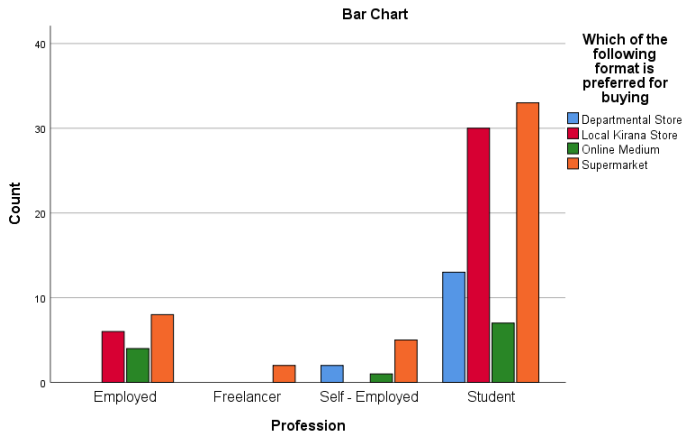
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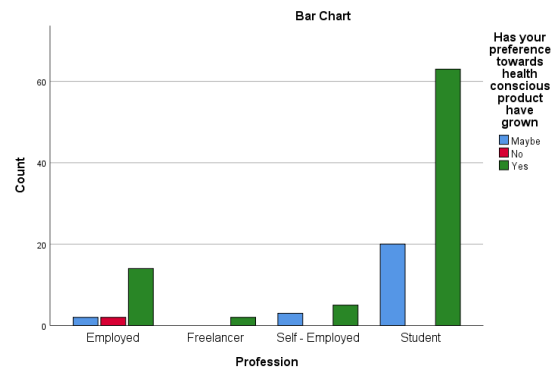
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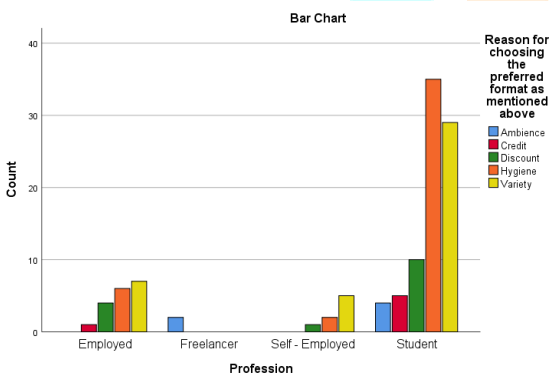
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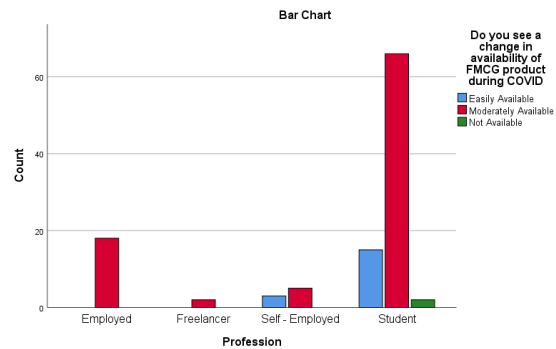
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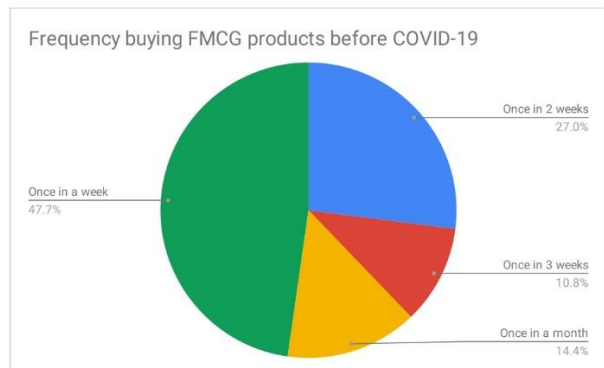
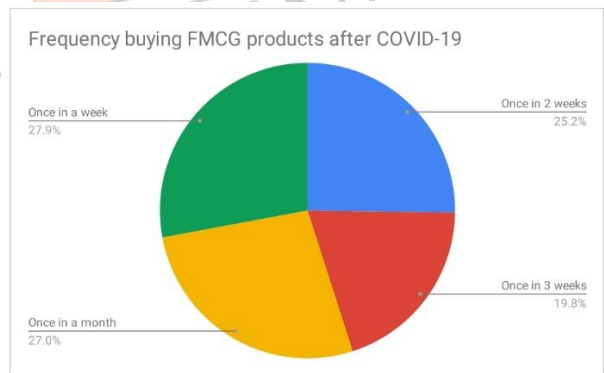
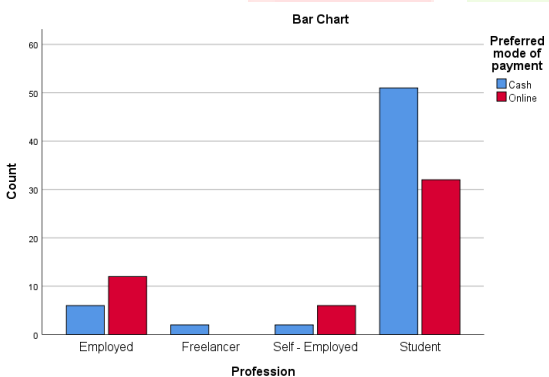
Profession * Reason for choosing the preferred format as mentioned above Cross tabulation



Profession * Do you see a change in availability of FMCG product during COVID Cross tabulation



Profession * Preferred mode of payment Cross tabulation



Findings and Observations

- Frequency is higher towards purchasing in the age group of 21-30 before COVID-19
- Frequency has increased towards in purchasing at the age group after COVID-19
- More youngsters at the age group of 21-30 are at preference of buying supermarket then local kirana store and equally finding opportunities to buy FMCG products from departmental store and supermarket
- More youngsters now prefer hygiene and variety level of products which help them to have a health-conscious basis.
- Even nowadays cash is being used in wider range than online payments, but it's being used by all age groups
- As health consciousness has been a factor, consumer are now turning to health oriented FMCG products
- COVID-19 has created a havoc on the supplies of FMCG product as they are moderately available as a result of panic buying
- Male are more in shopping FMCG products before COVID-19
- The frequency of buying increases after COVID-19 which results in panic buying
- Supermarket followed by Kirana Stores are being the most usually visited for purchasing FMCG products
- Males do prefer hygiene over variety of products, while females prefer variety of products over hygiene. As hygiene and variety are considered to be the most important factors for purchasing FMCG products
- Family size of 4-6 has the most frequency of purchasing FMCG products and they do prefer from supermarket and kirana stores. They are also health conscious about family members

Recommendations

- The innovation should take place, which needs to be based on speed, agility and scale
- Everyone needs to rethink about themselves about how to survive and thrive in this changing environment
- Companies need to be more focused on health and hygiene products as people as inclining more towards such product.
- As there is a significant shift towards localization, many opportunities are coming on

their way, especially in the manufacturing sector.

- Now Companies need to change into variable model since nothing in this world is certain
- There should be more inclination towards analytics and automation as online buying will be convenient or maybe the safest option to buy products.

Conclusion

Seeing this worldwide emergency COVID has additionally affected the customer purchasing conduct, especially for the FMCG division. More adolescents currently incline toward cleanliness and an assortment level of items. Indeed, even these days money is being utilized in a more extensive territory. As wellbeing is an important factor for FMCG items, shoppers are presently going to be more wellbeing focused. COVID-19 has made ruin on the provisions on FMCG item as they are modestly accessible which is a consequence of frenzy purchasing. Male are more in shopping FMCG items before COVID-19. Supermarket followed by Kirana Stores is being the most ordinarily visited for buying FMCG items. Males do incline toward cleanliness over an assortment of items, while females favor an assortment of items over cleanliness. Cleanliness and assortment are viewed as the most significant variables for buying FMCG items. Presently Organizations need to change into the variable model since nothing in this world is sure. There ought to be more tendency towards investigation and mechanization as internet purchasing will be helpful or possibly the most secure alternative to purchase items.

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