



## A study of impact of COVID-19 on consumer goods industry in India

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### Abstract

The effect of COVID-19 on Indian economy is important to be studied so this study is an attempt to know how this health crisis has created an impact on the sector of consumer goods. The impact is studied by determining the fluctuations in the demand and supply of various consumer goods, the initial effect of this pandemic on the prices of essential consumer goods and to anticipate the future spending habits of consumers along with these analyses a picture of comparison of the present buying scenario with the previous one is also given. It was observed that during the lockdown period many fast-moving consumer durables fall short of supply as the demand increased unexpectedly which resulted in price hike whereas slow moving consumer goods that are much costlier experienced nearly zero demand. The major findings of the study are consumers the demand for consumers got really high because of panic buying by consumers and the restrictions in the supply chain made it difficult to maintain the supply and as a result many goods were not available to consumers. Consumers would prefer to save in future instead of spending on non-essential items as the pandemic has made them realize the importance of a contingency fund. The prices of goods increased and the main reason was hoarding by consumers which increased the demand and as a result the price got increased. It can be said that if people bought only required quantity of goods, the price might not increase that much. The sales of goods which had a high demand before pandemic dropped significantly and focus was given on only those goods required to prevent the disease. Those goods are not considered essential by consumers as they can live without those.

**Keywords:** COVID-19, consumer goods, essential items, buying habits, demand and supply, price

### 1. Introduction

The consumer products industry is very complex due to its wide variety of features and its close relationships with many other sectors. The consumer products industry is a very powerful industry, because it costs a large part of the commercial economy. Due to its close ties with other industries, the consumer products industry plays a major role in raising the economy. It is the source of a large share of gross domestic product (GDP) of many countries, and serves as a driver for other industries.

India is among the last few countries to be infected by the Novel Corona virus. The Lockdown called by the Government of India has led to the shutdown of various factories and it has disabled the supply chain also. This comes on the back of the worst economic slowdown in a decade that the government was trying to revive prior to the COVID-19 outbreak. Those FMCG firms selling items which are essential in nature are also affected because of the breakdowns in the supply chain, stockpiling and stock outs. There has also been a slight shift in the paradigm of what we consider to be essentials as products like apparel etc have shifted to discretionary and hygiene products have entered this field.

Discretionary products like apparel, footwear, consumer electronics etc have taken a backseat as many companies have either stopped or scaled down their operations in the time of lockdown. Some of them have even transformed the facilities to produce items like masks, sanitizers etc. to help the community.

The grocery retailers were allowed to continue their operations as they provide essential items. They experienced

an initial surge in the demand due to the panic buying by consumers but when their stock was finished they were not able to refill it as there were stoppages in the supply chain.

The same thing happened with the E commerce companies providing groceries as they also recorded an initial surge in the sales as many people wanted these at their doorstep but many companies had to halt their operations due to logistical issues and non-availability of their workers as they have also left for their native places. The lockdown to stop the outspread of the virus has also impacted the inter-state supply of fruits and vegetables and has resulted in fluctuations in the prices. The prices of fruits and vegetables at various channels have seen fluctuations and a huge spike in the latter half of March.

Packaged food has also seen an increase in the demand and the highest demand is obtained by products like pasta, rice, noodles etc. The manufacturers of these produces have also ramped up the production and tried to address the supply side shortage of these items across channels but restrictions on interstate transportations have created a lot of problems.

As high hygiene standards play a very important role in preventing the spread of COVID-19 the products like hand sanitizers, liquid hand was etc have seen a surge in their demand.

In 2019, these products accounted for only 22% of overall sales in terms of value in India. As the priorities of consumers have shifted to these necessary items, beauty products are expected to face a downfall in the demand. As a result of large companies such as Hindustan Uniliver, Godrej and ITC consumers have stopped producing most of these product lines and increased production of goods at a

high price, including hygiene products, to ensure adequate supply.

Various consistent efforts to increase awareness of bathroom bug dysfunction and handwashing have led to excessive sales of these products by the consumer. In the short run it has resulted in stock outrages but it is benefitting in the long run with the recovery of supply chain.

Demand for consumer health products like remedies of cough and cold has also increased. Focus on preventive healthcare remedies has increased as one of the changes in the consumer lifestyle. There has also been an increase in the demand for the immunity-positioned supplements like Ayurvedic medicines and products, as consumers want to boost their immunity to defeat the virus. Established Ayurvedic companies, such as Patanjali, Dabur etc are experiencing high demand for products like Ratnaprash, Ashwagandha, Brahmi and various other immunity boosters.

Fashion Industry has also been affected as the brands started launching the new spring/summer collections with high inventories but fewer footfalls was experienced by the stores even before lockdown because of the concerns of COVID-19. Deep discounting through e-commerce will infuse their cash flow as fear of visiting shopping centers physically will still persist. However it will not benefit profitability at all. As the consumers will not spend heavily on the discretionary products, various luxury fashion brands will be hit harder.

The industry of consumer foodservice is also facing a decrease in demand because of the lockdown as restaurants have to close the dine-in service. The restricted movement for home delivery is another major challenge for them. Many small independent restaurants find it difficult to sustain the business in the current situation because of the high fixed costs.

Companies are looking for solutions day and night to overcome difficulties related to supply chain and product distribution. It is expected that in the long term, the recovery will result in a permanent shift in the shopping behaviors of consumers.

## 2. Objectives of the Study

The objective of this study is to find the impact of COVID-19 on consumer goods industry by studying the following aspects:

1. To study the fluctuations in demand and supply of consumer goods.
2. To study the future spending habits of consumers
3. To study the initial effect of COVID-19 on prices of essential consumer goods
4. To compare the present buying scenario with previous one.

## 3. Research Methodology

In every study, Research plays a very important role to draw out Conclusion. And for the conclusion to be accurate, selection of an appropriate Research Methodology Technique is crucial. For this study, under Sampling Method, Convenience Sampling Survey Technique is used. This study contains only primary data, specifically collected for the purpose of the research. This primary data is collected through an online Questionnaire. The questionnaire is filled by random people who are the final consumers purchasing consumer goods. 115 Respondents

have filled the questionnaire. The responses collected for various questions are being presented in the form of various charts for easy understanding and result clarity.

## 4. Limitations of the Study

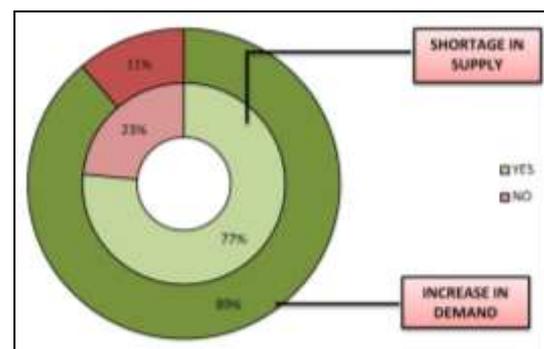
1. **Limited Reach:** Due to the COVID-19 pandemic, online questionnaire is the only way out to collect data, personal interviews or face to face conversations weren't possible.
2. **Biased Responses:** Honesty of the respondent is quite subjective; responses collected could be biased based upon the personal experience of the respondent.
3. **Small Sample Space:** The sample space studied is quite small in number to interpret the final results for the entire economy but this is the maximum possible number one could reach out during a pandemic.
4. **Initial Effects:** This study is based on the initial effects of COVID-19 over consumer industry. Since, the pandemic is still going on so it is an early stage to determine any kind of results.
5. **Assumption Based:** The future predictions for the consumer industry provided in this study are based on assumption made by studying the present scenario, actual results could be different.

## 5. Analysis and Interpretation of Data

This section presents and analyzes the data collected with the help of the questionnaire. The data is shown in tabular form in some cases for better understanding. The data is also shown in various statistical graphs for better understanding of the most and least selected option. Interpretation is also given at the end of analysis.

### 5.1 To Study the Fluctuations in Demand and Supply of Consumer Goods.

The following graph shows the change in demand and supply levels that took place during the COVID-19 pandemic.



**Fig 1:** The chart above comprises of two different doughnut charts.

The inner chart shows that how many respondents have experienced shortage in supply of consumer goods. The outer chart shows that how many respondents have experienced a rise in their demand for consumer goods during the pandemic.

## Interpretation

Out of 115 respondents of the survey, 89% of the population experienced a rise in their demand for consumer goods. Also, at the same time, 77% of the same population had faced shortage in supply of certain consumer goods. These shortages have occurred due to the sudden rise in demand of consumers for certain consumer essential items that are necessarily required for the survival. Fear of unavailability

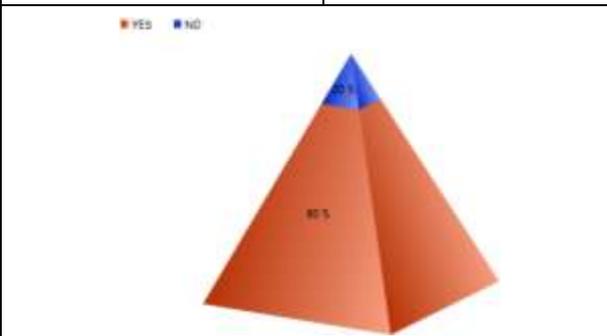
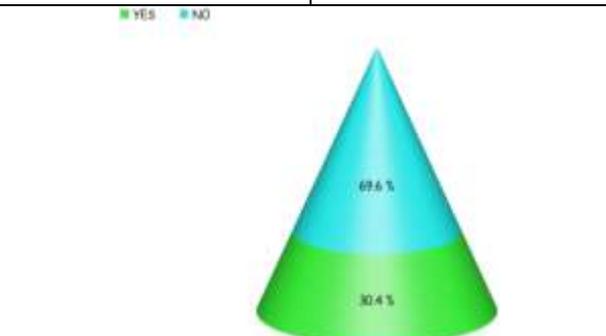
of goods in future due to the stressful situation has led to this increase in demand.

**5.2 Analysis of Data to Study the Future Spending Habits of Consumers**

In order to understand the spending habits of consumer in future, consumers were asked basic questions which would

display their behavior towards spending and saving after the pandemic. Less spending by the consumers would definitely affect various other industries along with consumer goods industry and various components of consumer goods industry would also be affected if the composition of spending on consumer goods is changed.

**Table 1:** It shows the data regarding the future spending habits of the consumer

| Questions for Analysis   |      |  |        |
|--|------|--|--------|
| Would you prefer to save instead of spending? on Non-essential items?  |      | Would your composition of spending on Consumer goods be same as before covid-19?   |        |
| Options  |      | Options  |        |
| YES  | NO   | YES  | NO     |
| 80 %   | 20 % | 30.4 %   | 69.6 % |
|    |      |   |        |
| <p>Fig 2: Figure showing distribution of people saying yes and no when asked would you prefer to save instead of spending on Non-essential items?}</p> |      | <p>Fig 3: Figure showing distribution of people saying Yes and no when asked Would your composition of spending on Consumer goods be same as before covid-19?}</p> |        |

**Interpretation**

It can be seen that majority of the respondents would tend to increase their savings by limiting expenses on various non-essential items which as a result would reduce the flow of money in the economy and it would affect many industries as their demand would be less. Moreover, the composition of spending on consumer goods is also likely to be changed which would mean that consumers would not buy some of those things which they were buying earlier and would start to buy new things. It can also be said that consumers would do a cost-benefit analysis before making a purchase and

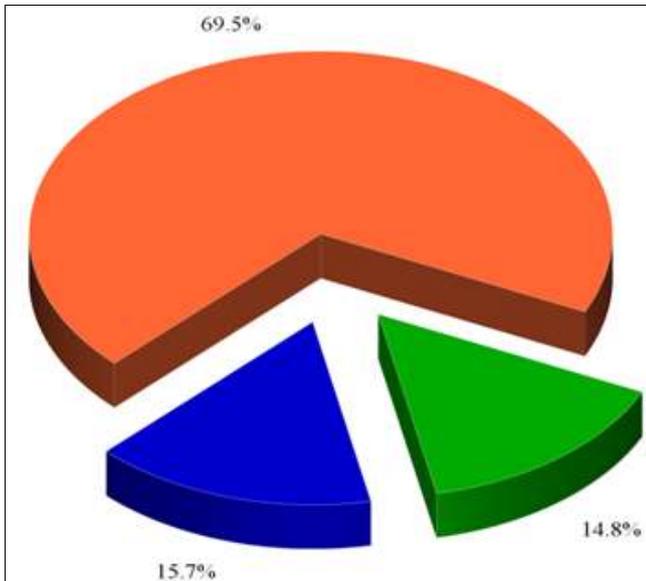
would buy the product only if it is worth it.

**5.3 To Study the Initial Effect of Covid-19 on Prices of Essential Consumer Goods**

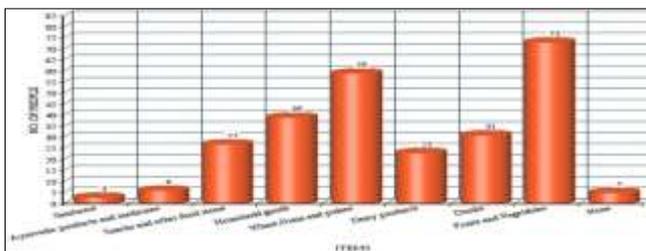
Consumers were asked that whether they experienced any increase in the price of essential consumer goods in the initial time of pandemic in India and which goods got costlier. As lockdown was imposed by the Government of India people were seem to be buying goods in huge quantities so the objective is to find out that as the stock of goods was finishing, were the prices increased or not?

**Table 2:** It shows the details regarding the prices of the products

| Summary Table   |                           |               |            |
|---|---------------------------|---------------|------------|
| Questions   | Options                   | Response      | Figure No. |
| Did you observe any increase in the prices? of consumer essentials during the pandemic? | YES                       | 69.5%         | 4          |
|   | NO                        | 14.8%         |            |
|   | MAYBE                     | 15.7%         |            |
| Please mention goods that got costlier.   | Items                     | No. of people | 5          |
|   | Sanitizers                | 3             |            |
|   | Ayurvedic Products        | 6             |            |
|   | Snacks & other food items | 27            |            |
|   | Household goods           | 39            |            |
|   | Wheat, Grain & Pulses     | 59            |            |
|   | Dairy Products            | 23            |            |
|   | Drinks                    | 31            |            |
|   | Fruits & Vegetables       | 73            |            |
| None  | 5                         |               |            |



**Fig 4:** This chart shows the distribution of people regarding observing any increase in price



**Fig 5:** It shows the goods the price of which got increased and how many people felt that

**Interpretation**

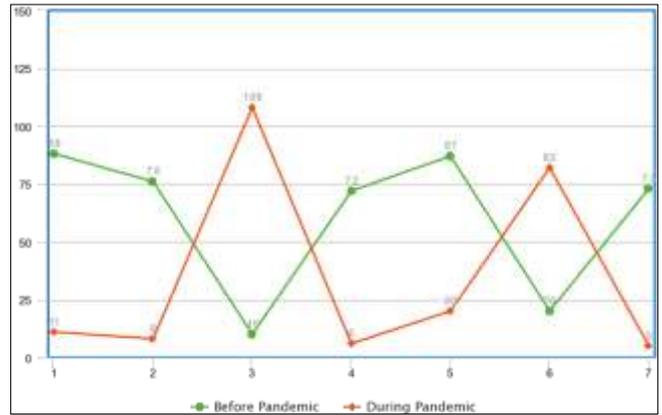
Majority (nearly as high as 70%) of the respondents faced a sudden increase in the prices of the consumer essential items as people seemed to have started hoarding materials at their homes seeing the current situation resulting in increase in demand and increase in prices. A specific category of goods became costlier than before in this situation. This category mainly includes goods like dairy products, fruits and vegetables, wheat, pulses, grains etc. These all are the consumer essential goods that are consumed on daily basis.

**5.4 To Compare the Present Buying Scenario with Previous One**

In order to find out which products were the consumers buying before the pandemic and which products are they buying in the pandemic, they were asked some questions. The basic purpose is to find out which products could retain its sales and could make it to the essential list of the consumer.

**Table 3:** This table shows the demand of various goods before and during the pandemic

| S No. | Items                           | Before Pandemic | During Pandemic |
|-------|---------------------------------|-----------------|-----------------|
| 1.    | Apparels                        | 88              | 11              |
| 2.    | Beauty Products                 | 76              | 8               |
| 3.    | Sanitizers and Masks            | 10              | 108             |
| 4.    | Furniture or Heavy Assets       | 72              | 6               |
| 5.    | Electronics                     | 87              | 20              |
| 6.    | Ayurvedic Products or Medicines | 20              | 82              |
| 7.    | Footwear                        | 73              | 3               |



**Fig 6:** In this figure the X-axis shows the goods corresponding to the table and the Y-axis shows the number of people buying that product. The green and red lines show the number of people buying the product before and during the pandemic respectively

**Interpretation**

It can be seen that the buying scenario before the pandemic and during the pandemic is opposite. Majority of the consumers are not buying the goods now which they were buying before the pandemic and now they are just focusing on those goods which are required to prevent this disease. These items are not considered essentials by the consumers as they are not buying these.

**6. Conclusion**

Though consumer essentials were available as per the needs and requirements of people majorly but in some areas it couldn't be possible due to poor supply chain of consumer products or shortages in production. Considering the future uncertainty, consumer essential goods experienced a sudden rise in their demand which lead to shortages in availability of those goods that ultimately led to price hike of certain consumer essential goods. There are 2 different trends and patterns experienced in consumer buying behavior i.e. before pandemic and after pandemic. Earlier people used to spend on heavy and costlier goods like electronic items, apparels, furniture etc. because they had the extra money to splurge on these items. But now people are restricting their cash usage and trying to save their wealth for uncertain future. People are becoming more health conscious and like to spend money towards safeguarding their own and their near and dear ones health by buying products like Sanitizers, Ayurvedic and Allopathic medicines etc. Demand for non-essentials is low and continue to be lower in near future as well. Supply chains would remain disrupted due to which making goods available to customer would be a challenge. Imports will be low. It was also found out that the consumers would tend to save more which would restrict the flow of cash in the economy. It would affect the consumer goods industry as well as various other industries as the size of consumers will be less the competition among the firms to survive will increase. So, the firms have to be innovative in order to attract customers as the cash flow would be restricted as people would prefer to save more than spending.

**7. Recommendations**

Demand for essential consumer goods would tend to remain high, so companies must ensure enough supply to meet the demand. Cash flow would be restricted due more savings by

customers, so electronic payments could work a bit over here. Relaxation from tax liabilities is required to both customers as well as the sellers to re-establish the purchase cycle back to normal. Personal touch should be minimum, as the entire mindset of customers has changed due to this pandemic; this would lead to flourishing of E-Commerce after the pandemic will be over. To raise the expense of the customers, local goods with less pricing should be offered. Expensive foreign branded product would be no longer preferable by customers. Non-essential consumer goods are expected to continue experiencing low demand, so sellers have to find out some new ways to reach out customers in order to sustain in the market.

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