

FMCG Companies Hope for a Revival in Growth in 2022

The ongoing coronavirus has had a huge impact on all industries. While a lot of industries used effective strategies to emerge stronger, one of them is the FMCG industry.

At the beginning of 2002, when India faced the third wave of coronavirus, FMCG companies too expected to suffer exponential losses. However, by making of the digital space, these companies executed strategies to retain the urban as well as the rural markets.

Ask them how they managed to stay afloat during such testing times, most of them said that they have focused on these three factors- health, wellness and convenience.

Yet well-established companies such as Dabur, Britannia and PepsiCo have used the weapon of digital space to attract consumers and retain buyers. By adopting strategies that cater to both the rural and the urban markets, several FMCG companies expect a revival in business growth in the current financial year.

1. Health, Wellness and Convenience

In a conversation with High Beam Digital, Tata Consumer Products MD and CEO Sunil D' Souza said, "We are focusing on these three trends- Health, wellness and convenience. In the aftermath of the first and second waves, these core factors have allowed us to strengthen our brands, delivering premium services with the help of

targeted innovations. By focusing on these three parameters, we are able to target consumers who are looking for quality, purity and hygiene.”

2. Digitalization of Brands

Another effective and robust strategy to ensure that businesses continue to flourish is using the power of digital platforms.

Over the past three years, more and more FMCG brands have realised the power of digital media platforms. They have also understood the importance of investing in e-commerce and Direct-to-Consumer channels.

Even though the third wave of the coronavirus is slowing down, D’Souza added, “Going forward, in our view, consumers will continue to prefer brands they can trust provided the brand is able to offer value and tangible benefits. Digital adoption has been growing and we are positioning ourselves to cater to all these emerging trends,”

3. Rising Inflation and its Impact on FMCG Brands

Inflation has had a huge impact across all industries, It has especially marred the growth of FMCG companies.

Due to the rising inflation in the cost of raw materials such as palm oil and packaging material, companies have been forced to opt for a price hike, despite several cost-cutting initiatives to mitigate the impact of inflation.

Dabur India CEO Mohit Malhotra said, that inflation in the recent quarters has surpassed 9 per cent. We are not ruling out another round of price hikes. At present, we are watching the situation now and if the inflation continues unabated, we may look at another round of price increases in the coming months of 2022. While inflation remains a big concern going forward, our intent is to mitigate this impact through calibrated price increases and cost-saving initiatives," added Malhotra.

Echoing similar concerns, Britannia Industries Managing Director Varun Berry said, "We saw unprecedented inflation this year. Inflation in the current year is higher than the past six years combined, led by palm oil prices, industrial fuel and packaging material prices".

A Ray of Hope

At a time when industries across all sectors have been affected by the pandemic, FMCG companies are expecting a revival in demand and consumption, especially from out of home, a channel that was severely impacted after the pandemic.

PepsiCo India President Ahmed ElSheikh said, "The consumer demand and consumption revival are gaining traction in both urban and rural areas. We are optimistic about the opportunities in 2022".

He further said that the FMCG brand will continue to invest in India's growth story, both in terms of capacity expansion and market penetration.

Emami Director Mohan Goenka said, "We expect the consumer sentiment to sustain a healthy trend across both rural and urban. We are hopeful for a positive outlook in 2022 and are also prepared to leverage every opportunity with significant product innovations in healthcare and personal care categories". The FMCG makers expressed that they will continue their rural push, covering the far-flung areas with value-based offerings. Major FMCG companies such as Dabur, Emami and Nestle have continued to expand their presence in the rural markets, which has grown faster than the urban post recovering from the pandemic crisis.

Final Thoughts

Makers of the FMCG companies suggested that they are confident of handling the challenges as they have made their supply lines and distribution channels efficient to handle any kind of eventualities. E-commerce has played a vital role in the evolving habits of consumers in the FMCG sector. Makers shared that they expect this trend to continue in 2022. A Nestle spokesperson said, “Consumers have become more digitally active earlier. Following up with their digital behaviour, food companies have also adopted a strong digital-first capability and are going to hold the consumer's interest for a long time.”