



Navigating through COVID-19: winning mantras for consumer and retail businesses

Re-imagine, re-invent, reach out!

A detailed survey (our second edition) on best practices adopted by consumer companies operating in India while dealing with the global COVID-19 pandemic.

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Harsha Razdan
Partner and Head -
Consumer Markets
and Internet Business
KPMG In India



The recent 2020 report that we had undertaken, carried a survey of 140+ CXOs across multiple consumer companies to aid consumer companies and retailers across India to comprehend how innovative strategies and best practices could lead to a positive change over the long run. While we are not yet over the pandemic, we thought of attempting to understand how business models are evolving in the new normal as businesses have now resumed closer to normalcy. As part of this survey this year, we interviewed close to 100 CXOs across consumer companies covering 10 sub-sectors.

The COVID-19 pandemic led to profound changes in business models, driven by consumers' preference for new channels offering value and comfort. That consumers are still willing to pay for convenience has persuaded businesses to enhance the online presence and go closer to them through innovative means.

Analytics-driven culture is increasingly being practiced to understand consumers better and offer personalised experiences—44 per cent of our survey respondents, for instance, revamped their online platforms to ensure better customer experience (CX). ESG has emerged as one of the top considerations for most customers, driving companies to align their corporate purpose and values with customers' expectations. Leading FMCG companies are creating their sustainability plans with a clear focus to achieve net zero emission by 2040.

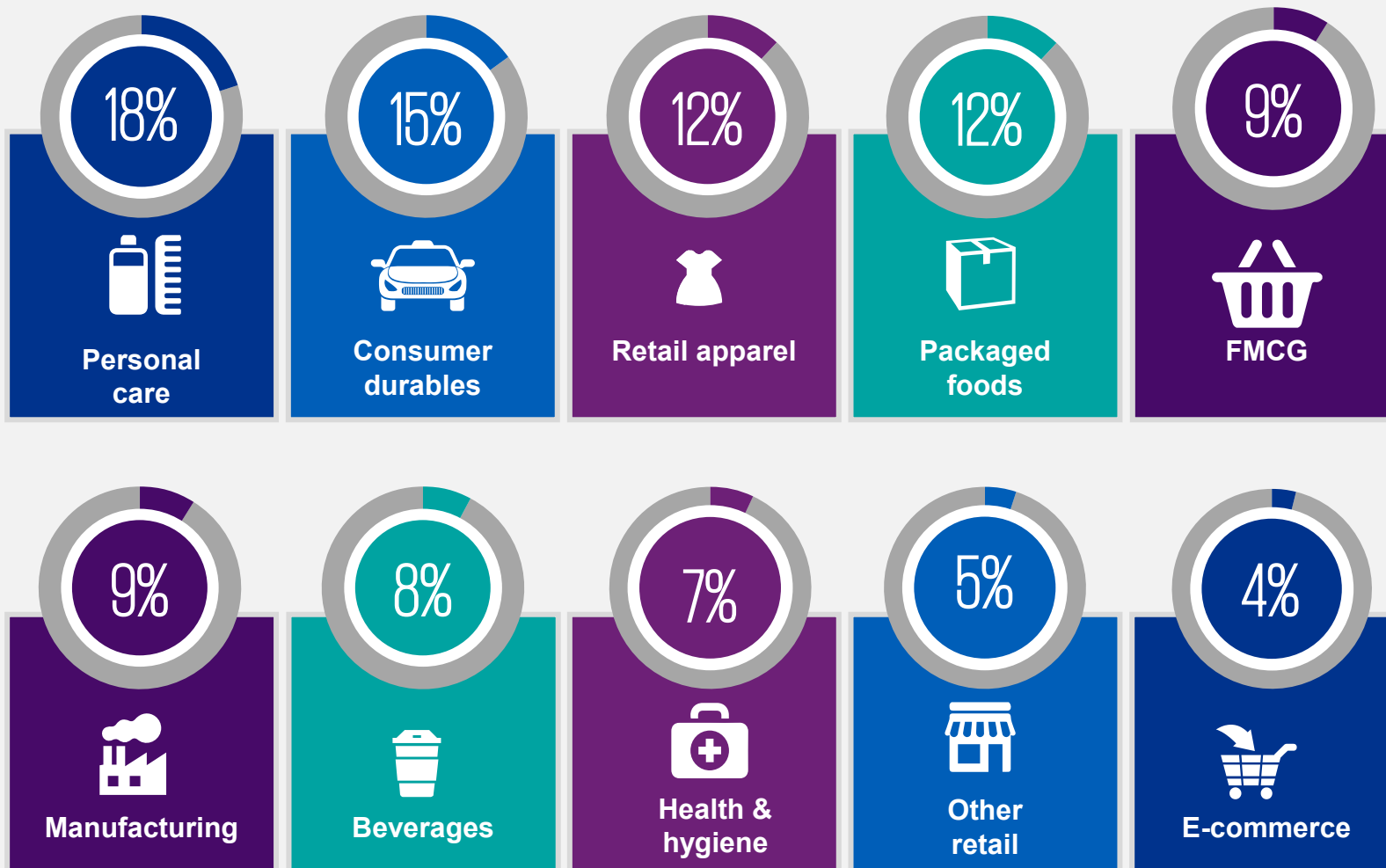
Industry data suggests that India's consumer digital economy is expected to become a USD1 trillion market by 2030, growing from USD537.5 billion in 2020*, driven by strong adoption of online services such as e-commerce and education technology (edtech) in the country.

The key objective of this survey is to show how consumer companies and retailers are adapting to new realities of the post-COVID world by detailing various steps taken by them. While digital transformation is happening at a rapid pace, cyber security is an area where more progress is required.

As the saying goes – 'A crisis is an opportunity riding a dangerous wind.' Has your company adopted the new set of opportunities to emerge stronger and embrace the future?

*Ibef, accessed on 14 June 2022

Close to 100 CXOs interviewed across consumer companies covering 10 sub-sectors



















































Research methodology

- Each of the CXOs was interviewed digitally on best practices used to innovate and adapt to changing market and operating dynamics.
- Survey questions were structured across the value chain to include front office, middle office and back office.



Some areas from our previous survey conducted in 2020 continue to gain momentum this year as well, while ESG and M&A are new focus areas



Key trends	2020	2021 and 2022
Customer centricity	  	    
Digital investments across key business processes	  	    
Cyber investments	  	  
Operations improvement and cost optimisation focus	  	    
Evolved vendor ecosystem and multi-sourcing procurement strategies	  	  
Resilient and agile supply chain	  	  
ESG		  
M&A		  



Business as usual



Gaining momentum

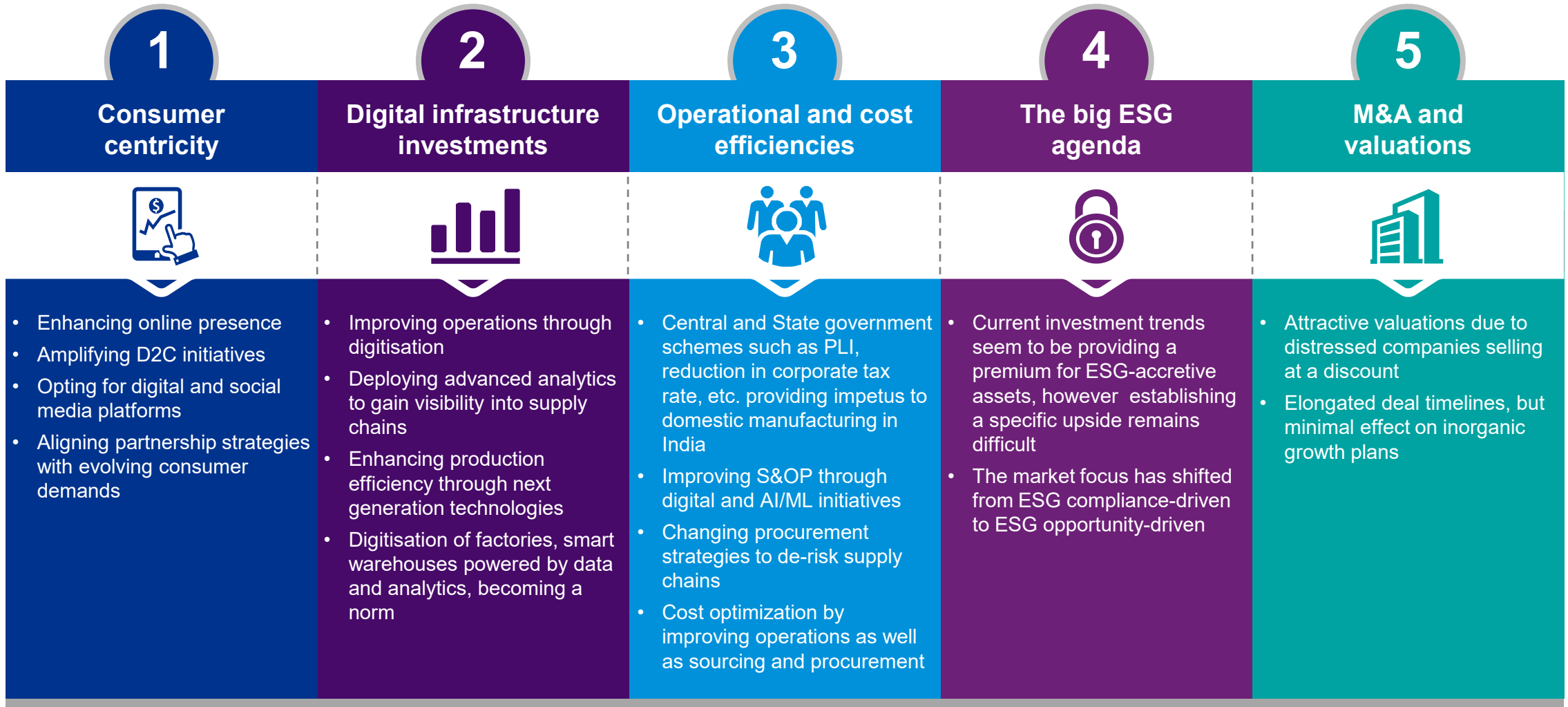
Over the last two years, consumer companies surveyed indicated increased efforts around customer centricity, operational improvements and employee welfare. However, this year, we have seen a rise in digital investments.

Across sales and channels, focus has been on reaching customers with the right value proposition along with customer engagement.

Order fulfillment and sales and operations planning (S&OP), faster R&D and alternate sourcing, payment cycles to vendors and cost focused procurement continue to gain traction.



Five areas where consumer companies are investing efforts this year



“

There is a growing focus on personalised and customisable experiences. Now, it is imperative for companies to move out of traditional models and experiment with personally relevant platforms that deliver a differentiated customer experience.

”

Pallab Roy,

Partner – Business Consulting,
Consumer Markets,
KPMG in India



1. Consumer companies witness strong channel shifts



Trend

Major changes in consumer buying journey

- **61 per cent** witness strong shift to eCom marketplaces
- **20 per cent** see increased preference to buy directly from the company
- **19 per cent** prefer buying from the nearest available option




Impact



1 D2C initiatives on rise

- **63 per cent** rise in D2C initiatives
- For **33 per cent**, D2C accounted for more than 20 per cent of overall sales
- **24 per cent** took the way of hyper localisation and hyper personalisation



2 Ecommerce gaining clout

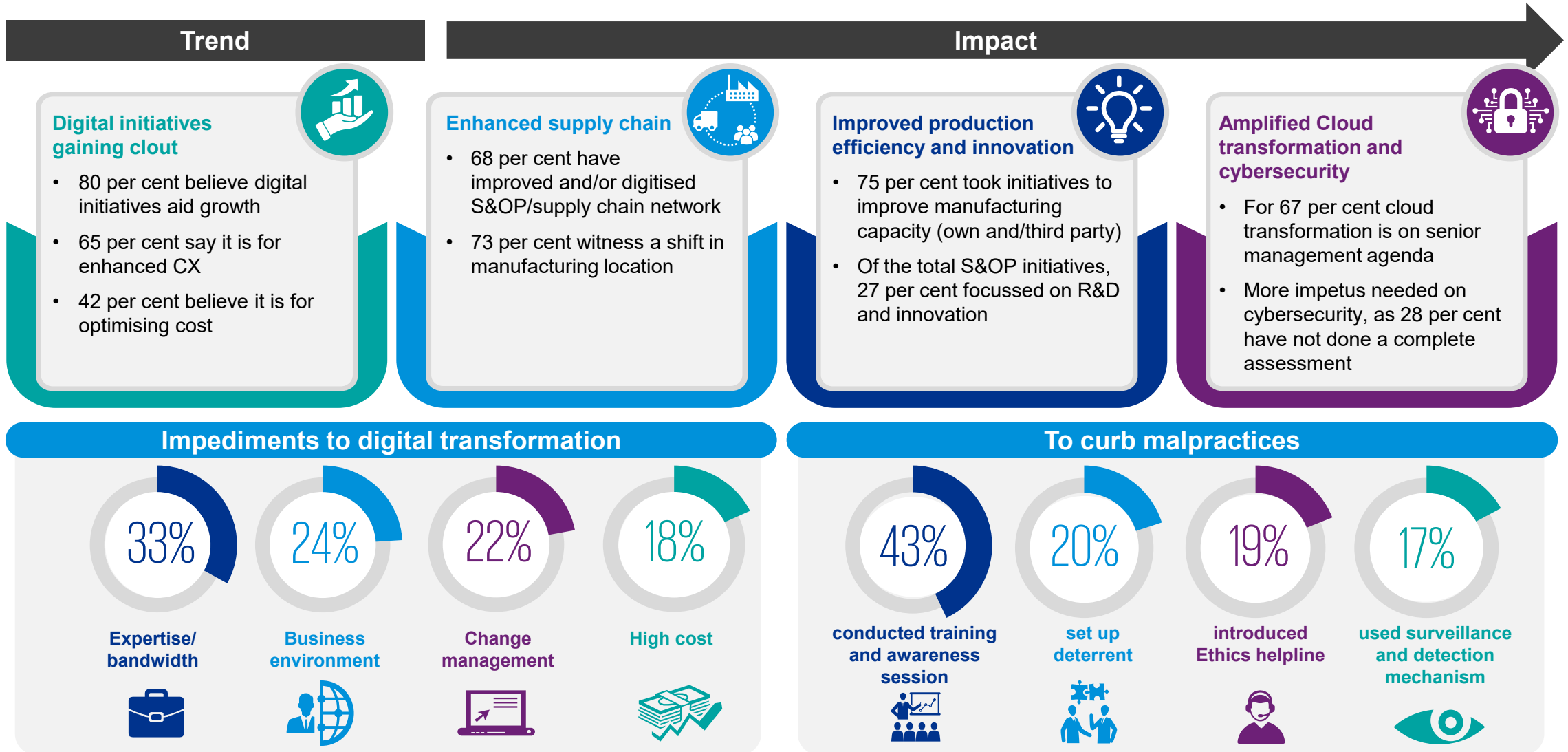
- For 24 percent, eCom accounted for more than 20 per cent of overall sales
- 44 per cent witnessed augmentation of company owned platforms and growth in marketplaces



3 Focus on sales excellence enabled by digital marketing

- 44 per cent tied up logistics company for last mile delivery and used payment options – gateway, wallets
- For 30 per cent, digital media spend accounted for more than 30 per cent of the total media spends

2. Digital infrastructure investments across the value chain



3. Operational and cost efficiencies to improve EBITDA



Trend

- Prices of manufactured products increased due to rising inflation
- 73 per cent believe Government initiatives would provide impetus to domestic manufacturing
- 42 per cent and 27 per cent, respectively, believed the PLI scheme and reduction in the corporate tax rate could support manufacturing
- 24 per cent considered revalidating the Group's Transfer Pricing



Impact

Undertook cost optimisation initiatives

32%

Took price increase partially/fully

25%

Changed supplier base/sourcing locations

19%

Negotiated with vendors for better rates

18%

Used substitute products

5%

34 per cent changed operating model and set up a shared service/outsourced

Companies managing employee cost

Shared services

60%

Outsourced

40%

33%

Changed compensation structure

25%

Outsourced/optimized shared services

23%

Increased part time/contractor mix

20%

Increased fungibility of resources

66 per cent did not make any downward revision and delivered growth and bonuses

4. The ESG opportunity as companies are now seeking to be environmentally and socially responsible



Trend

Impact

Key drivers behind ESG measures



Key ESG issues impacting consumer companies in the next five years



Of all the respondents, 4 per cent do not see ESG issues affecting business objectives in the next 5 years

Consumers' preference for brands with a strong sense of social responsibility as well as employee's health becoming priority are driving companies to turn socially responsible and support ESG in the workplace.

5. M&A gaining traction as valuations continue to be steep



Trend

- Retail tech segments, within the start-up sector, garnered 42 per cent of deal volume
- FMCG (retail and consumer) witnessed some of the marquee transactions in 2021
- The food and beverage (F&B) sector, along with the apparel sector, saw heightened traction on the deals front, on the back of attractive valuations.



Impact

M&A

- **86 per cent** continue to look at the opportunities with same rigor, despite long deal timelines and notice no effect on any inorganic growth plans.
- **60 per cent** foresee strategic M&A opportunities/consolidation due to the financial crisis posed by the pandemic



Valuations

- **83 per cent** see no change in valuations, while **24 per cent** believe valuations have become attractive as companies/brands under distress are willing to sell at a discount
- **17 per cent** have re-looked their strategy and are looking aggressively to make acquisitions
- **26 per cent** believe valuations have become expensive as COVID-19 has positively impacted certain companies (e.g.: DTC brands)

“

As the shift to digital accelerates, innovation has become the need of the hour. With newer technologies, finding solutions to tailor to evolving customer experience can play a central role in enhancing the digital experience.

”

Harsha Razdan,

Partner and Co-head for Clients and Markets
Sector Head - Consumer Markets
and Internet Business, KPMG in India

Eye catching best practices...



An FMCG conglomerate established **dedicated marketing command centres** and introduced its **own doorstep delivery services** offering over 700+ products – pan India



A food delivery service firm introduced a **10-minute delivery service**, targeting a 1-2 km radius to fulfil the orders. It will use **dish-level demand prediction algorithms**, and future-ready in-station robotics



A renowned payments gateway is moving into **'assisted eCommerce,'** which helps individuals and families outside of India's largest cities move more fully into the digital ecosystem.



One of the largest Science-based Ayurveda majors in the country has now become a complete **'Plastic Waste Neutral company'** in India, after it collected, processed and recycled nearly 27,000 metric tonnes of post-consumer plastic waste in FY2021-22

Factories are being digitised and warehouses are automated for agile operations. Usage of intelligent data and analytics ensures smooth and optimised operations



Contactless orders were enabled by an ordering app for retailers to safely place orders while providing **visibility on logistics tie-ups** and intuitive interfaces



'Now' is the time to act for consumer companies...



1

Growing focus on personalised product recommendations and going beyond traditional points-based loyalty schemes into much more customisable and personally relevant applications



2

Need a multidimensional view of your customer. Hence, imperative to understand the balance of digital and ecommerce and invest to expand ecosystem and alliances. Need to monitor profitability across channels.



3

Demand for purpose is making companies move beyond their regulatory journey and look at key areas that would change their ways of doing business.



4

Major force behind consumer M&A, especially in D2C personal care, daily groceries and companies with innovative business models



5

Time to turn to chatbots and AI driven devices as this can be an efficient way to cover greater volume for lower cost



We see greater adoption of the identified themes across sectors basis our global sector analysis



Emerging themes	Sectors making efforts to adapt to these themes														
Customer centricity	FS	PE	G	H	TM	CR	ENR	LS	LS	A					
Digital transformation	FS	PE	G	H	TL	TM	CR	ENR	IM	LS	A				
Operational and cost efficiencies	FS	PE	G	H	TL	TM	CR	ENR	LS	A					
ESG and sustainability	FS	PE	G	G	G	G	H	B	TL	TM	CR	ENR	IM	LS	A
M&A and valuation	FS	PE	H	TM	CR	ENR	IM	LS	A						

FS

Financial services,
Includes bank,
AMCs & insurance

G

Government

B

Building and
construction

CR

Consumer
and retail

ENR

Energy and
natural resource

LS

Life science

PE

Private
equity

H

Healthcare

TL

Transport
& leisure

TM

Tech and
media

IM

Ind
manufacturing

A

Automobile

Observations

- Consumers are getting spoilt with choices across multiple sectors. With growing aspirations, they are communicating with stakeholders across the ecosystem. Companies now need to keep up with these trends outside their sectors as well
- Customer experience is constantly upgrading, hence imperative for companies to remain relevant from an experience context.
- Adoption of sustainable practices has been on the rise across sectors, as consumers increasingly prefer socially responsible businesses
- Deal making activity in India remains upbeat due to the prospects for a stronger economy, encouraging businesses to look for inorganic growth opportunities

Source : KPMG in India analysis based on internal studies, industry and sectoral views from experts

“

A new consumer is looking forward to such products that can have a positive impact on their lives, society and the environment. In the current scenario, focusing on customer needs and experience will be a lighthouse for staying relevant in business.

”

Mustafa Surka,

Partner – Risk Advisory, Consumer Markets, ,
KPMG in India



The report has been summarised through various conversations with KPMG in India's client fraternity which included CEOs, CFOs and other CXOs of leading consumer companies in India. We sincerely thank all each and every CEO/CXO for sharing their thoughts and perspectives to make this report an insightful one.

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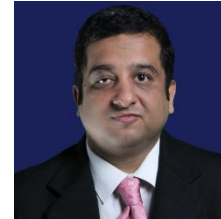
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