

The Anatomy of Rebuilding & Recovery

A CEO LOUNGE INITIATIVE

Consumer sentiment this festive season

In conversation with



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Consumer sentiment this festive season



The FQ1 economic growth reported a 25-quarter low, with consumption falling by 60 per cent, worse than the 2008 global financial crisis. People have made mammoth lifestyle changes – some temporary, many perhaps permanent. Supply chains' resilience has been put to test and many retailers have shut shop. The pandemic has accelerated underlying trends hesitantly waiting to take off, new consumption habits have been formed, and value propositions have shifted. E-commerce giants and e-store owners are in a happy place, while traditional retailers are looking at jumping onto the digital bandwagon. Some of the most distinguished minds across industry get together and discuss the mood of the nation, and how they intend to maximise this yearly opportunity amidst the pandemic.

Words by **Divya Sista**

It's that time of the year when festivities lift the mood of the entire country, we get together with our family and friends, we celebrate and we splurge. The festivities begin with Ganesh Chaturthi in September, pick up tempo with Navratri, and reach a crest during Diwali. The whole nation indulges in a feverish purchasing spree, e-commerce and physical stores alike. Retailers and consumer product manufacturers across categories, be it automobiles, consumer durables or apparel,

await the festive season, for a significant portion of their annual sales — anywhere between 30 and 50 per cent — happen during these months. This year, as we gingerly step out of our homes after a strict lockdown, deterred by the pandemic, it is different. Shrinking incomes and looming uncertainties have put dampers over spending. Even for the more financially stable, the broader economic landscape is pushing them to be conservative with finances and stay cautious about their circumstances. The big

question: Has the festive season help lift consumer sentiment? Will it help revive consumer spend?

THE SMART SHOPPER & THE UNSTOPPABLE GLOBAL CONSUMER

With sudden changes to daily lives, restrictions with the lockdown, the early stages of the pandemic had put a total stop to non-essential spending. The protracted lockdown gave the average shopper time to pause and reflect. The early days saw increased spending on essentials, comfort and a general sense of stockpiling. But with the onset of the festive season, consumer reports started suggesting that the Indian shopper is optimistic and ready to consume like before. A recent survey in fact shows a drop in anxiety levels among consumers and an uptick in spending. Pent up demand is already translating into sales, albeit slower than expected.

“The environment is dichotomous —

the statistics paint the worst in terms of unemployment, GDP and mental health. On the other hand, we are looking at never seen before sales of the iPhone 12, home sales have risen 35 per cent — a peculiar tilt,” informs Girish Shah, Executive Director, Knight Frank India.

Given the emergence of the tech-equipped, festive spend-ready, new-age Diwali shopper, it is time to retarget and re-segment the consumer market. Many consumers have made their first online purchase during the pandemic, having tasted the thrill of shopping at the click of the button and comfort of their homes. There are others, who prefer the physical touch-and-feel experience of shopping, a void tech has yet to fill.

“Technology roadmaps are accelerating at breakneck speed, with the essentials like medicines and groceries seeing a major shift to the online channel as well. The consumer sentiment, however, has been to go back and experience what they have missed. Sales



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Infiniti Retail, Croma

in food and beverages (F&B) and fashion have doubled over the last three months in both online and offline sales, showing some fascinating insights," says Anshoo Sharma, Co-founder & CEO, Magicpin.

THE CAUTIOUS SHOPPER & OPTIMISM AROUND THE CORNER

Reports across industries convey the same flavour of consumers reflecting a positive sentiment this Diwali. A majority of shoppers has allowed bigger budgets over last year, a result of accumulated savings over months of lockdown. The festive season gives everyone the need and opportunity to bring home the new.

"We foresee a 'revenge buying' of sorts especially across the luxury and non-essential segments. With restrictions on delivery and movement, the unlocking has opened up the market across offline and online channels," observes Ritesh Ghoshal, Chief of Marketing and Insights, Infiniti Retail, Croma.

Covid-19 drove several businesses online, considering it is a safer bet — contactless and swift. The timing couldn't

have been better to rake in revenue, especially after a series of blows — from a fragile supply chain that fell apart in many segments, productions coming to a halt, and cascading recessions on both the demand and supply side.

"Online business is significant, but smaller in comparison to the vast gamut of business. However, it has been growing rapidly. With corporates reverting to full salaries, news of a promising vaccine around the corner, there is cause for cheer. We have been fortunate that we haven't lost the main festive season to the pandemic," says Ajay Arora, Managing Director, D'Decor.

Despite the optimism, things seem fuzzy for many service industries, many of which have taken a turn for the worse. RBI's annual report mentions how private consumption in transport, leisure and cultural activities has lost its discretionary elements. Behavioural restraints forced by the virus could be a major deterrent for normalisation of demand in these industries.

"The first quarter of 2020 threw some gloomy figures, which was largely a supply-driven shrink. In the second

quarter, we notice a return in demand, but metros and large cities remain impacted. Salaries and small businesses making efforts to resurrect themselves will add positively to the overall economy. This will cascade into growth in a quarter or two," says Anurag Mathur, Partner, Strategy& (Part of PwC network).

THE SMALL-TOWN SHOPPER & A CULTURAL REVOLUTION

With direct-to-consumer (D2C) retailers springing up rapidly and retail giants shifting their e-commerce priorities, products have become more accessible. Order volumes have surged, and industry pundits report a 133 per cent increase in average growth sales, particularly in electronics and home appliances, fashion and apparel, health and wellness, and FMCG. What makes the figures interesting is that Tier III cities have witnessed the fastest growth at 53 per cent, with five Tier III cities contributing a significant 22 per cent to the total volume. Tier II cities contributed to a whopping 66 per cent of total online consumption.¹

"We notice decentralisation in the contributory quadrants of GDP, with

Q3, Q4 which are predominantly the rural and semi-urban centres being not just generators but turning into force multipliers for GDP growth," says Mathur.

The online space has become not just geographically inclusive but has democratised the shopping space, through accessibility across income groups as well.

"We observe a slight shift to lower price points, consumers from the next income bracket joining the brand buying products and services. Today, we have a diverse set of consumer baskets, with the concentrated sales pie chart no longer skewed to urban areas and metros or the rich and affluent," Arora confirms.

The shift to Tier II and III cities has been happening for quite some time now. The concentration of Covid-19 cases in larger cities, while smaller cities and towns reporting relatively lower numbers is also a metric that translated into a spike in their contribution to offline sales.

"We are all guilty of marketing myopia at some point or the other. The pandemic in itself was more concentrated in the large cities. The impact has been lesser in smaller cities, and from the day stores



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Managing Director, D'Decor





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have re-opened, they have been doing good business. Innovative marketing and sales techniques like buying over phone calls, WhatsApp business have cropped up in addition to mainstream e-commerce channels, which have contributed greatly to the sales,” Ghoshal asserts.

There has been a cultural shift to quality over quantity. Budgeting is centred around value addition with the consumer making more informed purchases.

“People are looking at purchases through a lens of value addition. They are investing more in things increasing the quality of life. Retailers and brands are now investing in communicating and spending on online research. D2C (direct-to-consumer) brands who never had any offline presence are in a sweet spot. Additionally, value is being delivered without an intermediary, through digital channels increasing Rol for businesses as well,” points out Sharma.

There is a rush of activity even among large, established retailers and brands, which are suddenly finding a void owing to little or no online presence. “The pandemic has been a call to action. Digital funnels are not yet robust but the ones doing the best are the ones who have communicated and reached out,” Sharma adds.

This is true for bespoke services, luxury goods and indulgent segments like jewellery and weddings as well. Sachin Jain, Managing Director, De Beers India, gives an interesting insight into another aspect of digital/e-commerce.

“Smaller markets are doing better. Consumers are looking to buy fewer but better things — meaningful things and not something to just show off. Today, consumers walking into a store to buy diamonds have looked up for them online in some form — be it the design, price, specification or availability. Digital has moved the fulcrum in storytelling, looking at designs, information seeking and transparency — a positive, that is permanently here to stay,” Jain remarks.

THE RESPONSIBLE SHOPPER & THE SUSTAINABILITY APPROACH

Sustainability, not restricted to being eco-friendly alone, is an oft-ignored challenge in online shopping. It gets overshadowed by the reach and numbers that ‘going digital’ drives effortlessly. Online sellers are shifting gears, rethinking strategies as the impact of coronavirus hit them in terms of last-mile deliveries and meeting the demands of the consumer.

“The B2B space which was very

[1] <https://unicommerce.com/unicommerce-ecommerce-trends-report/>

physical in India, has seen large platforms springing up in a matter of weeks,” Sharma responds.

The customer has increasingly become aware of being a responsible consumer, who demands sustainability in every aspect of the supply chain, including ethical sourcing of raw material, legal labour and eco-friendly packaging. They don’t mind shying away from single-use plastics, or big brands which once made life better and easier. The switch to e-commerce has led a steadily growing group of consumers to look up to it for sustainability, where conveniences come with an environmental cost.

“A sense of sustainability which was not earlier present has now deeply set in. ‘Responsibly sourced’, ‘ethically made’ have now become USPs of the product itself,” explains Jain.

BUSINESS POV — TEXTBOOK VALUES & BUZZWORDS

A larger point now is that the festive season has coincided with rebounds in several economic indicators. This is a watershed moment, a forced equivalent of the industrial revolution, where businesses and brands have the unique opportunity to grow and make a difference to the society. It is proven that in tough times, consumers choose brands or products with whom they have shared beliefs and values.

“Consumers want to feel joyful, celebrate and upbeat. This is the time for organisations to be nimble and smart.

It is also a time when the values of a company are at play on field, and not a poster on the wall anymore. Acceptance of failures is welcome now, all buzzwords are actually implemented,” asserts Jain.

Against this landscape, brands can no longer expect attention as they used to through old means. “Efficacies, efficiencies and whole ways of how business was being conducted are going to change,” Shah observes.

Attention and mobile moments must be earned. Being reliable and transparent — and conveying it to their customers — are a given. Brand loyalty is crucial with the large number of entrants and the barriers to entry being lowered each day. “The companies that have done better and doing better are the ones that have treated their employees better. As the economy opened up, operations were reinstated. But there have been broken links in the supply chain, stemming from not sticking to core values,” says Arora.

Businesses may embrace the festive optimism with the hope that it will pull them through the dark phase and make up in part for the time and sales lost. They must however pay close attention to the changing tide of events that may not be temporary and go back to pre-pandemic ways. Even the new normal is changing every day and hedging on the dicta of nimble is the best bet.

“Ultimately, successful businesses have done similar things as the others, but better. Winning companies gain from being first movers doing the same things differently,” Mathur surmises.



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TAKEAWAYS



Finding customers for your products, finding products for your customers:

Re-strategise and review customer segmentation.

Don’t do different things, do things differently:

Take risks, accept failures. Digital is a new space for everyone. Get the first-mover advantage.

One word for the future — sustainability:

Taking sustainability beyond the buzzword. Responsible design, ethical sourcing and eco-friendly are now brand USPs.

The internet is the town square of today:

Just a friendly reminder! Digital transformation is in its high-speed mode now. Pivot or perish!

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