Consumer Reaction to Covid-19

The Pre-lockdown story

RNA viruses are the greatest threats for causing Global Pandemics. Johns Hopkins was talking about this in 2018, and Bill Gates, used a similar phrase in a 2015 TED talk – but no one saw it coming this soon. The novel Coronavirus has infected over a million people and killed thousands and it is still not done.

As a result, for the first time in history, we have the world locking itself in, economies ceasing to function, and countries purposefully driving themselves into recessions. 'Lives over livelihoods' had become the mantra all within a month. Covid-19 is not just a novel virus, it has brought novel challenges to the world and the world of business.

India's experience with the virus started late. The economy was already in a slowdown with the Q3 GDP growing at 4.7%. Covid-19 prompted NITI Aayog to project a near 0% GDP growth for this quarter and various Financial Groups are anticipating annual GDP growth to decelerate with the most optimistic projection being at 4%.

As Covid-19 started spreading, at Worldpanel, we kept a close watch on the developments. In order to keep abreast of the situation and give you an understanding of what is happening, we did the following through the second half of March

19th-23rd March

A telephonic survey conducted on 2200 households across India to understand hygiene specific behaviour changes among households

21st – 25th March

First wave of Panel household data compiled as a part database to understand early trends with respect to category and FMCG behaviour

19th – 25th March

Linking the telephonic survey with the first wave of Panel data to understand Covid-19 specific trends. This was done for 800 households

In the coming pages, we will showcase some macro findings from these datasets. These are different datasets, so we will provide the necessary caveats where needed, to make the story more seamless. Here is what we observed.

#1 Consumers are aware, concerned and evolving

Over the last month or so, we have seen every type of electronic screen buzzing with the words *Coronavirus*. Social media created an unprecedented awareness for the disease, and this reflects in the data. 97% of households[1] knew about Covid-19, and almost everyone of them, by name.

Among those who were aware, 75% of them said that they were highly concerned about the disease. Our respondent was the housewife, who decides on FMCG purchases in the household. Therefore, the level of concern we are reporting could be higher than other studies that interviewed other individuals.

Behaviour Changes among Households (%)

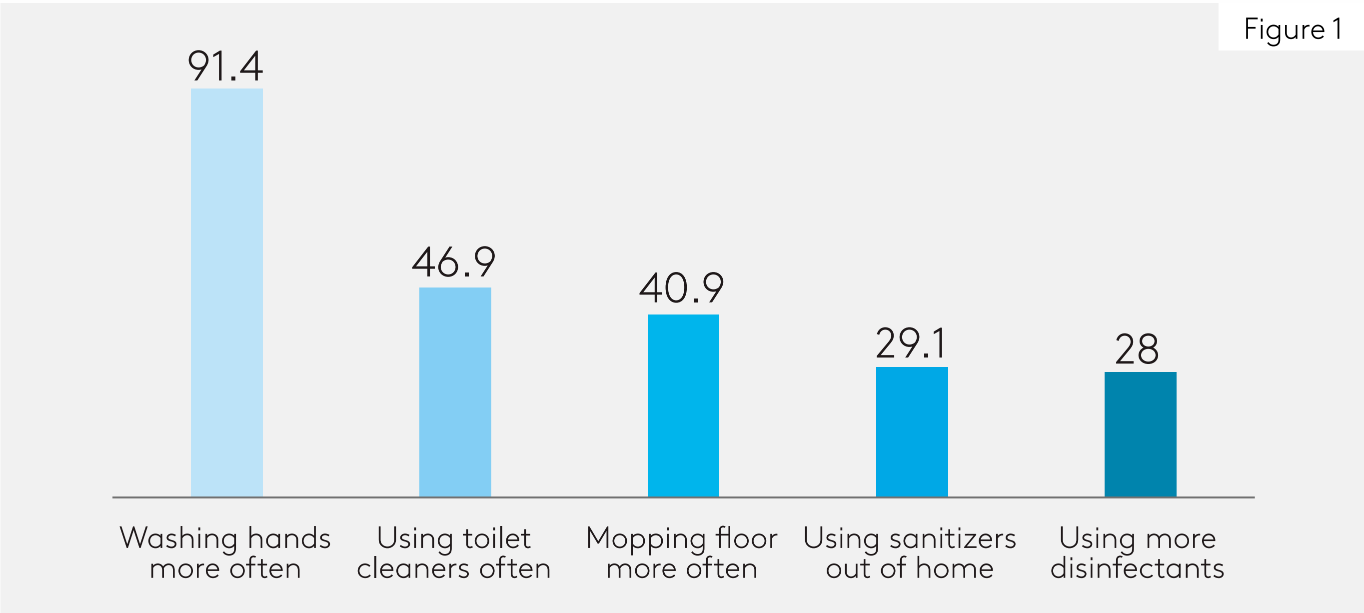


Figure 1

As can be seen from the graph above the households have clearly adopted a slew of new[3] habits. In fact, as many as 60% of the households have made 4 or more behavioural changes in the last month as a response to the Covid-19 situation.

It is unlikely that all these new behaviours are retained by households, but we can expect at least one of them to consolidate in the long term. Brands can help consolidate these behavioural changes by continuing to educate consumers.

#2 Personal & Home Hygiene rises

41% of the respondents in our study[2] said that they bought at least one new hygiene category. Among these respondents in Urban, the penetration of Hand *wash jumped by 18%-points and Hand sanitizers jumped by 13%-points,* indicating the sudden importance of hand hygiene felt by households. Categories like Utensil Cleaners saw 4%-point hike at the All India level.

Hygiene is expected to be on the rise and when it comes to health, consumers go with whom they trust the most. It is imperative that brands in this space build consumer trust to gain penetration in the coming days.

[1-2] Based on the COVID-19 assessment survey done on 2200 households
[3] New households are defined as those never bought the category or those who bought it over a year ago

#3 Each Category is trending differently

Consumption grew by nearly 1.5KGs in March 2020 over 2019. There are categories that saw a universal growth; some made tremendous headway in consumption but have lost out on penetration. Some categories have peaked just before the lockdown. When we observe the weekly data, categories have taken various kinds of routes this month. Here are a few ways in which some categories were trending:

Tear-away growth	Nominal growth	Lockdown Jitters	Exhaustion	Free fall
Toilet Soap Floor Cleaners Utensil Cleaners Biscuits	Shampoo Tooth Paste Edible Oils	Laundry Bars MFDs Tea Ketchups	Hand Sanitizers Salty Snacks Chawanprash	Talcum Powders Depilatories Hair Colors

The definitions of how we arrived at these classifications are as follows:

Tear-away growth *- Delta penetration over 1% + Consumption growth over 10% + Consumption increases each week*

Nominal growth *- Delta penetration between 0% and 1% + Consumption growth under 10% + Consumption increases each week*

Lockdown jitters *– Consumption Growth in week 3 (15th to 21st March) is twice that of week 2 and week 1, suggesting hoarding in anticipation of a lockdown*

Exhaustion – Consumption growth + week 3 consumption less than week 1 and week 2, suggesting that overbuying in the first two weeks caused an exhaustion by week 3

Free fall *– Penetration falls + Consumption falls + Consumption falls each week*

Where does your category fit? As we update the weekly data categories might jump from one bucket to the other. Tracking how your category is evolving in the next few weeks will help you be ahead of the curve.

#4 Categories were running out too

17% of the households we interviewed[4] could not buy a product because it was not available on the shelves.

Hand sanitizers turned out to be the biggest category with 10% of households not being able to buy one. Note that in the previous section we pointed out that sanitizers sit in the exhaustion category. If a sizeable number of households are not able to find sanitizers, then the exhaustion could really be due to unavailability. Imagine if these households were able to find a sanitizer! In that scenario, the category would have grown by over 20%-points in Urban.

All brand owners' supply chains are under tremendous stress. We have already seen anecdotal evidence of people picking whatever brand they could find when their preferred brand is not available. One major challenge for brands is to quickly make their product available and win consumers who might have *shifted* before they settle.

#5 Exploding number of packs

13% of the respondents[5] in our study claimed to have stocked up at least one hygiene category. The number of packs bought in March jumped from 56 in 2019 to 61 in this year. This is a significant jump especially keeping in mind that the average number of shopping trips remained static at 9 times.

This is a trend contrary to what we observed last year when the economic slowdown was at its peak. During that time, households were buying more often but reducing the quantity purchased in each occasion to manage budgets. They did that with buying small packs. This time they are keeping their pack size relatively constant but buying a greater number of packs – possibly to keep their products fresh and use judiciously.

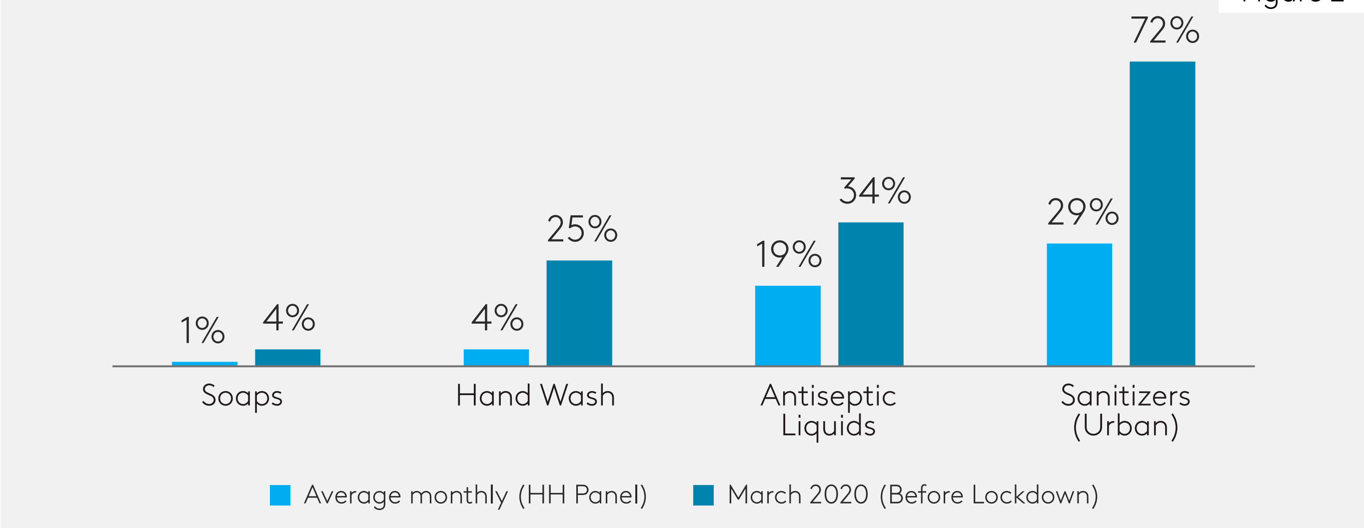
The importance of having a right pack mix cannot be better underscored. *What is your pack strategy?*

#6 Channel Dependency Changes

72% of the households[6] who bought Hand sanitizers claimed that they bought it in a pharmacy. Never did pharmacies have such a high share of purchase in the past. In fact, the average monthly percentage of households who buy sanitizers in pharmacies is just 29%[7].

% Households buying in Pharmacies

Figure 2



[4-5-6] Based on the COVID-19 assessment survey done on 2200 households
[7] Based on the regular Household Panel Data

Households bought bar soaps also from pharmacies. This channel is not a preferred destination for buying soaps, but the number of households that bought regular bar soaps quadrupled in March.

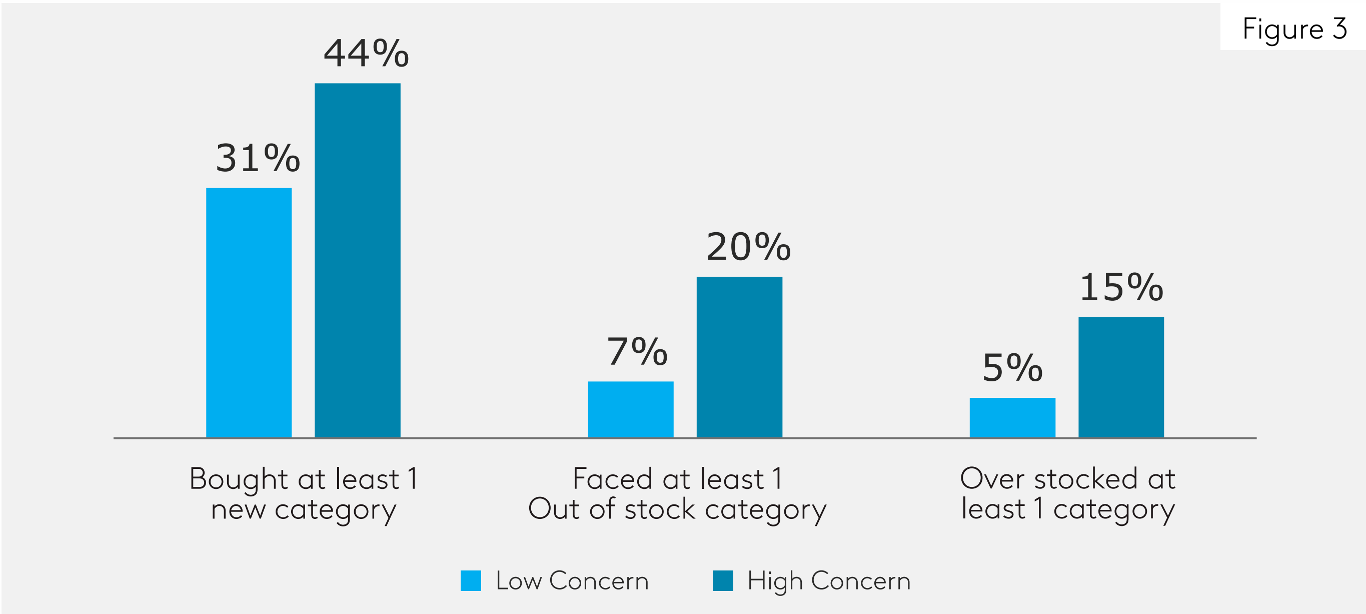
Expect pharmacies to be a big part of household purchases at least for the next few weeks. These are the only shops open across the day and households might switch their 'one-off purchases' from the kirana store to the pharmacy the next time. Are you ready for a Pharmacy boom?

#7 Behaviour and Concern Levels

As mentioned in the beginning 75% of the households had high concern levels regarding Covid-19. We see a clear change in behaviour as concern levels rise. For example, only 17% of households with low concern were using more sanitizers while 33% of households with high concern were using more sanitizers. Similarly, toilet cleaning has become more frequent in 52% of high concern homes but only in 35% of low concern homes.

In terms of procuring groceries, only 1% of low concern homes said that they were getting them home delivered; but about 7% high concern homes were getting groceries home delivered.

Behaviour by level of concern (HHs)



Households that had a greater concern about the situation tried different categories; found more empty shelves because they were out looking and bought in bulk, when compared with those that had a lower level of concern. This points that people's perception of the problem reflects clearly in their behaviour.

Concern levels are bound to change after the Government announced a 21-day lockdown. Given the impact of concern on behaviour, it is only plausible that households with high concern levels take time to return to normalcy. It would help if brands can understand their buyer composition based on *concern levels*.

To recap, as expected Hygiene categories show tremendous growth. Despite Government lockdown not in effect at the time, we see increased consumption. There are diverse category trends presenting in March. Pharmacies became a strong channel for purchase and behaviours are linked to the concern people have regarding Covid-19.

While this is a step-change in behaviour, we expect another step-change to have happened after the Government announced the lockdown. What categories did consumers rush to buy? What adjustments do we see the consumer making? How does the category profile shared above evolve? As usual, we will bring you a post-lock down story in the next few days. Keep a watch for more on this from us!