

BUSINESS MANOEUVRES

FMCG industry realigns strategies to address post-Covid dynamics

The continuing Covid-19 pandemic has brought about monumental shifts in the working and prospects of the fast-moving consumer goods (FMCG) industry – of which the home & personal care sector is a vital part. Shifts in consumer behaviour, emergence of new categories, supply chain disruptions, sharp uptick in raw materials, erratic sales dynamics, among other factors, have left the FMCG industry struggling to operate in a truly VUCA (volatile, uncertain, complex and ambiguous) environment.

A two-day virtual seminar on ‘Pandemic dynamics and challenges + solutions and opportunities for the home care sector’ – organised by the Indian Home & Personal Care Industry Association (IHPICIA) in December – brought together leading industry experts from the home & personal care sector to discuss the best way forward to ensure sustainable growth for the sector.

In his presentation, Dr. Debojit Chakraborty, Vice President – R&D & Quality, Jyothy Labs Ltd. spoke about how Covid-19 brought about significant changes in the fundamentals of the FMCG industry and how it repivoted to address the changing consumer dynamics.

The FMCG market in India is the fourth largest sector in the economy and by 2025 it is expected to reach a revenue potential of around \$20-bn. Around 50% of the overall FMCG market is constituted by the home & personal care segment, followed by 31% in healthcare, and the remainder 19% in foods & beverages. Dr. Chakraborty said the FMCG sector has been recognised as a “growth story” in India and



Dr. Debojit Chakraborty

rise in demand is set to be strongly fuelled by the rise in penetration of internet and growing e-commerce.

Dr. Chakraborty pointed out that while the world has seen around 14 global recessions in the past 50 years, the Covid-19 induced recession has been the most devastating. It forced a perceptible shift in human behaviour and had a big impact on the FMCG industry. However, while the pandemic threw up significant risks, it also afforded very important opportunities. “Consumers have reacted to this emergency situation in varying ways, but they have always sought enduring value in products and experiences which are more healthy, more trustworthy, more environmentally sensitive, etc.,” he said.

Even as many industry segments suffered setbacks, FMCG sectors like beauty, personal care, non-alcoholic drinks, home care, packaged foods, etc. got a shot in the arm. Within home care, surface care was one of the categories that saw significant rise in revenues. “There was significant appetite in consumption and FMCG firms innovated around this category,” said Dr. Chakraborty.

The FMCG industry pivoted to address the perceptible shift in con-

sumer behaviour and consumer offtake and this happened around four pillars of health, digital penetration, trust and value.

“There has been a reconfiguration of consumption in home & personal care, household care and the food & beverages categories. FMCG innovations have addressed health and hygiene requirements and some new categories of products have emerged. The online consumption has increased disproportionately and the FMCG industry would do well to address this opportunity going forward,” he said.

Key learnings

Mr. Venkatesh Vijayraghavan, CEO & Director-FMCG, Cavinkare Pvt. Ltd., pointed out that the pandemic has been a “very mixed bag” for the FMCG industry with certain sectors impacted quite negatively, while those catering to hygiene, thrived. Commenting on the key learnings from the pandemic, he underlined the need to have a ‘plan B’. “It is always better to have a plan B. While a lot of things were planned, the last 18 months have completely put these plans out of gear. A lot of industries and categories have had to re-pivot themselves and rethink their strategies to remain afloat and to come out of



Mr. Venkatesh Vijayraghavan

this challenging period,” commented Mr. Vijayraghavan.

The second key learning, according to him, was to never take things for granted. “Whatever we thought was normal, is getting challenged today, partly because of the pandemic and partly because of the learning the pandemic has been able to give us. A lot of industries have seen acceleration to digitalization and automation happening post the pandemic. These new trends are now defining the new normal today,” he said.

The third big learning, he said was that “at the end of the day, business is all about people.”

Catering to changing demands

Ms. Renuka Thergaonkar, Director, R&D Global Consultants Pvt. Ltd., underlined how the pandemic gave a big boost to the home care sector, globally as well as in India.

Quoting market research reports, she said that the global home care market is projected to grow at over 4.5% CAGR from 2020 to reach \$233-bn by 2026. Surface cleaning products, laundry cleaners and antibacterial cleaners are estimated to have grown at over 20% in the past couple of years. Meanwhile, the Indian home



Ms. Renuka Thergaonkar

healthcare market size was valued at \$6.2-bn in 2020. She pointed out that post Covid consumers’ emotional engagement with these products is growing, and the pandemic has started turning cleaning brands into lifestyle category brands.

In order to make most of these opportunities, Ms. Thergaonkar advised companies to use innovation to grow their homecare businesses.

“Companies can look to introduce new or improved products and new categories into their business to meet the rapidly changing consumer demands or needs. They can improve or replace business processes to increase efficiency and productivity, or to enable the business to extend the range or quality of existing products and/or services. Companies can add value to existing products, services or markets to differentiate the business from its competitors and increase the perceived value to the customers and markets,” she informed.

Focus on sustainability

Mr. Krishna Mohan Puvvada,



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Regional President & Senior Director Consumer BioSolutions – South Asia, Novozymes, spoke about how climate change related disruptions and regulatory changes are impacting consumer and business decisions. He noted that more consumers are now preferring brands implementing sustainability practices, while for businesses there have been upward pressure on prices of critical raw materials. “Sustainability is no more a choice, but a critical need to de-risk all facets of business,” he said.

Ms. Tara Parthasarthy, Joint Managing Director, Ultramarine & Pigments Ltd., while speaking about the ‘green’ initiatives undertaken by the company, pointed out that with growing awareness about sustainable chemistry, consumers now expect companies to ensure that both new chemicals and those already in a company’s portfolio are more environment friendly.

GREEN AND CLEAN

Price volatility in fossil-based raw materials underline need to consider domestically available renewable materials

Mr. Sanjay Trivedi, Founder-Director, IHPCIA, and Chairman of Trivedi Groupe pointed to the significant supply chain disruptions caused by Covid-19 in 2020 and 2021, especially the spike in raw materials pricing that put tremendous pressure on

the inventory and demand management strategies of home & personal care firms.

He highlighted three key action points for supply chain planning that companies could look to

implement in the aftermath of the pandemic. “Companies have the opportunity to use this challenging period to rediscover where investments are needed, evolve the supply chain planning function, and reposition the organisation for growth

once economies rebound,” he observed.

Mr. Trivedi gave examples of how pricing trends of certain key raw materials had impacted the functioning of the home & personal care industry.

In the case of linear alkylbenzene (LAB) – which India is significantly dependent on imports for production of synthetic detergents – the price has gone from around \$1,200 per tonne to over \$2,000 per tonne in the period from November 2020 to September 2021. This significant jump has seriously impacted the industry’s capacity to absorb the price hike without a significant increase in the price for consumers.

A similar trend is seen in the case of ethylene oxide, with prices going up from €1,250 to €1,500 during January 2020 to September 2021, tracking fossil fuel derived ethylene prices. Meanwhile, the prices of alcohol ethoxylates have shot up from \$1,200 per tonne to \$2,500 per tonne during Nov 2020-Sept 2021 on the back of the up-trend in palm kernel oil and coconut oil prices.

“The prices are still not tapering off or reducing. This is a major challenge because alcohol ethoxylates are used for the making ether sulphates, which is a primary surfactant used as an alternative for home care



products,” said Mr. Trivedi. “It also impacts the non-ionics – typically alcohol ethoxylates of 7, 9 or 11 moles – which are used for making concentrated products. The high prices impact the usage and demand and also reduces the drivers for growth,” he added.

The global alcohol ethoxylate markets is expected to see incremental increase of nearly 4% CAGR through to 2024 with Asia Pacific expected to grow at 32%. “High prices will affect the consumer product price and that will drive the need for change to move from conventional products to innovative products which are more sustainable and in concentrated forms providing better value for the money,” said Mr. Trivedi.

In this context, he said the industry in India should look at other raw material options like ethanol – which is available in the country from molasses and sugarcane juice and which has not seen a steep increase in prices.

“Ethanol from abundantly available renewable resource like sugarcane is a raw material that the industry must look at for finding a solution to make ethylene oxide. Proven technologies are available for one-step conversion of ethanol to ethylene oxide,” he stated.

Speaking about yet

another renewable raw material, palm oil, Mr. Trivedi pointed out that India consumes about 9-mt of the oil every year. While 78% of palm oil is crude palmolein, about 18% is palm stearin, which can cater to the requirements of the home & personal care industry.

“Nine million tons of palm oil would mean two million tonnes of palm stearin available for the industry users to replace LAB with palm stearin-based derivatives. There are companies around the world who have demonstrated that palm stearin, which is a C16-18 molecule, in a saturated form, can be used for making good surfactants like methyl ester sulfonate (MES) or methyl ester ethoxylate (MEE). There is no reason why Indian industry should not take this up. This is the big next big molecule to look at as a renewable resource material,” he said.

Speaking about locally available oil options, Mr. Trivedi highlighted opportunities in castor oil, for which India is the largest producer. “Castor oil can not only be used to make Turkey Red Oil by sulfonation, it can also be used to make ethoxylates and with different moles of ethylene oxide, one can have excellent products,” he said.

“We cannot depend on fossil fuel based raw materials, but shift to renewables. IHPICIA is liaising with the government regarding fiscal incentives for sustainable growth. If you are making a product which is in a concentrated form, reduces CO₂ imprint and uses renewable resources, you are being compliant with most of the conditions laid down by the UN Charter on sustainable growth. If you make a concentrated product from renewables, the Association will pitch to the government to give concessions on GST rates,” he concluded.



NEW GROWTH AVENUES

Home care sector moves to keep pace with changing consumers habits

Mr. Sharat Verma, Chief Marketing Officer/VP-Fabric Care, P&G India, spoke about the key post-Covid consumer trends and how the home care industry has reacted to the changing dynamics.

He noted that the most obvious change post-pandemic has been the heightened need for health and hygiene around the house. With work, fitness and most other activities being done at home, trends in wardrobes and wash loads have changed.

"The global athleisure market is projected to reach a whopping \$500 billion by 2025. Therefore, it's important that our products continue to evolve to deliver a superior cleaning in these diverse loads. This may need us to go back and rebalance formulas, or bring in chemistries that can deliver enhanced freshness and fragrance," Mr. Verma pointed out.

With people slowly stepping out



Mr. Sharat Verma

again for work and social outings, consumer wash loads are going back to the pre-Covid mix, resulting in a revival in the premium powder segment. The growing preference for use of personal vehicles, versus public transport, would also mean that their wardrobes too would undergo change, as well as the type of stains they encounter. Mr. Verma urged the industry to keep a close eye on these trends to serve these consumers in the years to come.

Another trend highlighted by Mr. Verma is the growing concerns over 'fast' fashion and use of brands that make cheap clothes with short lives.

"The impact of garment disposal into landfills is giving rise to a more conscious consumption within the

fashion world. A new trend of sustainable fashion or slow fashion is emerging. This refers to clothing that is designed, manufactured and distributed in ways that are more environmentally friendly and are made to last. Therefore, garment longevity will become a critical need as sustainable fashion trend scales up. This will result in more evolved benefits like colour protection becoming more important for consumers," he informed.

Mr. Verma also spoke of the how the "washing machine revolution" in India has opened up new avenues of growth for the laundry segment. "The next phase of growth for this category will come from the washing machine households," he stressed.

There is also an emerging micro trend of dryers becoming more popular. With these changes and automation, the industry is expecting to see stronger growth in the 'matic' and premium detergent powders and liquids. "As consumers move more loads to the machine and start using dryers, it will open up the market for more specialised products that cater to different jobs to be done," he said.

Mr. Verma highlighted the need for the home care industry to address the issue of water shortage. "We should dedicate resources to come up with solutions that require less water. Water limitations will drastically impact consumer behaviour and expectations from the industry. Technologies and advanced solutions that can get consumers the best clean with less or even without water will drive preference for brands," he said.



CHANGING PREFERENCES

Fragrance industry: Redefining strategies as natural and eco-friendly raw materials become mainstays

The changes being seen in the fragrances industry in the aftermath of the Covid-19 pandemic and the definite shift towards naturals were highlighted by Mr. Michael Carlos, Chairman, International Fragrances Association (IFRA).

A recent study by the association pegged the global sales generated out of fragrances that go into consumer products at over €350-bn. Firms manufacturing fragrances source materials from over 50 countries around the world. Of the 360,000 jobs around the globe created by the fragrance industry, more than half are in India and China, the largest sources of raw materials to the fragrance industry.

Mr. Carlos noted that the key challenges facing the fragrances sector today emanate as a result of the long-lasting Covid-19 pandemic and the need to manage the planet's resources efficiently.

The pandemic has seen the emergence of new standards in 'greener and cleaner' products being preferred by consumers, as well as accelerated demand for hygiene products.



Mr. Michael Carlos

Even as luxury goods sales – including perfumes – were impacted during the first year of the pandemic, the recovery has been quick with perfume sales soaring up by 45% in Q1 2021, said Mr. Carlos.

He described about how the fragrance industry reacted to the climate change challenge, exploring implementation of new business models, which promote regeneration and repurposing of used materials, besides focusing on natural, biodegradable and carbon-neutral raw materials.

"The industry is looking at how to eco-design fragrances differently by undertaking in-depth review of the whole creative process. This involves looking at the footprint of individual ingredients and undertaking research to evolve biotech processes, or more

carbon-neutral processes or different starting materials," observed Mr. Carlos.

When looking at the new generation of raw materials, the role of green, blue and white biotechnology is very vital, he said. "Green biotechnology involves using advanced extraction techniques to capture the most precious metabolites of plant cells. Blue biotechnology is somewhat undervalued today, but over the next five years will come into prominence in terms of using microalgae to identify new molecules that bring skincare benefits. The most widely used technology today of white biotechnology uses micro-organisms, both through fermentation, bioconversion and use of enzymes. A lot of this is originally based on sugar, but this will be increasingly be based on waste raw materials in the future," informed Mr. Carlos.

"It requires a huge amount of resilience to have a business that stays strong and at the same time stays committed to living in harmony with nature, and reduce carbon footprint to a large extent," he noted.

POETIC PRESENTATION

Home & personal care industry: Covid and after

In his inimitable style, Dr. Nadir Godrej, Managing Director, Godrej Industries Ltd, made a presentation in verse that covered the entire gamut of current and future challenges and opportunities facing the home and personal care industry:

The Coronavirus strikes us all, we don't know who is next to fall

When will this war be finally won, it rises, wanes but it's never done

High sero positivity is seen, whether from infection or vaccine

We feel that this is our trump card, and we relax, let down our guard

But COVID isn't standing still, although it has no conscious will

Its reproduction rages high, through natural selection it will try

To obviate our every defence, for COVID this makes perfect sense.

The first wave came and petered out, we started going, up and about

The delta variant entered the fray, and the second wave was on the way

And in quick time it also abated, the new normal was eagerly awaited

But Omicron then appeared, a variant that is widely feared

As its transmission rages fast, and perhaps it could get past

Vaccines with narrow immunity, and achieve a degree of impunity.

It would be prudent to beware, and continue with the utmost care

The crisis was indeed a bane, but there was so much that we could gain

At first, any major change, will appear to be most strange

But then we can begin to see, a striking opportunity

For all of us are badly burnt, indeed, there's much that we have learnt

Work from home is now a breeze, and we can now gain a release

From travel bills, and office rent, indeed, this time can be spent

To reimagine and reinvent, a better world a broader tent.

The pandemic has accelerated, future trends long awaited

Ecommerce, AI, digitization, are growing fast in every nation

While digitization was a trend, the curve is now on an upward bend

The pandemic has made us wise, and taught us how to digitize

Even if the pandemic wins, these learnings will be permanent gains.

The post pandemic world for sure, will be a new normal, not as before

And these new trends can only grow, good benefits are bound to flow

The digital world's now at our feet, and surely helps us to compete

The benefits of being green, were very clearly to be seen

In several different ways, throughout our lockdown days.



Dr. Nadir Godrej

All of us must understand, that customers will now demand

Processes and products that are green, what does this really mean?

Our processes should be clean, we must attempt to be lean

Less water and energy should be used, and nature shouldn't be abused

Harmful waste is very bad, but anyways is rather sad

For after all, waste is lost, and so indeed, unneeded cost

All these benefits can be seen, if at once we are lean and green.

If we are brilliant, bold and brave, and simultaneously we can save

Both our profits as well as the planet, if perspicaciously we plan it

And what we now need to see, is a circular economy

For plastic waste, this is a must, our lands and oceans will go bust

Unless we collectively make haste, to eliminate plastic waste

Let us end all this abuse, let us recycle or reuse

And wouldn't it be just great, if liquid products we concentrate

There is a considerable alleviation, of packaging and transportation

There are multiple benefits for sure, emissions are less, profits are more.

COVID disrupted our supply chain, this indeed was a major pain

Just-in-time once a saved us cost, but now our sales could be lost

So, in order to succeed, buffer stocks are what we need

We can't rely on a single source, we need alternatives, of course

Earlier, China dominated, but their advantage has been abated

Since they no longer rule the roost, India has received a boost

And everyone should bear in mind, that if you look you will then find

An Indian source for all your need.

Price may not be quite the best, but peacefully you can rest

The Indian option's always there, a little premium seems quite fair

As stockouts costs so much more, a tiny price to be safe and sure.

With Corona we understand, why cleaning products are in demand

No matter what you formulate, sophorolipids can be great

These products now are in our fold, to my mind they are pure gold

Good surfactants at a low dose, with several benefits, heaven knows

Both anti-microbial and preservative, innumerable opportunities it can give

For any kind of formulation, for cleaning or sterilisation

In household care there is a need, in personal care it will succeed.

Give us a call and we will show, how every business can now grow.

Coronavirus caught us down, but there's no reason now to frown

For we know how to stand and fight, the tunnel's long, but there is light

We have learnt resilience and agility, which give us the ability

To endure and to survive, and in better times we will thrive

But still, for India to succeed, good precautions we still need

No matter how we do our task, let's keep our distance and our masks

Let's innovate, let's invest, the coming days will be our best.