Turn the Tide
Unlock the new consumer path to purchase

MAY 2020
Consumer behavior has fundamentally changed. The new normal has transformed the purchase pathway. Businesses must unlock the new normal to help revival.
Great leaders rejoice in adversity just as brave soldiers triumph in war
—Lucius Annaeus Seneca

Covid-19 is an unprecedented epidemic

However to win in adversity, companies need to tailor strategies to today’s unique context and look through layers
While the pandemic is far from over, signs of recovery are starting to show.

Pandemic spread in different degrees across the globe

As of 21 May 2020

~4.9M
Confirmed cases globally\(^1\)

188
Countries with cases\(^1\)

~0.1M
Total no. of cases\(^1\)

~45K
Recovered\(^1\)

~64K
Active\(^1\)

Note: Continued cases and fatalities are subject to different testing, propensity, reporting standards and hence imperfect measures

1. [NDTV Corona Virus - Live Statistics Data - accessed on 21st May 2020] 2. [BCG Analysis, Source: Ministry of Health & Family Welfare (MoHFW) website; Press reports]; 3. Press Search [Deccan Herald] [Coronavirus: Red zone districts reduce from 170 to 130 in a fortnight]: 4. Press Search [The Economic times] [India’s COVID-19 recovery rate has improved to 24.56 pc; Niti CEO]: 5. Press Search [The Economic times] [Coronavirus in India: Recovery rate at 40%; only 6.39% cases needed hospital support]: 6. [BCG Analysis - No. of doubling days based on 7 day CAGR, Source: John Hopkins CSSE data]
The pandemic has created a never-before focus on health & safety

COVID-19 Cases 0.1M+ total cases in India

Web Trends ~120% spike in online searches on health & immunity in India post COVID

Demand of health products 49% consumers intend to buy more vitamins, herbs and supplements in the coming days

Public Policy

Social distancing and structural interventions will drive faster recovery

Public Health Measures Social distancing enforced via nation-wide lockdown

Industry Guidelines 12+ industries got relaxation in restrictions

Monetary Relief Measures ~$13Bn infusion by monetary relief measures by RBI

Uncertainty around income and weakened demand potential in near term

Income Uncertainty 60% of total household expenditure in hotspots; 45% of consumption in hotspots non-essential; 198M workforce employed in hotspot districts

Inflation / Price Indicators

• 70 bps drop in CPI
• 130 bps drop in WPI

Trade / Logistics Indicators

• 35% decline in exports and 29% decline in imports
• 14% decline in retail freight traffic

Market Sentiment Indicators

20% decline in Nifty index since 1st Feb

Economical

Consumer priorities being re-calibrated; certain behavior changes will stick long term

Consumer Sentiment 8 of 16 categories expected to see reduced spends in next 6 months

Web Traffic trends Medicine and Beverages with highest traffic growth

Media, Smartphone Usage Globally, ~3Bn average MAUs across Facebook, WhatsApp, Instagram & Messenger

Mobility 40%+ reduction in number of visits to public places due to lockdown and social distancing

Social distancing has been the key to fight disease globally and in India – making it the new way of living

Social distancing advocated as key measure to control COVID spread

India is actively following social distancing guidelines

India has observed a stark drop in number of visits across public places

Retail & Recreation

Reduction in number of visits compared to baseline

~85%\(^2\)

Workplace

Reduction in number of visits compared to baseline

~65%\(^2\)

Strict social distancing guidelines issued for reopening workplaces\(^3\)

Seating at least 6 feet away from others on job sites

Gap of 1 hr. between shifts & stagger lunch breaks

Globally strict measures followed to ensure social distancing

Up to 15 April 2020

10+ Countries
Closed public transportation\(^1\)

19+ Countries
Closed workplaces\(^1\)

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1. [Oxford COVID-19 Government Response Tracker] 2. [COVID-19 Community Mobility Report (April 17, 2020)] - The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020; 3. Press Search; [Live Mint] [Coronavirus lockdown rules for offices: 6 feet apart seats, one hour gap between shifts]
Even in the face of adversity, there are some companies who pro-actively find opportunities to grow

18% of Indian companies\(^1\) improved both growth & margin during the 2008-09 Global Financial Crisis, while 37% declined in both\(^2\)

Globally too, there are success stories of companies weathering historical crisis

- **American Express**
  - American Express was severely threatened in the 2008 financial crisis by rising default rates and falling consumer demand. The company pivoted on new partnerships and embraced digital technology. Its stock price has risen by >1,000% in the decade since\(^3\)

- **Uniqlo** - a retail brand in Japan – grew from 5% to 30% market share in 2 years of downturn (1999-2000) while growing margins – by pivoting their business model towards the white space of consumer need created by the crisis\(^4\)

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1. [Indian public companies with Market Cap > $10M, excluding Banks, Insurance, Asset Management companies] 2. [BCG Analysis: Based on revenue growth & EBIT Margin growth (from FY'09 to FY'12) compared to three-year pre-downturn baseline (from FY'06 to FY'09); Source: S&P Capital IQ Financial Statements] 3. BCG Article [Advantage in adversity: winning the next downturn] 4. [BCG Analysis, Source: BCG Valuescience, Analyst reports, Annual Reports]
As the current crisis unfolds in India, near term potential exists in pockets – need to look at the de-averaged picture

More than 22 states have less than 20% cases

Avenues may lie in different pockets

Companies should strategically prioritize reopening and scaling up business as lockdown starts easing across regions

Potential to target specific micro-markets further along recovery to 'normal'

Spending sentiment translating differently across categories; marketers need to react accordingly

**Right strategic actions needed to win disproportionate share**

<table>
<thead>
<tr>
<th>“Growing” Categories</th>
<th>Wave 1 23-26th Mar</th>
<th>Wave 2 17-20th Apr</th>
<th>Wave 3 30 Apr-03th May</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Daily essentials</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh foods</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Staples</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Household care products</td>
<td>Neutral</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Personal care products</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Utilities (electricity, water)</td>
<td>Neutral</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>At-home entertainment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile services</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Home wifi connection</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Paid OTT subscription</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>DTH services</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Saving / Investments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toys &amp; games</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Savings</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Insurance</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Preventive diagnostics/test</td>
<td>Neutral</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vitamins, herbs, supplements</td>
<td>Neutral</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Medical procedures</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>First-aid</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Education</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
</tbody>
</table>

**‘Shrinking’ Categories**

<table>
<thead>
<tr>
<th>‘Shrinking’ Categories</th>
<th>Wave 1 23-26th Mar</th>
<th>Wave 2 17-20th Apr</th>
<th>Wave 3 30 Apr-03th May</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacation / leisure travel</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Business travel</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Public transport</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>OOH</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spas, theme parks, concerts</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Restaurants</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Entertainment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movies at cinema hall</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Luxury brands/products</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Discretionary spends</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cosmetics, makeup, perfume</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Apparel / fashion</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Tobacco &amp; smoking supplies</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Alcohol</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Food delivery</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td><strong>Electronics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports equipment &amp; clothing</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Non-mobile consumer electronics</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Mobile electronics</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Home</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home construction / renovations</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Home furnishings and décor</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td><strong>Auto</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scooters / bikes</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
<tr>
<td>Cars</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Neutral</td>
</tr>
</tbody>
</table>
| **Note:** Question text: “How do you expect your spend to change in the next 6 months across the following areas?” Categories with Top 2 Box > (5% more than average) classified as winning categories. Categories with Bottom 2 Box > (5% more than average) classified as losing categories. Categories neutral across waves: Baby / children’s food, Non prescription medications, Prescription medicines, House rent, Home purchase & Home loans. Source: BCG COVID-19 Consumer Sentiment Survey March 23-26, April 17-20, 2020, April 30-May 03, 2020 (N = 2,106, N = 2,324, and N = 1,327 respectively)
Amidst the growing income uncertainty, opportunity to identify and sharply target least impacted micro-segments

Overall older & higher SEC consumers have relatively positive outlook

<table>
<thead>
<tr>
<th>Income</th>
<th>% expecting lower income in the next 6 months</th>
<th>% expecting higher income in the next 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC A</td>
<td>52</td>
<td>22</td>
</tr>
<tr>
<td>SEC B</td>
<td>60</td>
<td>14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spends</th>
<th>% expecting decrease in total spends in next 6 months</th>
<th>% expecting increase in total spends in next 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC A</td>
<td>42</td>
<td>34</td>
</tr>
<tr>
<td>SEC B</td>
<td>47</td>
<td>24</td>
</tr>
</tbody>
</table>

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1. Question text: “How do you expect your overall available household income to change in the Next 6 months as compared to before lockdown?” Note: Self-employed includes professions like doctors, CAs, yoga instructors, etc. Small business includes businesses with <10 employees and shop owners; 2. Question text: “How do you expect your overall spends to change in the Next 6 months as compared to before lockdown?” Note: Self-employed includes professions like doctors, CAs, yoga instructors, etc. Small business includes businesses with <10 employees and shop owners; Source: BCG COVID-19 Consumer Sentiment Survey April 30-May 03 2020 (N = 1,327)
The most fundamental change from this crisis is the change in consumer behavior.
Our research points to fundamental themes impacting consumer behavior

**SOCIAL DISTANCING:**
The new normal

- ~85% Reduction in number of visits to public places compared to baseline

**HEALTH AND HYGIENE:**
Top of the mind

- 49% Consumers intend to buy more vitamins, herbs and supplements in the coming times

**INCOME UNCERTAINTY:**
Here and now concern

- 54% Consumers expect overall household income to reduce in the next 6 months

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1. [COVID-19 Community Mobility Report (April 17, 2020) - The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020]
2. Question text: “How do you expect your spend to change in the next 6 months across the following areas?” [BCG COVID-19 Consumer Sentiment Survey 30-May 03 2020 (N=1,127)]
3. “How do you expect your overall available household income to change in the Next 6 months as compared to before lockdown?” [BCG COVID-19 Consumer Sentiment Survey 30-May 03 2020 (N=1,127)]
These themes will create different types of changes in consumer behavior – some more long lasting than others

REVERSAL OF PAST TRENDS

Wild cards; likely to be temporary surges

These are complete reversal of how consumers were behaving in the past.

These changes have mostly risen out of a constraint or fear vs. convenience or choice.

These trends will likely last in line with recovery period.

ACCELERATION OF EXISTING TRENDS

High potential permanent shifts in behavior

Consumer behavior was already moving towards these trends.

With the pandemic, the trends have gained momentum and accelerated.

Positive reinforcement is essential for consumers to adopt them in the long term.

NEW HABITS

Stickiness of change is yet to be determined

Entirely new habits developed during the pandemic and while social distancing.

Consumers who gain positive reinforcement out of the habits may retain them.

Ecosystem facilitating and feeding these changes can make it last longer.
11 trends of consumer behavior emerge
This will deeply impact purchase pathways in the new normal

**Reversal of Past Trends**

1. Bringing the Outside Inside
2. Trust in brand above all else
3. Trading down & bargain hunting
4. Shopping for Utility
5. Embracing digital services & experiences
6. Accelerated adoption of e-commerce and O2O
7. Strive for Health & Wellness
8. Rise of 'Smart shopper'

**Acceleration of Existing Trends**

9. Remote way of living
10. 'D'o 'I't 'Y'self
11. Superior hygiene & clean living: a new norm

**New Habits**

- Wild cards: likely to be temporary surges in line with recovery period
- High potential permanent shifts: linked to positive reinforcement
- Stickiness of change is yet to be determined
11 trends of consumer behavior emerge
This will deeply impact purchase pathways in the new normal

1. Bringing the Outside Inside
   - 79% consumers are not going out of house, except work

2. Trust in brand above all else

3. Trading down & bargain hunting
   - 43% consumers are expecting decrease in overall spend in next 6 months

4. Shopping for Utility
   - Purchase triggers expected to become more “functional”

5. Embracing digital services & experiences
   - 51% consumers saw an increase in payment via digital wallets

6. Accelerated adoption of e-commerce and O2O
   - 50% of all consumers expect to increase e-commerce spend in next 1 month

7. Strive for Health & Wellness
   - 40+% may increase spend on Health & Wellness
   - Superior hygiene & clean living: a new norm

8. Rise of ‘Smart shopper’
   - 51% consumers saw an increase in payment via digital wallets

9. Remote way of living
   - D’o ‘I’t ‘Y’ourself

10. D’o ‘I’t ‘Y’ourself

11. Stickiness of change is yet to be determined

Social Distancing
Health & Hygiene
Income Uncertainty

1. Question text: “What is your likely behavior for following activities once the Lockdown is lifted?”[BCG COVID-19 Consumer Sentiment Survey April 30-May 03 2020 (N=1,327)] 2. [KANTAR – COVID-19 Barometer India Research report – 3rd April 2020] 3. “How do you expect your overall spends to change in the Next 6 months as compared to before lockdown?” [BCG COVID-19 Consumer Sentiment Survey, April 30-May 03 2020 (N=1,327 respectively)]
With social distancing, indoor is becoming the new outdoor

### Pre-COVID, consumers showed inclination towards experiences

77% consumers indulged in experiences

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Respondents Who Did the Experience Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>61</td>
</tr>
<tr>
<td>Entertainment</td>
<td>49</td>
</tr>
<tr>
<td>Indulgence</td>
<td>33</td>
</tr>
<tr>
<td>Adventure</td>
<td>29</td>
</tr>
<tr>
<td>Personal Development</td>
<td>20</td>
</tr>
</tbody>
</table>

### With lockdown, consumers are being forced to stay indoors

- Trying to avoid public places: 85%
- Keeping a distance in crowds: 87%
- Not going out of house, except work: 79%

### Outdoor movement will likely continue to be restricted; consumers trying alternatives

**Movies in theatre**
- Immediately after: 12%
- Within a few weeks: 31%
- Within a few months: 38%
- In 1 year or more: 14%
- Never: 5%

**Eating out**
- Immediately after: 14%
- Within a few weeks: 33%
- Within a few months: 39%
- In 1 year or more: 13%
- Never: 1%

### ‘Old hobbies become survival mantra for many during lockdown’ - TOI

79% respondents who did the experience last year

### ‘Social Bonding in Physical Distancing’ - Indian Express

79% respondents who selected “I’m working from home now instead of going to office/ work place” [BCG COVID-19 Consumer Sentiment Survey April 30-May 03 2020 (N=1,327)].

Source: Press Search
Opportunity for brands to customize offerings and communication for in-home consumption

In India, the ‘Stay Home’ & ‘Ghar Pe Raho’ sticker was used over 6M times on Instagram

1 Brands adapting campaign messaging around 'Stay at home'

Brands offering interesting things to do while ‘Stay at home’

Brands delivering outdoor services inside your homes

Telecom players used Facebook to drive awareness for staying safe at home and promoting online transactions for recharge at home

Zee5 Global launched the 'stay home, stay entertained' campaign and leveraged Facebook to scale their subscription program, catering to entertainment seeking consumers in lockdown

SBI launched #GharSeBanking campaign on Facebook to maximize the adoption of digital banking products in the wake of the country wide lockdown

Source: Facebook case studies; 1. Facebook Internal Data

Turn the Tide
Unlock the new normal
Consumers gravitating to brands they can trust

Consumers focusing on origin of product and brand's response to the crisis; loyalty to trusted brands continue

- 65% Believe that brand's response to crisis would have impact on future purchase likelihood
- 63% Paying more attention to origin of products
- 59% Continuing to purchase same brand as always

Focus on product origin is much more pronounced in India than other countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Focus on Product Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>35%</td>
</tr>
<tr>
<td>India</td>
<td>63%</td>
</tr>
<tr>
<td>UK</td>
<td>25%</td>
</tr>
<tr>
<td>South Korea</td>
<td>46%</td>
</tr>
<tr>
<td>Italy</td>
<td>40%</td>
</tr>
<tr>
<td>Germany</td>
<td>20%</td>
</tr>
<tr>
<td>France</td>
<td>34%</td>
</tr>
</tbody>
</table>

Limited co-relation between brand awareness and trust across categories (25-50%)

Thus fair game for large / small / established / new brands to establish trust

Opportunity to build deeper customer relationships by responding to the crisis and being their "lockdown and transition partner"

Opportunity for "Made In India" play in messaging for categories where consumers will care more about local sourcing / product origins

1. [Edelman trust Barometer, 2020 (Global number; report includes India)] 2. [KANTAR – COVID-19 Barometer India Research report – 3rd April 2020]; 3. Data of only urban consumers [Source: CCI Survey & BCG analysis]
Both established and niche players are stepping up to deepen consumer relationship by building trust

**Responding to crisis and being "lockdown and transition partner"**

- **FB Give India**
  - Facebook’s ‘I For India’ concert to raise funds for GiveIndia COVID-19 relief
  - 85+ Top Indian and Global stars
  - 60+ Cr Raised for COVID-19 relief

- **OLA**
  - Launched Ola Emergency service to help citizens who are in need of taking medical trips amidst lockdown

- **Radisson**
  - Launched #RadissonCares across social media platforms to bring insights in housekeeping, F&B, elderly, health & wellness care

**Pivoting on "Made in India" themes**

- **ZOHO**
  - Launched 'Swadeshi Sankalp', to provide online platform for classes and free classes to govt. schools. Also providing free customer support software to govt. & meeting spaces

- **J&J**
  - J&J & Tulips are going to supply "Made in India" nasal and throat swabs for testing COVID

Source: Company website; Press/Social Media search; Facebook Case Studies
Markets may witness trading down in the short term; micro-market opportunities will emerge

Income uncertainty creating mixed sentiment; Both planned reductions & increased spends expected across categories¹

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>SEC A</th>
<th>SEC B</th>
<th>18-25 yrs.</th>
<th>26-35 yrs.</th>
<th>36-45+ yrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>% expt. increase</td>
<td>32</td>
<td>34</td>
<td>24</td>
<td>28</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>% expt. decrease</td>
<td>43</td>
<td>42</td>
<td>47</td>
<td>48</td>
<td>41</td>
<td>41</td>
</tr>
</tbody>
</table>

Expectation of deals/discounts is one of the key reasons to increase spends²

*Expecting discounts across categories ~35%*

Majority of those who reduce spends will prefer to buy a cheaper brand/variant³

*Planning to buy cheaper brand/variant ~70%*

Target micro-segments with more resilience (affluent, older etc.) in targeted campaigns

Explore value for money offers (e.g. discounts on volume / loyalty etc.) to attract this segment

Prop up value for money variants in portfolio and proposition to win this segment

¹Question Text: “How do you expect your overall spends to change in the Next 6 months as compared to before lockdown?” ²Average % of respondents across select categories expecting deals/promotions/discounts (as a % of consumers who are planning to increase spends) ³Min % of respondents planning to buy a cheaper brand/variant across select categories from consumer sentiment survey (as a % of consumers who are planning to reduce spends)

Source: BCG COVID-19 Consumer Sentiment Survey, April 30-May 03 2020 (N = 1,327)
Value consciousness will lead to more utility led shopping; right triggers can induce purchase.

**Purchases across many categories have been driven by more celebratory/experimental needs**

- Eat-out: 15, 20, 22, 30, 12
- Apparel: 15, 42, 12, 12, 20

**With growing income uncertainty purchase triggers expected to become more 'functional'**

- Functional: 54%
- Celebratory
- Spontaneous
- Experimental
- Ritualistic
- Upgradation

**Consumers are expecting lower income in the next 6 months**

54% Consumers are expecting lower income in the next 6 months.

**Transition in purchased triggers**

- "I must plan a party for Friday evening"
- "Let me experiment with this new style of jeans"
- "I am too tired working the whole week, should probably order home delivery"
- "I need to replace my jeans because these don’t fit me"

**Marketers are designing their brand messaging around in-demand use cases**

- Eat out restaurants like Dominos are highlighting additional utility around ordering home delivery like *reduced work around cleaning dishes etc.*
- Japanese creative agency Whatever collaborated with Japanese fashion designer Akihiko Kimura to create WFH Jammies, an *outfit that looks formal on video, but is loose & comfy outside the frame*.

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1. Question Text: Now I want you to think about the last time you purchased XYZ, what was the occasion/reason for your purchase? Data of only urban consumers [BCG Analysis, Source: CCI Survey]; 2. Question text: “How do you expect your overall available household income to change in the Next 6 months as compared to before lockdown?” [Source: BCG COVID-19 Consumer Sentiment Survey, April 30-May 03 2020 (N = 1,327 respectively)] 3. Press/Social Media search.
Acceleration in digital led by social media; more consumption across news, games & entertainment

Social media growing in importance as one stop for staying connected, entertained and well-informed

Increased preference for virtual connects - Voice and video calling more than doubled across Messenger and WhatsApp in hardest hit places by COVID¹

Increasingly wide reach – 3 Bn consumers actively using Facebook, Instagram, WhatsApp or Messenger each month¹

INCREASED DEMAND FOR DIGITAL CONTENT

Content producers are turning towards OTT
Producers court OTT platforms to cash in on summer movie season
- The HINDU

MORE TIME SPENT PLAYING ONLINE GAMES

New Players are entering the OTT segment
Snapdeal enters the OTT race, partners with Hungama play to offer video streaming content
- Business Insider

Engagement observed across the day²
“The most interesting thing is that while our user peak was between 8 pm and midnight, we now see a relatively flatter (and higher) engagement throughout the day”
- Founder, Rein Games

Social gaming apps are gaining popularity³
“Activity on social features of WinZo Games such as usage of video and audio while playing the game have also doubled”
- Co-Founder WinZo games

INCREASE IN CONSUMPTION OF ONLINE NEWS

COVID-19 serves a blow to print media
COVID-19 hits print media hard-ads as circulation dip, editions see major digital push
- ThePrint

Consumers are planning to continue behavior
63%
% new users likely to continue in future⁴

1. Facebook Q1 2020 Earnings Release/ Call Transcript - 2.6Bn MAUs just on Facebook 2. Press Search [YourStory] [Online gaming startups see a surge as India locks down to fight coronavirus]; 3. Press Search [Economic Times] [For Indian gaming startups, Covid-19 lockdown is a boon for business]; 4. Question Text: "Willingness to continue in next 6 months" [BCG COVID-19 Consumer Sentiment Survey April 17-20 2020 (N = 2,324)]; Source: Press/ Social Media search
Consumers embracing digital in historically offline categories like Education & Health and Fitness

Traditional learning models faced an unprecedented setback and digital emerged

- **32 Cr.**
  - Students hit by COVID-19 as schools and colleges are shut¹

  - Kendriya Vidyalayas go digital to impart education during lockdown - NDTV
  - COVID-19: IIT Roorkee resumes teaching through digital mode - HT Media
  - COVID-19 lockdowns: AICTE releases list of 41 free digital resources for students - HT Media

- **Unacademy Learning App**
  - Increase in time spent²
  - Unacademy launched 20,000 free live classes⁴

Social distancing and increasing health awareness led to interest in digital health services

- **90 Mn**
  - Health conscious individuals³
  - Theaters, gyms to be shut in Mumbai, 5 other cities in Maharashtra over coronavirus - HT Media
  - Coronavirus is making India’s gyms and dance studios sweat - Yahoo Finance

- **24 K**
  - Gyms and Studios across India impacted³
  - Locked gyms due to Coronavirus outbreak! How fitness industry sees innovation and growth - Financial Express

- **Sadhguru - Yoga, Meditation & Spirituality**
  - Increase in time spent²
  - Online Yoga Practice sessions to help immunity

- **Cure Fit**
  - Increase in time spent²
  - Cult fit started online classes to support consumers to workout from home⁵

¹. Press Search: [ThePrint] [In India, over 32 crore students hit by Covid-19 as schools and colleges are shut: UNESCO]; ². [BCG Analysis, Source: App annie data (Time spent data) – Change comparison March 4th Week vs March 1st Week]; ³. Press Search: [LiveMint] [How India pays for fitness]; ⁴. [Unacademy Blog – 12th March 2020]; ⁵. Press Search [Business Insider] [Cult.fit goes online to support people to workout from home amidst Corona shutdown]
Digital payment platforms become more important in the customer purchase journey

RBI pushes digital payments in the time of COVID-19

- Economic Times

NPCI urges India to use digital payments to reduce social contact and contain Covid-19 outbreak

- NPCI Press release

FinTech to the rescue: Rural India turns to digital modes of payment

- The Banking & Finance Post

![Digital payment platforms become more important in the customer purchase journey](image)

<table>
<thead>
<tr>
<th></th>
<th>% consumers¹</th>
<th>% consumers²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital wallets</td>
<td>51%</td>
<td>60%</td>
</tr>
<tr>
<td>Net banking/online banking</td>
<td>46%</td>
<td>50%</td>
</tr>
</tbody>
</table>

There is a 15% increase in incoming requests from offline merchants to partner with Paytm³ – PAYTM spokesperson

We are seeing an uptick in our switch partners from whom our users can buy essentials/staples such as groceries, medicine and food³ – PhonePe Spokesperson

1. Question text: “How would you describe your usage behavior in past 1 month” [BCG COVID-19 Consumer Sentiment Survey, April 17-20 2020 (N = 2,324)]
2. “How do you expect your usage behavior to change in the next 6 months” [BCG COVID-19 Consumer Sentiment Survey, April 17-20 2020 (N = 2,324)]; 3. Press Search [LiveMint] [COVID-19: Digital payments see uptick in user base]
Brands have started using digital extensively to attract and engage consumers

### Exploring new digital models and service innovations

<table>
<thead>
<tr>
<th>Brand</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cult.fit</td>
<td>Launched telemedicine services &amp; is offering 80+ online sessions daily, with over 25k+ members</td>
</tr>
<tr>
<td>BMW</td>
<td>Launched an immersive shopping experience online with a touch of personalization</td>
</tr>
<tr>
<td>Penguin eat shabu</td>
<td>Promoted to-go boxes with Facebook posts &amp; customers could order through Messenger – achieved 350 sales in one min</td>
</tr>
</tbody>
</table>

### Use of digital marketing to deliver broader brand communication goals

<table>
<thead>
<tr>
<th>Brand</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swiggy</td>
<td>Using app, Social media &amp; blog for Digital PR, safety standards and thought leadership</td>
</tr>
<tr>
<td>MAX Health Insurance</td>
<td>Vernacular video led campaign on OTT for #IgnoreNahiInsureKaro</td>
</tr>
<tr>
<td>Nykaa</td>
<td>Launched Nykaa Network, an online-only beauty forum to share beauty tips and strengthen brand persona</td>
</tr>
</tbody>
</table>

### Leveraging digital to engage with consumers

<table>
<thead>
<tr>
<th>Brand</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHO</td>
<td>Launched the #SafeHands challenge on social media platforms like Instagram, partnering with celebrities</td>
</tr>
<tr>
<td>Asian Paints</td>
<td>Initiated the #HarGharKuchKehtaHai campaign on Instagram to interact with the consumers in lockdown</td>
</tr>
<tr>
<td>UpGrad</td>
<td>Collaborated with influencers on Instagram to promote upskilling campaign #rahoambitious</td>
</tr>
</tbody>
</table>

Source: Press/ Social media search, Company website, Facebook case study
## Surge in preference for online channel sharper in India

<table>
<thead>
<tr>
<th>Country</th>
<th>Household care (%)</th>
<th>Personal care (%)</th>
<th>Fresh food (%)</th>
<th>Packaged food (%)</th>
<th>Health supplements (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>19</td>
<td>22</td>
<td>7</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>India</td>
<td>33</td>
<td>44</td>
<td>31</td>
<td>34</td>
<td>43</td>
</tr>
<tr>
<td>Brazil</td>
<td>4</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>18</td>
<td>33</td>
<td>12</td>
<td>13</td>
<td>47</td>
</tr>
<tr>
<td>Thailand</td>
<td>9</td>
<td>11</td>
<td>-16</td>
<td>3</td>
<td>26</td>
</tr>
<tr>
<td>Philippines</td>
<td>-6</td>
<td>-7</td>
<td>-12</td>
<td>-17</td>
<td>14</td>
</tr>
</tbody>
</table>

The reduction in e-commerce was caused by a shortage of delivery staff due to a strict lockdown.

Source: BCG COVID-19 Consumer Sentiment Survey, 2020 (N = 1,255 Brazil; 2,532 China; 2,106 India; 1,528 Indonesia; 1,017 Thailand; 1,015 Philippines).

Note: Question was “In the next one month, how do you expect your online spend for the following types of products to change?” (Focus on income segments middle class and higher.)
Indian consumers may spend higher on E-com, even for traditionally offline categories

≈50% of all consumers expect to increase E-com spend in next one month

Note: Question text: “In the next one month, how do you expect your online spend for the following types of products to change?”

Source: BCG Analysis - BCG COVID-19 Consumer Sentiment Survey (India), March 23-26 2020
Consumers increasingly becoming more health conscious

120% Spike in online searches on health & immunity

44-52% respondents may increase spends across sub-categories

1. [BCG Analysis: Online trend data (India) – April 1st week vs Jan last week]; 2. Question text: “How do you expect your spend to change in the next 6 months across the following areas?” [BCG COVID-19 Consumer Sentiment Survey April 30-May 03 2020 (N=1,327)]; Press search, trends analysis, BCG Analysis

This presents an interesting opportunity for brands across categories

Opportunity for H&W players to emerge as category leaders and demonstrate thought advocacy

Opportunity for brands from other categories to enter lucrative adjacencies in H&W

Opportunity to engage and attract consumers with tailored messaging around health and wellness
Brands are demonstrating leadership, entering lucrative adjacencies and highlighting benefits around H&W

**Demonstrate category leadership**

FirstCry launched a Thought Leadership campaign using FB Live to engage and help new parents through Live Online sessions during COVID-19

**Expand into adjacencies**

Dabur

Launched Tulsi Drops immunity booster packs to capitalize on the preventive healthcare trend

Godrej

GCPL expects shift in consumer habits with a greater focus on health, hygiene - evaluating launch of new products in the category

Amul

Launched ‘Haldi doodh’ (turmeric latte) known for immunity boosting properties

**Engage and Attract with messaging around H&W**

Kiehl's

Turned their Instagram page into a virtual mental health and wellness centre

Star

Partnered the initiative 'Muskurayega India' to help build hope & mental wellness in these times

Fastrack

Launched a digital film on Athletics day & fitness challenges in collaboration with HealthifyMe

Source: Press/ Social media search; Company website; Facebook case study
We expect salience of research and 'smart shopping' to become even more important post the pandemic

Pre-COVID, Indian urban consumers were trending towards 'smart' shopping

Consumers check 2+ data points during purchase

Top info checked across categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Manuf/Exp</th>
<th>Features</th>
<th>Manuf. Place</th>
<th>Reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>48%</td>
<td>30%</td>
<td>41%</td>
<td>30%</td>
</tr>
<tr>
<td>Gadgets</td>
<td>32%</td>
<td>30%</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Apparel</td>
<td>31%</td>
<td>17%</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
<td></td>
<td>63%</td>
</tr>
</tbody>
</table>

Most checked: ○  Frequently checked: ●

40% Consumers conduct online research before/during a purchase

With more health awareness and more caution around spending, research before shopping will become more critical

Coronavirus has made people more conscious of the journey
- Inc42

Locally produced products may fast become a necessity for retailers and consumers concerned about products originating from countries where novel coronavirus (COVID-19) has spread
- Nielsen

Importance of certain decision criteria will increase

Critical for brands to create a consumer pathway conducive for this 'smart shopper'

Enable frictionless digital discovery; transparent and clear info around decision making criteria

Seamless mixed pathways to allow an involved buying experience

Social media ever so important in Social distancing

WHO Health Alert service has reached 12M+ people via WhatsApp

~700M daily actives use WhatsApp and Messenger globally for calling, doubled since COVID-19 outbreak in many countries

Globally, ~3Bn average monthly active users (MAUs) across Facebook, WhatsApp, Instagram & Messenger, with 2.6Bn MAUs just on Facebook

Instagram Live views increased more than 60% in a week

Twitter

Dedicated Twitter handle for COVID-19 updates

Snapchat

Snapchat launched a new AR lens to connect with WHO’s ‘Covid-19 Solidarity Response Fund’

Brands have started leveraging the need for virtual connect in their brand messaging

**Brands are centering product messaging around WFH**

- **Peter England**
  - pushing their *summer spring collection as 'WFH clothing'* through brand sites

- **Airtel Xstream**
  - fiber highlighted consumers can enjoy *office-like internet* at home in their product messaging

- **Spotify**
  - has centered its communication on Instagram around "WFH" – asking consumers *how their work desks are looking like*

**Brands are leveraging consumer's need to socialize virtually**

- **Budweiser**
  - organized a *3-day virtual party* to engage with consumers

- **Shein**
  - organized a *global streaming event* with celebrities and influencers to support COVID relief

1. [Facebook Q1 2020 Earnings Release/ Call Transcript]
   Source: Press/ Social media search
From Do It For Me to Do It Yourself: Social distancing has triggered a new habit

Consumers have picked up new chores / hobbies during lockdown

...Leading to increasing traction on social media platforms

Opportunity for brands to innovate & engage via moment marketing & user generated content

Allen Solly
Launched a campaign for the kids line, asking consumers to create something with their kids and tag them

Borosil
Initiated a contest for the consumers to cook their favorite recipe and tag them to win

Apple
Started #TheAtHomeSeries on Instagram promoting consumers to share pictures clicked on iPhone

Interest in India (Dec '19-Apr '20)¹

Increasing media coverage on DIY topics

1. Online Trends Data (India)
   Source: Press/ social media search; Company website
Hygiene is here to stay: Superior practices getting embedded in consumer DNA

- Increased focus on hygiene
- Penetration increasing every week

Interest over time in India

- Indian Households washing hands more often now
- Couldn't purchase a hygiene category that they were looking for because of emptying shelves
- Bought a new hygiene category

> 2 lakh users added every week

> 1.5 lakh users added every week

Hand Sanitizers
(New triers % Penetration build up)

- Mar Wk1: 4.4
- Mar Wk2: 6.3
- Mar Wk3: 9.5
- Mar Wk4: 13.3
- Apr Wk1: 16.3

Hand Wash
(New triers % Penetration build up)

- Mar Wk1: 5.1
- Mar Wk2: 8.0
- Mar Wk3: 9.5
- Mar Wk4: 14.2
- Apr Wk1: 16.4

Stickiness observed in China in the aftermath of the pandemic

- Still buy masks and disinfect for storage at home
- Turn wearing masks into a daily habit
- Pay more attention to the sterilization and disinfection

1. [BCG Analysis, Source:Online trends data]; 2. KANTAR: COVID-19 Barometer India Research Webinar (3rd April); 3. [KANTAR: COVID-19 Barometer India Research Webinar (3rd April) – World Panel Division]; 4. [KANTAR Report - 10 Slides to Make You Think COVID-19, India – 23rd April 2020 - Urban India Data (March: Week 1, 1st to 7th; Week 2 8th to 14th; Week 3, 15th to 21st; Week 4, 22nd to 28th); April: Week 1, 29th to 4th; Week 2, 5th to 11th]]; 5. [KANTAR: COVID-19 Impact on Indonesian Attitudes and Behaviours report (14th April)]
Brands are responding with category extensions or benefit articulation around hygiene themes

**Established brands are entering into the hygiene category**

- Marico is foraying into the hand sanitizer category with the launch of sanitizer, as part of it’s Mediker brand, best known for anti lice shampoos.
- ITC has launched 2 products in hygiene space – ‘Savlon Surface Disinfectant Spray’ and a new hand sanitizer ‘Savlon Hexa’.
- HUL recently acquired feminine hygiene brand Vwash from Glenmark to expand its portfolio in the hygiene segment.
- Cavin Kare is launching hand sanitizers under Chic and Nyle brands including sachets and bulk packs.

**...while service sector is inculcating hygienic practices as key differentiator**

- Swiggy introduced ‘safety badges’ for restaurants complying with highest standards of hygiene (e.g. temp. checks, masks, 4 hr sanitation, safe packaging).
- PVR is planning alternate seating in movie theaters & hygienic practices in F&B serving.
- Indian Railways will likely reintroduce the 5x hike in platform ticket prices from pre lockdown in March to deter overcrowding.

**Innovations in hygiene & sanitization space to cater to evolving demand**

- Nippon Paint (Japan) developed Antivirus Surface Coating to safeguard against viruses from adhering to surfaces.
- Baidu developed an open source AI model to detect whether individuals in a crowd are wearing masks (97.3% accuracy) & a non contact infrared temperature monitoring system.
- AEON Big, a Malaysian supermarket retail chain undertook major sanitization & cleaning initiatives to continue operations during the COVID crisis.
- Starbucks China set up safety stations at entrances to do temperature checks & sanitization – 95% of its stores have reopened by March.

*Source: Press/ social media search; Company website*
The purchase pathway is undergoing a fundamental change.

What will it take for you to win?
The new pathway is changing and filled with opportunities: fast movers will win

Digital proliferation and changing choice drivers present opportunities

Delivering targeted, seamless shopping experience will be key to win

Opportunity to retain and develop brand advocates in the new normal

Portfolio & Messaging
- Strengthen Brand Positioning
  - Tweak messaging and portfolio focus to play in targeted, emerging adjacencies

Value Focus
- Tap Here and Now opportunity:
  - Induce and Incentivize purchase to deliver value

Channel & Engagement
- Capture the expanding online wallet
  - Win disproportionate share of new online adopters and aggressively retain customers

Presence & Influence
- Adjust to the new normal of engagement:
  - Significantly redesign your digital engagement with customers
Digital proliferation and changing choice drivers present opportunities

**PRE-PURCHASE FUNNEL**

1. **Build Social Connect in Social Distancing**
   - Engage with consumers in their context
     - Build surround with branded content from creators & publishers
     - Use in-home creative solutions

2. **Focus on Hyper-Localisation**
   - Connect with consumers where they are
     - Hyperlocal solutions for targeting, optimization, lead management & communication

3. **Bring alive Experiences with digital access**
   - New product launches, in-person demos
     - Virtual launches and product demos
     - Conversational solutions with chat bots for personalized recommendations

4. **Optimize Portfolio for Value creation**
   - Segmenting consumers to drive differential value
   - Showcase value for money: discounts, bundles

5. **Relook media mix model to build efficiency in acquisition**
   - Align to new media landscape
   - Accelerated role of regional
   - Catalogues for prospecting customers in adjacent categories

6. **Create personalized engagement @ scale**
   - Use social media for campaigns on trending themes and build saliency

7. **Win consumer trust**
   - Sequential messaging by cohort
     - Interactive & engaging story-telling on safety and wellbeing

Medium Term

Short Term

- Trading down and bargain hunting
- Shopping for Utility
- Strive for Health & Wellness
- Trust in brand above else
- Superior hygiene & clean living: a new norm
- DIY Do It Yourself

**Turn the Tide**

Unlock the new normal
Delivering targeted, seamless shopping experience will be key to win

8. Replicate In-Person experiences, from trials to conversion
   - Convert trials to sales
     - Digital innovations like AR/VR/Filters to solve "touch-and-feel" barrier

9. Build Online presence
   - Own Platforms and Influencing Marketplaces
     - Direct to Consumer models
     - Collaborative Performance Ads
     - Partner with online retail partners
     - Conversational Commerce with Messaging tools

10. Create cohorts for deep customer connect
    - Micro targeting
    - Custom audiences to gain scale

11. Create Financial Access
    - Payment / financing options e.g. EMI, spot loans
    - Segmented communication

Medium Term

Short Term
Opportunity to retain and develop brand advocates in the new normal

Remote way of living

Rise of “Smart shopper”

Trading down & bargain hunting

Strengthen CRM solutions

- Messaging for post sales communication and other digital CRM tools

Drive Value by repeat purchase and consumer up-trade

- Remarket with customized offers for up-trade or repeat purchase
- Incentivize social peer recommendation to create post purchase advocacy

Medium Term

Short Term
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