

A STUDY OF CHALLENGES & MANAGEMENT OF THE SUPPLY CHAIN OF FMCG COMPANIES DURING AND POST-PANDEMIC

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ABSTRACT:

As the world wrestles with human and monetary emergency disentangling before us, the supply chains are getting themselves in the public eyes and encountering various difficulties of their own kind. As this pandemic emergency developed and the countries have started imposing lockdowns, the supply chains have completely faced new experience: more than excessive demands where consumers are stocking upon the goods so as to survive within the lockdown periods or buying months' worth goods in a single day. Then the maintenance of social distancing and all the other preventive measures must be followed. The difficulties in supplying goods due to lockdown is also being discussed.

KEYWORDS: Pandemic, Emergency, Supply Chain, Lockdown

I. INTRODUCTION

COVID-19 is a disease which is caused by coronavirus. This virus was not known till the time the outbreak began in Wuhan, China in December 2019 - whose rate of infection is getting higher day by day. The first person to have been found affected by coronavirus was a 55-year-old man from Hubei province in China, on November 17, 2019. During the early times, the virus was suspected to spread from things being sold in the wet market. Later, this proved to be a myth as some more people emerged to be affected who seemed to have no contact with such markets. Now, it is thought to have originated from bats and somehow, transferred to other animals, namely pangolin which then transferred to human beings. Anything and everything about this deadly disease is not confirmed and still research is going on to get rid of it. COVID-19 is considered as a highly contagious disease and is spreading from people to people, the droplets from nose or mouth which come out when a person infected with the disease sneezes or coughs which are small enough to remain aloft in the air. Moreover, the disease is spread through contaminated objects or surfaces then being in crowded places or places where adequate ventilation is not there. People are being trapped by the disease without any symptoms - this is becoming a major challenge to be faced. This disease captured the world and got declared as Pandemic. There is a rapid increase in the number of infected people across the world, along with a massive number of deaths, but are no signs of subsiding.

World Health Organisations (WHO) experts have decided to travel to China so that they can work in collaboration with the Chinese counterparts to prepare scientific plans for identifying the zoonotic sources of this virus.

There are various sectors which are facing slowdown or disruption due to coronavirus, such as - Retail, Real Estate, Automobile and many more. The banking sector which claims to serve people in hardest time is now facing problems and if in the upcoming months NBFCs face any problems, it will directly affect all mainstream banks. In simple terms, NBFCs have taken loans of Rs. 8.04 Lakh Crore from the banks, this money has been used by NBFCs in the market as loans. Now, if this loan is not repaid to NBFCs, these companies will not be able to repay the banks, thus, the banks will be affected.

The Fast-Moving Consumer Goods (FMCG) Companies are majorly affected by this pandemic and the lockdown. The sector has undergone several impacts where each aspect is facing serious and difficult times ahead.

II. BACKGROUND OF THE CASE

With the basic understanding of the working of FMCG this is clearly understandable that a common man would not be untouched if any sort of economic crisis grips this sector. FMCG Companies consists of all the items that can be sold at comparatively low prices and are consumed relatively quicker, it is a company that produces such goods. The examples of fast-moving consumer goods include - packaged food, beverages, toiletries, and many other consumer goods. This sector includes pharmaceuticals, consumer electronics, chocolates, and others as well. The three main components of this sector are: food and beverages (19%), healthcare (31%) and the remaining 50% by household products and goods used for personal care. These goods can also be said as consumer-packaged goods. Some of the renowned FMCG Companies are Unilever, Nestle, Britannia, Dabur India Ltd., The Coca-Cola Company, and many others.

The basic includes of FMCGs or the demands of the people are: Soft Drinks, Fruits and veg, Confectionary, Alcohol and tobacco, Baked goods, Meat and other poultry products, Dairy products as well as the Medicines.

FMCG sector is the fourth largest sector of Indian economy, the goods are produced, packed, distributed, marketed, and consumed within a short period of time.

Now, discussing the very used term these days - lockdown, which can be understood as staying at home or wherever one is, one needs to reside there for a specific period of time or as an emergency protocol that restricts the people from moving from their places due to the safety measures and to refrain from getting coronavirus. By early April 2020, 3.9 billion people underwent some form of lockdown, the Government of India also imposed the first lockdown on 24 March 2020 which lasted for 21 days and was later extended further.

The country is witnessing a phase where everything is leading towards backwardness: the economy has suffered, the ones earning on daily basis suffered the most. Moreover, masses are getting unemployed. According to an article in the newspaper, 20% of the people have the risk of losing their jobs.

Before COVID-19, these consumer goods were sold in large numbers at high volumes at low costs and were consumed timely. All the things before the spread of this pandemic were going organised and well-planned, the plan for working of the companies, the forecasts are already set beforehand on which the company works. But now the time has come during this pandemic that the companies must work on an immediate basis on current time models.

III. CURRENT SCENARIO

Amidst the spread of COVID-19, the companies are searching for new methods, new technologies and are in the need of some advanced solutions which can help them during this period and come out of the losses being incurred. The development of physical constraints is a major setback which the industries and companies are facing; only access to digitalisation can be a solution in such cases. The traditional methods are not applicable.

Our honourable Prime Minister Mr. Narendra Modi also said that the people who were already having a hand in technology are facing lesser problems in comparison to the newer people.

The *Kiranas* are also undergoing issues as now, the distributors are dealing in cash and the seven to twenty-one days credit which was offered before, is not the same as before. Furthermore, due to the lockdown the products of some reputed and renowned brands are not available on the shelves which proved to be beneficial for the smaller brands to pop up.

A panic demand of all the basic goods was reported as soon as the government-imposed lockdown, it can be understood as 79% of the sales of these consumer goods increased in the fourth week of March. Later on, 47% decline was observed in the sales of fast-moving consumer goods bringing losses to the sector.

Based on recent reports, it has been noted that there is a 10% fall in the value growth of this sector in comparison to the previous year. A fall has been observed in all the food as well as other products. The companies have themselves said that the growth rate they expected for the year is not the same.

Survival has become more difficult than before. Market demand fluctuation rate is very high and has become unpredictable. Manufacturing has been worst affected due to the shutdown of labourers and the scaled down operations. Constant searches are going on in order to find new business models. Traditional distribution and

marketing procedures have been disturbed, causing hindrances. The path of survival is now full of more obstacles and hurdles than before.

IV. FUTURE PROSPECTS

There are two sides of a coin, similarly, COVID-19 also has its own pros and cons. We are all aware of the negatives, the positives should also be counted on- it is leading us to a more digitized nation, new patterns are being developed and with the help of this the demands are being understood and efforts are being made for its fulfilment. People have become more tech savvy, remote working is being experienced, man as well as industries are gaining experience of virtual mode. The use of digital technology has become a trend. Talking about the environment, drastic changes have been observed, due to the lockdown - the movement of people reduced or in fact ceased, which lead to cleaner airs and provided health benefits to all. In just 21 days, Delhi's pollution was observed at satisfactory or good level.

The fast-moving consumer goods sectors are more likely to tie up with the firms that are in the business of delivery platforms, for example – Zomato, Swiggy, Dunzo and many others so that the distribution chain does not come to a stagnation. Earlier when there was no such situation these companies depended on near-by shops for selling their products. Several other food products like Parley and IBM have joined hands and are working upon creating an intelligent supply chain.

During the harsh time of pandemic, survival has become a problem but as soon as it ends, revival will be a big challenge to be faced by all the industries and various sectors. Tough competition will be faced by the companies within themselves in order to get back to normalisation.

V. TURNING POINTS

However, it is the firm belief of FMCG Companies that it will hardly take two to three weeks for them to get back on the track. The lockdown 3 and lockdown 4 has brought comparatively more leniency to the companies.

The supply of the packaged food materials will take a longer time period to be delivered due to the paucity of workmen or the delivery agents. It has been ordered by the government that these companies would also be responsible for providing hygiene products to the people along with the other daily products. With the new ease which has come in the supply chain of these FMCGs the companies would be prepared with the consumer products which they sell and more importantly, which are in demand by the people. However, a major challenge being faced by them is the shortage of manpower which will somehow affect the production process as most of the labourers have moved to their hometowns due to the lockdown and also keeping in mind the safety concerns and their health issues. Some of the FMCG companies have resumed their production processes while some have stopped their operations.

As per the report given by companies the production process or their production capacity is around 20% to 40%. The production also depends upon the availability of raw materials, the amount of energy or the force required, availability of resources and availability of workers in that area. All these factors play a vital role and then the faith of the customers on the brands and finally the distributors who are in the role of home to home delivery.

The FMCG market is expected to grow 9 to 10% in 2020 and is estimated to reach US\$ 103.7 billion in the year 2020.

Taking in view, the positives identified are:

- Hindustan Unilever Limited (HUL) came into an agreement with Glenmark Pharmaceuticals Ltd. with the aim to acquire its intimate hygiene brand VWash - March 2020
- Marico acquired Zed Lifestyle-run grooming products platform Beardo - 01 July 2020
- Tata Consumer Products Limited (TCPL) acquired PepsiCo's stake in NourishCo Beverages Limited - May 2020
- 33.42% stake of Delectable Technologies was taken over by ITC Limited - November 2019

COVID-19 proved to be a threat to various companies as they have been financially ruined, but there are some companies who rose other than FMCG Companies:

- Reliance Industries Limited (RIL) made various deals and the CEO - Mukesh Ambani has gained a net worth of \$74.6 Billion and is now the world's 5th richest person.
- Amazon's share price increased by 7.9%, he added \$13 billion to his net worth making it a total of \$189 billion - this is the biggest one-day hike in net worth for an individual on Bloomberg Billionaires Index.
- PM Modi said to investors at the India idea Summit, "India is emerging as a land of opportunities. India invites you to invest in the hard work of our farmers. India has done historic reforms in the agriculture sector recently. To grow more streams of revenue, the best time to tap investment opportunities in India's agricultural sector is now."

Other benefited sectors came out to be:

- Electronic Payments: Though the transactions have been reduced, yet the trend of MasterCard, visa have been benefited.
- Video conferencing: There is no substitute for face to face discussions but to facilitate better conversation during the situation platforms like Zoom Meeting, Microsoft and MS-Teams are being used. Zoom experienced an increase in the share price by 130% and Microsoft active users increased by 12 million.
- Online grocery delivery and ordering all the daily essentials online has come in practice.
- Netflix gained 16 million more subscribers; the gaming sector is also being benefited.
- ekincare online consultation platforms witnessed a 200% growth as people have become more conscious.
- Companies have entered the making of masks, sanitizers, gloves bringing in revenue.

VI. NEW IMPLEMENTATIONS & ADOPTIONS

The Home Minister has allowed the delivery of all the products irrespective of it being an essential and non-essential product. Now, few shops are also granted permission for them being opened, thus, the FMCGs can also be purchased by the people directly themselves from these shops.

VII. COLLABORATIONS AND MERGERS

Some of the popular companies have joined hands with Mervyn which is a digital platform for trucking but, again during the pandemic the drivers of this famous company have relinquished the vehicles and left for the places where they grew up, thus, affecting the supply chain of the FMCG Companies. The companies are unable to make promotions or new advertisements for their products which is also a reason of their sufferance. The corona virus pandemic has brought the economy to a standstill while earlier it was at a much better pace.

Basically, these companies require a supply chain reinvention to be successful and meet the requirements of the people during this war. Delivery forums such as Swiggy, Zomato and Dunzo have already been mentioned. Flipkart and Big Basket have come together with cab organisations such as Uber for the delivery of goods to the consumers.

VIII. KEY AREAS OF FOCUS

a. IMPOSING LOCKDOWN

The FMCG Companies are facing logistics issues. The movement of the products and goods is restricted due to the paucity of suppliers such as the trucks - the movement is stopped due to the lockdown. In a report, it was stated that the pandemic will reduce the FMCG sector by 16%.

b. PAUCITY OF RAW MATERIALS

The paucity of the raw materials leads to decreased supply of goods. When there is more demand than the supply of the goods the prices of the commodities also rises. According to the report by Retailers Association of India (RAI), the production is also facing huge layoffs as well as the distribution system is highly affected.

c. DIVERSION IN CONSUMER DEMAND

One of the major challenges being faced by the company apart from supplying products is the change in consumer behaviour due to the corona virus lockdown. One repercussion can be identified as panic shopping. The people are in the fear of shortage of goods, which has led to their increased demands, i.e. the demand of FMCG increased. Irrespective of the size of the brands the consumers are purchasing leading to the upward movement of demand graph. When there is excessive demand the supply of the commodities decreases thus leading to Excess Demand. Moreover, due to lockdown the production centres are affected due to which the production of FMCG is delayed. A delivery boy who was working in the restaurants and delivering eateries from door to door was infected with the disease and in all the nearly seventy houses he delivered food all have been taken under quarantine. This has also set an imprint in the minds of the people as they now fear the online shopping, thus, again reducing their demands. The hardships of the FMCGs again went in vain as it had joined hands with these delivering companies and now again, people have lost faith in it.

d. HINDERED TRANSPORTATION

The lockdown has caused disruption not only in manufacturing but also in the transmission of goods, due to which most of the goods seem to be destroyed with the retailers only. The fast-moving consumer products such as wheat, flour, rice, pulses and other products, their availability seems to be reduced in the grocery shops. The brands must encourage to opt for online shopping instead of physical shopping, for this both the companies as well as the customers will have to take a step ahead.

The salesmen are also facing several problems as they have to maintain social distancing. Due to lockdown, the movement of the salesmen is also restricted and are unable to go to the outlets. The face to face interaction is hindered, people are buying from the local brands thus, the big brands are losing their customer base.

IX. SUGGESTED SOLUTIONS - Opportunities in India**a. ADOPTION OF NEW TECHNOLOGIES**

The corona virus has enforced the companies to take steps out of their comfort zones due to the lockdown, unavailability of workers, raw materials and other such things, the traditional ways have to be discarded and new ways are required to be brought in.

FMCG companies have come up with new technologies to meet in this duration. There are no restrictions imposed on the agriculture sector by the country. Therefore, there will not be any shortage of daily products and food materials. The e-groceries are successfully meeting the demands of the consumers.

b. WORK FROM HOME

The FMCG companies heavily trust on distribution centre staff. To guarantee the wellbeing of the staff members the organisations must empower turn-based movements small amount of workforce in order to reduce the physical contact with each other. Companies like Hindustan Unilever, ITC and many others have adopted the policy of work from home, the presence of working staff physically is neither required nor mandatory. There are meetings being conducted via video calls and conference calls.

c. UTILIZATION OF TIME

The business owners must spend their free time in learning and training, they have an opportunity to think of new models or new products to work upon as making hay while the Sun shines is the best thing.

d. ANALYSE FINANCES

The companies must pay attention on every expenditure being made at this point of time and keep a track of it, should view their financial status and try to evolve new ways and modern techniques which can be helpful for them during the pandemic as well as post pandemic.

e. CORPORATE COMMUNICATION

It is also very important to keep in touch with the employees and not hand over them with their resignation letters. All the steps being taken by the companies must be transparent and no worker or labourer should be under the impression of being cheated upon as this will further create fractions in the mindsets of the people post the pandemic.

X. CONCLUSION

This corona virus pandemic is a once in a lifetime crisis which is being faced by most of the businesses. It is comparatively easier for the big businesses as compared to the small businesses or small firms to survive in this pandemic as they have resources to rely on, while the small companies do not have neither the resources nor the cash to be dependent on or which can be used in later future to restore from the condition facing presently. The people instead of looking on the number of corona virus affected should focus on their mental and physical health, think positive and try to make the most of the time.

There are a number of questions arising that whether the companies will prosper after the lockdown ends and the end of corona virus or the companies will have a vision of failure. The management of the supply chain of the fast-moving consumer goods companies is affected during the pandemic and will also have its consequences on the companies post the pandemic. Now, it completely depends on these FMCG companies that how that handle the situation and tackle with it. This pandemic may have both the positives as well negatives impacts, it depends on the companies how they see it, how they make use of new technologies and innovations in order to not to face the repercussions of this world wide crisis. The economy of the whole world has fell drastically which needs to be improved upon once the pandemic ends.

All the things after the pandemic cannot be started the way they were on going before the pandemic instead there will be some required changes for the betterment and development of the companies.

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