

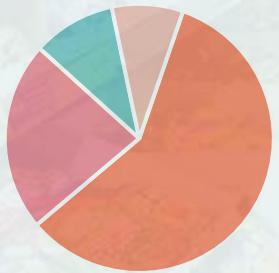


Winter Consulting Project 2024



Project

The Impact of Quick Commerce and Inflation on Premium FMCG Sales in Tier-1 Indian Cities



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How Quick Commerce is boosting FMCG Sales in India?

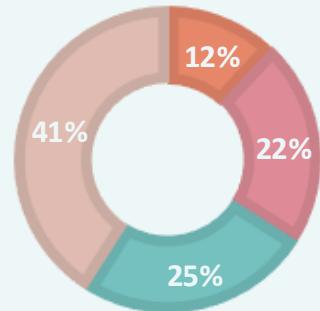
- In FY24, leading FMCG firms reported a nearly 2x increase in the share of quick commerce within their total e-commerce sales, reaching around 35 percent of online sales.

- As per Deloitte report, About 45% of consumers reported purchasing groceries online via quick commerce across India. In Tier-1 cities, this trend is even more pronounced, with 49%.

- According to the NIQ Mid-Year Consumer Outlook Report, over 70% of urban Indian consumers are willing to pay a premium for products that last longer.

CHANNEL PREFERENCE (%) OF URBAN CONSUMER)

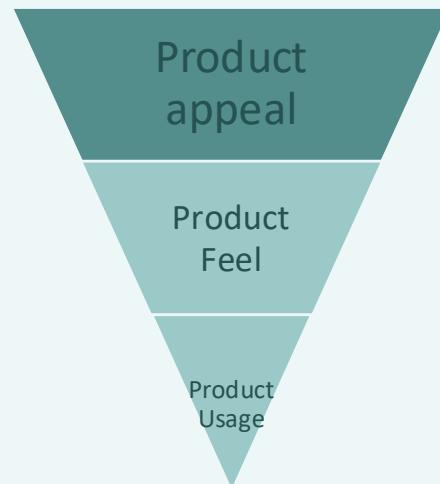
■ Quick commerce ■ E-commerce
■ General Trade ■ Modern Trade



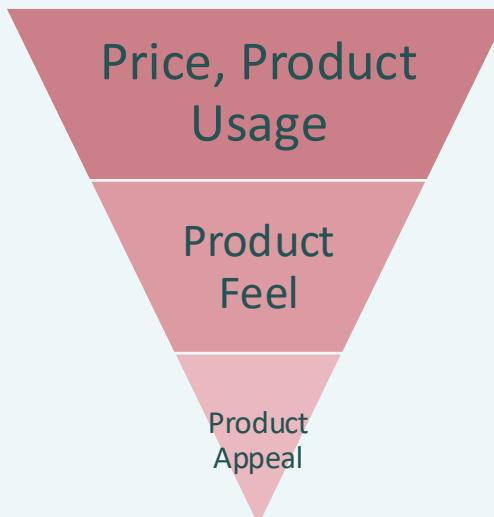
Source: NielsenIQ

How different factors influence consumer decisions?

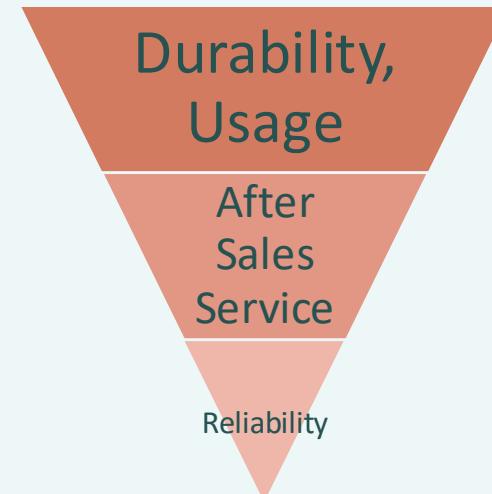
- Gen Z shopping habits reflect how they prioritize product appeal, feel, and functionality over price, reflecting their inclination toward quality and experience.



- Millennial buying behaviour is valuing rational decision-making, with equal consideration for price, functionality, and aesthetics when shopping online.



- Gen X consumers place a high value on durability and reliability.



How Inflation impacts premium FMCG sales?

- Premium product sellers opines that although the inflation has impacted consumer behaviour, they don't see its effect on premium segments.
- "Price sensitivity among consumers has undoubtedly been impacted by inflation, but demand for premium products has remained strong, especially in categories that cater to lifestyle and health-conscious consumers," said Salloni Ghodawat, Director of Ghodawat Consumer Ltd.
- "While rural demand has been growing quarter on quarter, we expect a recovery in urban demand as the new year progresses. Premiumisation is expected to continue, and this will help improve value growth in 2025," said Dabur India CEO Mohit Malhotra



Premium Sales in Urban Market

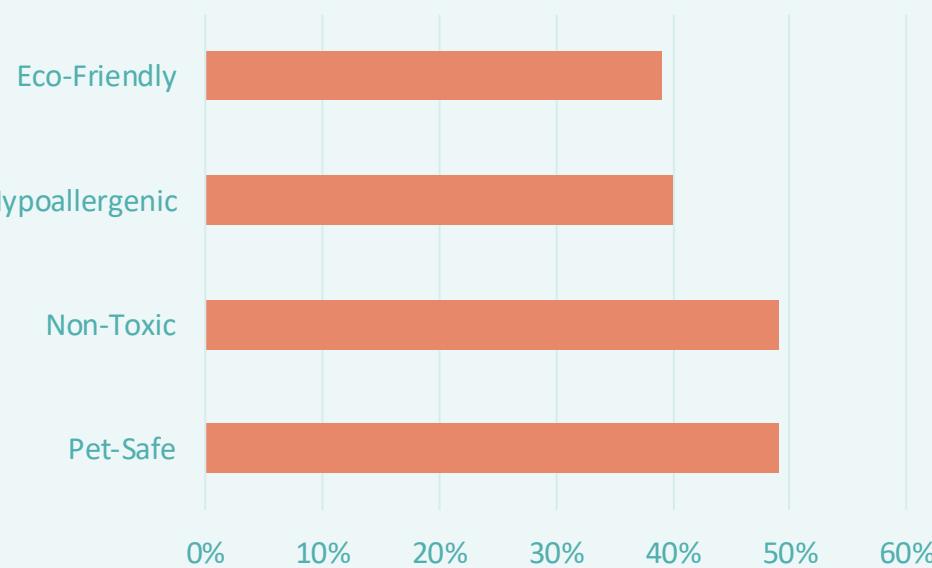
In FMCG Sector

- Discretionary premium products like bottled soft drinks and fabric softeners saw rapid growth.
 - Soft drinks crossed 50% penetration, with household consumption up by 250ml in two years.
 - Fabric softeners and washing liquids have also seen significant increases in consumer spending and volume consumption.
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- A report by Google underscores the importance of digital influence in purchase decisions, stating that 70% of Indian consumers are influenced by digital channels early in their buying journey.
 - There is a greater demand for pricier, more discretionary products like cosmetics in urban markets where the per capita FMCG consumption is 1.5-2 times the national average.

Consumer survey on premium purchase

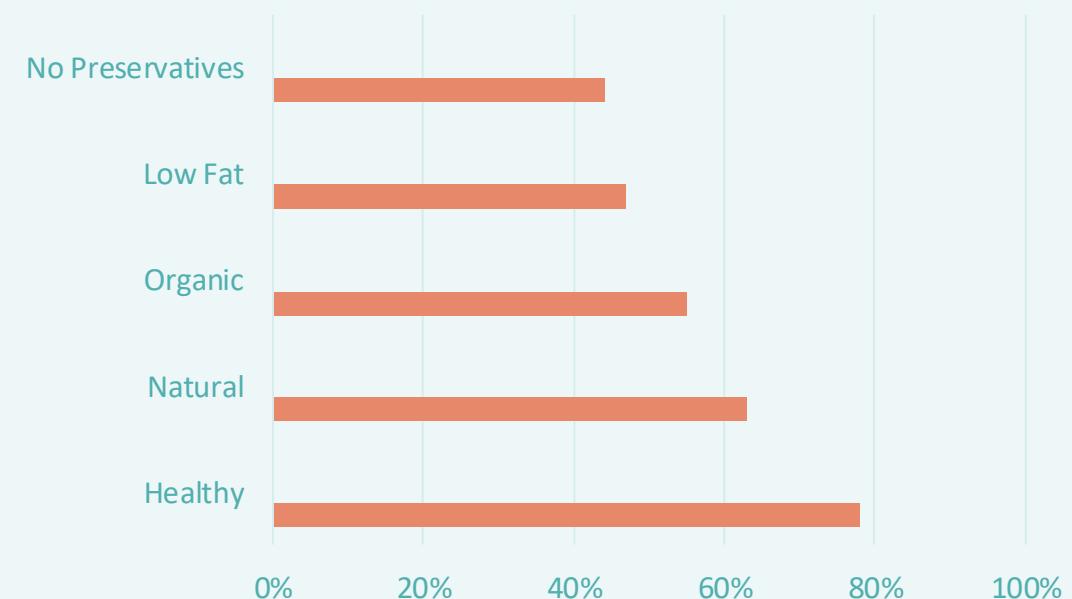
Home, beauty and personal care

% of consumers willing to pay a premium for certain attributes



Food and beverages

% of consumers willing to pay premium for attributes



How FMCG companies can sustain growth in premium sales?

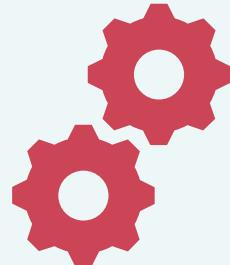
- As now the consumers are more concerned for their health, so increasing sustainable products and branding in the favour of nature can drive premium sales to a large extent



- In food and beverages, there is rising demand for regional flavours and people love to taste these local flavours, so local taste can be domain for premium food industry



- To boost premium sales, focus should be made on quality product and services which deals with consumers day to day concerns



Balance between inflation and premium sales

- As we analyzed, there is not as large impact on the sales of premium products due to inflation, so this sector is less vulnerable and can be boost by introducing quality defining pricing strategy and giving more focus on sustainability.



- Allow customers to customize their product
- Offer product bundles at slight discounts to increase volume sales
- Invest in technology advancement to cutdown operational cost and product research to offer more concerned solution

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Thank You!