

'Govt must take short-term steps to drive consumption'

Suneera Tandon & Shuchi Bansal
NEW DELHI

The government must take short-term steps and boost domestic manufacturing to create jobs and tide over the economic slump caused by the coronavirus pandemic, Saugata Gupta, managing director and chief executive officer, Marico Ltd. Speaking in an interview, Gupta said the government must adopt short-term measures and boost domestic manufacturing to create meaningful employment to tide over the economic slump. Edited excerpts:
According to Nielsen, demand in August was muted. What's your take?

It varies from portfolio to portfolio. Initially, in quarter one and up to the first 2-3 weeks of April, there was a lot of pantry loading and a good skew towards food. The lockdown and covid cases were concentrated in a few metros and, therefore, it was far more predictable. For most items of daily consumption, the industry started showing growth in May and June which reflected on the performance of fast-moving consumer goods firms. Because of increased consumption at home, health and hygiene, food and immunity were growing.

In Q2, the covid spread became a little more unpredictable. There's also some trend of people moving out and ordering food. In September, there has been an escalation of covid cases (causing anxiety and fear). I don't think FMCG companies were able to operate at 100% levels in terms of distribution. So given all that, I would think there could be a mild slowdown this month. Again, it depends from company to company because a lot of the growth will be on larger players and trusted brands gaining market share.

How is the September quarter

“The distress due to job losses and migration to rural areas has led to urban demand being slightly more challenged.”

SAUGATA GUPTA
Managing director and chief executive officer, Marico



looking for you?

We are almost at the end of the quarter, so I will not get into the details. We started seeing growth from May, and the trend continues. **What steps can the government take to boost consumer confidence?**

The situation is tricky but we have to take some steps now to drive a little bit of consumption. I think, accelerating the execution of encouraging manufacturing for exports,  **INTERVIEW**

because that will give jobs. After covid, there is a clear imperative for a lot of nations to diversify supply chains, and India has the opportunity. But it has to be executed well to capitalize on it, otherwise other South-East Asian nations will capitalize on it. To me that creates significant amount of employment. Second, there's need, maybe, for some short-term measures to drive consumption. Having said that, hopefully, covid cases will come down because when there is anxiety, the feel-good factor also gets impacted and people are usually careful in terms of spending. So, a combination of all these three has

to work. I think the worst is over, but the speed of recovery will be a factor if all three converge somewhere. **Is there a gap in rural and urban demand? How can urban distress be managed?**

You would recall that rural had slowed down last year. I would say in relative terms, rural is more stable. The harvest has been good, significant money has been poured in, whether it's for grains or M N R E G S (Mahatma Gandhi National Rural Employment Guarantee Scheme) and the migration from urban to rural. So, companies with direct rural distribution are more likely to gain. In urban areas, covid cases are higher, therefore, outlets are closed, people are not coming to work, so I don't think anyone is operating at 100% optimal capacity.

There is also channel change—whether it is topping up from the local kiranas or buying from e-commerce. People are unwilling to drive or travel 6-8 km to shop in organized retail, so modern trade has declined. To top that, I think the distress due to job losses and migration has led to

urban demand being slightly more challenged.

Are you seeing downtrading?

That's currently the trend. It is very important to pass on value to the consumer because people still want trusted brands and that gives them the opportunity to down-trade within a brand. Although discretionary spends on personal care such as skincare are limping back to normal, it is still not delivering growth. So, the focus is on essential categories of daily consumption.

Will new launches boost Marico's topline?

We are focused on two things: health and hygiene, and food. Food is a far more aggressive strategy to grow. Last year, we did slightly below ₹200 crore (in food). We are extremely confident of getting to ₹300 crore-plus this year, and then to ₹450-500 crore in the following years. We are changing our strategy on food. Instead of trying to do niches, we are looking at slightly larger categories with high market share. For instance, we're looking at immunity, we launched honey, and initial trends are positive.

suneera.t@livemint.com