



# AN EXPLORATION OF COVID-19 PANDEMIC AND ITS CONSEQUENCES ON FMCG INDUSTRY IN BANGLADESH

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## ABSTRACT

The main objective of the article was to explore the impact and consequences of Novel Coronavirus (2019-nCoV) on the FMCG Industry in Bangladesh. To achieve the research objective Qualitative methodology was applied by using focus group discussion on online platforms during the movement restriction period. We collected data from four informants and they were chosen based on their professional relevancy with the FMCG industry. Existing documents were also analyzed. This study found that COVID-19 has significant negative impacts on the fast moving consumer goods (FMCG) industry. The informants provide the miserable scenario of the industry during this pandemic besides suggesting possible corporate strategies. This article discusses the impacts of COVID-19 in Bangladesh, to provide a better understanding to government and practitioners of why improving the management of response to infectious disease outbreaks is so critical for a country's economy, its society, and its place in the global community.

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## INTRODUCTION

A significant contributor to all economies is the Fast-Moving Consumer Goods (FMCG) market. All segments of society, regardless of social status, income segment, age group, etc., consume such items every day. Examples of these FMCGs are prepared foods, snacks, toiletries, counter medications, clothes and footwear, beauty and personal care, consumer safety, eyewear, home care, hot drinks, frozen foods, personal products, pet care, soft drinks, tissue and grooming, toys and games (Ray et

al., 2016). Due to low penetration rates, a well-established distribution network, low operational costs, lower per capita demand, a large consumer base and clear manufacturing processes for most products, the FMCG sector is more profitable, resulting in relatively low capital expenditure (Patil, 2016).

This industry was seen as an island of stability in an ocean of competitive industries during a time of economic instability. By 2025, the industry's global market size is predicted to hit \$1.5 trillion with a CAGR of 5.4 percent (2018-2025). Increased consumer awareness and lifestyle improvements are the main drivers of growth for this business. Every household individual spends mostly on FMCG products on a monthly basis. The amount of money that flows to the FMCG product through the economy is very high because the volume of FMCG product customers is huge and there are also large numbers of competitors on the market that make it difficult to gain abnormal profits. In Bangladesh, the FMCG industry can be split into three major groups: Food and Beverage, Personal Care, and Household Care Industries (Ashik, 2018).

There are 59 fast-moving consumer goods (FMCG) producer companies listed in the Registrar of Joint Stock of Companies, Bangladesh, according to the Registrar of Joint Stock of Companies and Firms (RJSC) database. As a gold mine for the FMCG industry, it represents very high consumption costs. Annual domestic consumption of more than \$130 billion as of 2015 (bdnews24.com). This sector is one of the fastest growing segments of the industry. The high population estimates of the country (164.67 million) make the FMCGs industry very promising. Private consumption growth has also risen over the years, with a large rise in GDP (Polash et al., 2020).

GDP growth in FY 2016-17 was 7.28% compared to 7.11% in FY 2015-16, while private consumption growth in FY 2016-17 was 10.3% compared with 9.1% in FY 2015-16 (Daily star, 2017). Even in the harsh economic conditions of Bangladesh, the FMCG market continued to grow at a respectable pace of over 9% (Uddin et al., 2016). But the development of this sector is under pressure leading to the prevalence of the new virus. This virus was first detected in Wuhan, China, at the end of December 2019. At the time, 44 confirmed cases of pneumonia were recorded. Gradually, their laboratories detected the first novel coronavirus in Thailand (2019-nCoV).

After that, it was also confirmed in Japan and Korea (WHO, 2019). A total of 2,443,205 cases of COVID-19 infections have been registered as of [21 April, 2.00 am CET], including 167,939 deaths according to WHO Health Emergency. 640,252 were recovered from infected patients and 56,256 were in serious or critical condition (Worldometers, 2020). The death rate was 21 percent on 21 April 2020 but by 3 March 2020 the WHO recorded a mortality rate of 3.4 percent. 5.388 (3.78 percent) fatal cases were reported (Casella et al., 2020). In a short period of three months, over 160 countries in the world have been afflicted by the coronavirus epidemic, which has prompted the WHO to call this virus outbreak a catastrophic event (Secon et al. 2020).

As of March 18, overall infections outside of China are on the increase, with global infection rates reaching 200,000, with China contributing more than 81,000 (JP Morgan, 2020).

FMCG branches function widely on the distribution network. Because they want to reach every corner of the country or the world for their business. Distribution of products is becoming difficult during this movement of government regulation steps, and consumers also believe that they are able to stay at home. Khan et al., (2018) noted that this approach forced the nation's retail outlets to remain closed. This situation has described a variety of corporations as undergoing unparalleled disruption. As the number of major cities announced to be split, the lockout and resulting social distances were oriented towards enhancing the user's activities.

The effect is a dramatic drop in sales for FMCG firms. Compared to the whole sector, the FMCG industry has had a major impact. This effect on the economy and industry is negative in the short term with neighbourhood/housing closures and strict preventive and supervisory action by authorities that effectively keep consumers at home (Euromonitor. com, 2020). However, not all corporations are equally at risk from COVID-19. Categories that consumers believe can help mitigate the effect of COVID-19, such as telecommunications, air purifiers, detergents, and antibacterial creams, have benefited from the outbreak.

Public health, personal care, and tissue and hygiene are areas that are to be greatly impacted by it (Euromonitor, 2020). The SP500 index, evaluating the top 500 firms in the United States, declined by 28% over 21 February-17 March, with the highest declines concentrated in travel and transportation, banks, and some tech companies, where stock prices dropped by more than 30%, and even by 50%. On 21 February-17 March, stock values for conventional FMCG firms such as Unilever and Procter & Gamble decreased by 15.6 percent and 6.7 percent respectively, which is less than 28 percent on the stock market as a whole (livemint, 2020).

Many consumer products are deemed essential and therefore do not respond to sluggishness in the same way as products in other sectors (Ma et al., 2020). Insidefmcg.com.au (2020) reports that the retail sector has already lost between US\$ 31 billion and US\$ 124 billion.

In this critical situation, it is important to get the industry's current overview to take the necessary action to combat COVID-19. Uddin et al. (2016) described the challenges and prospects of the FMCG industry in Bangladesh and Ray et al. (2016) examined industrial supply chain management in the Bangladesh FMCG sector. However, there is no systematic analysis to assess the effects of COVID-19 on the FMCG industry to the best of the researcher's knowledge. The motivation of this thesis is to fill the void.

## METHODS

This study is carried out using a qualitative approach since this method is used to fulfill the research goals and it is more fitting to understand how and why things happen (Cooper and Schindler, 2011). Besides, we consider this study as an exploratory investigation that comprises “an attempt to determine whether or not a phenomenon exists” (Gyimah, 2013). Structured focus group conversation, literature review, document study, and in-depth interviews were applied to the achievement of research objectives. The analysis was focused on a broad variety of data sources, including books, journal articles, government records, policy reports, and conference papers. Journal article searches were made in the Library Catalogue and reference lists of retrieved articles and textbooks, and electronic literature databases, such as google scholar, ScienceDirect, Emerald, and Scopus.

We use a structured focus group discussion that was conducted with 4 stakeholders, including the CEO of an FMCG company, a representative from consumer forum, a marketing officer, and a distributor who are involving with the FMCG industry. We select this informant and depends on their opinion as they have close engagement with the FMCG companies and to cover the multi-perspective. The samples are chosen based on the nonprobability sampling especially focus on the purposive sample due to the unavailability of the exact population and the respondents have the characteristics to full fill the research inquiry.

We posed themes to main informants on their experience and thoughts on strategic management, with questions on the impacts, implications for the FMCG of COVID-19. Owing to movement constraints, the Zoom interview was performed and lasted roughly 60 minutes. Before starting the discussion session, the respondents were assured about their independence and privacy will not be revealed and will be kept confidential. To do so, the respondents were categorized by different symbolic codes. For instance, we use ‘C’ for the CEO of a company, ‘M’ for the Marketing officer, ‘F’ for consumer forum, and finally the ‘D’ for the distributor who is related to the industry. The session was registered and several points were written for further justification. In addition to the discussion, we observed the attitudes and expressions of the respondents as well as the documents collected from them for further justification of the details. Later, the reported interviews were transcribed to the text line and tested for accurate accuracy.

## RESULTS

In this part, we present an overview of the responses we received from our respondents. In particular, we are trying to recognise the effect of COVID-19 on the FMCG industry by demonstrating the recommendations.

In the time of the epidemic, people tend to feed themselves rather than dine out, which leads to increased retail consumption. However, the rise from the retail side may not

be adequate to compensate for the increase in food consumption due to the rapid decrease in food consumption (Euromonitor, 2020). One of the informants shared his dissatisfaction.

*During this crisis period, due to the nature of the products, COVID-19 impacts directly and indirectly. It's obvious the sales are declining. Orders are canceling. There has been no distribution in the market and consequently, productions have also been shut down. The extent of the impact will depend on how long this crisis persists [C#1].*

People are told to stay home to protect themselves from the virus (Yang et al., 2019). The company's goal is to stumble across the lockout and home quarantine. This view is expressed in the following opinion.

*We have targeted 10-15% sales increase from the previous year but now we have to be happy if we get 5-6% sales. The condition is really frustrating[M#1].*

But at the same time, some business is experiencing exponential growth at this moment. See the response from an informant is as followed:

*As the people are in panic and unsure how long it will continue so they are buying and stocking basic commodities on a large scale. They are now buying Must- to- have products than good -to- have products [D#1].*

An opinion from an informant specifies the sectors that doing good.

*For the increasing communication for concern, online business meetings the telco companies are also capitalizing on this opportunity. Although they are doing good now after the long run it also hampered because of the impact on the income of the customers [C#2].*

Other informants added.

*During the outbreak of the epidemic, convenience-driven categories that have a long shelf life have enjoyed temporary prosperity, including frozen and stable ready meals, instant noodles, as well as processed meat and seafood, mainly due to the need to stockpile food under the tight quarantine controls imposed by local authorities. In the short term, sauces, dressings and condiments, beans, edible oils, and fresh foods are projected to decrease in overall food intake [F#1].*

One of the informants provides different view about this statement.

*Processed foods are expensive, limited usages. Yes, people will focus to buy rice, oil, salt, flour, etc. as our food consumption habit is different than western. But the packed roti, foods cannot be the replacement of handmade foods because with the 1 kg flour you can make a lot of rotis which is less expensive than packed one [D#2].*

To explore the affected subsectors, the interviewer raised the relevant question. One informant responded.

*Coronavirus spread is expected to impact the sales of single brand and luxury retailers. Entertainment and leisure sectors are also expected to suffer dramatically as consumers will be less likely to purchase expensive tickets and the declining tourism will add on to the woes of companies in this sector[F#2].*

The interviewer asked about the impact of COVID-19 on other industries. One informant shared his views.

*As this is a developing country and government was on roll by implementing infrastructure development like Padma bridge, highways, and flyover bridges. The explanation plan for new projects must be hampered [C#3].*

Bangladesh's GDP depends primarily on expatriate workers employed in countries such as Malaysia, GCC countries, and developing countries. As a consequence of COVID-19, their profits will decrease and this will have an impact on the industry as a whole. See the related opinion below:

*If this situation continues for long term, the expertise cannot send remittances from abroad like previous. So, the individual construction planning also can be impacted negatively [F#3].*

Next, we asked the respondents, 'What kind of strategies the MNCs will take to tackle this situation? One respondent predicts.

*You have to understand, MNCs are not like public institutions. If the bottom line cannot generate sales, they must cut the expenditure, budget, investment in the advertisement, promotion, marketing activities which are called T.T. S= Total trade spending's[C#4].*

Another informant added.

*Companies will walk in the way of lay off. They will sack some staff and employ the outsourced people to avoid giving pension schemes and gratuity funds. Distributors' ROI will impact heavily. The root level people will be impacted mostly[D#3].*

The government is trying its best to support and minimize the loss by providing a subsidiary. The informant was asked, "What can be the role of the government now?"

*It is undeniable the importance of private industry's contribution to GDP infests its 13%. The government already announced the stimulus package of \$8.5 billion. But it is important to ensure the proper distribution of this incentive through the proper channel[C#5].*

Another informant extends his expectation with this opinion.

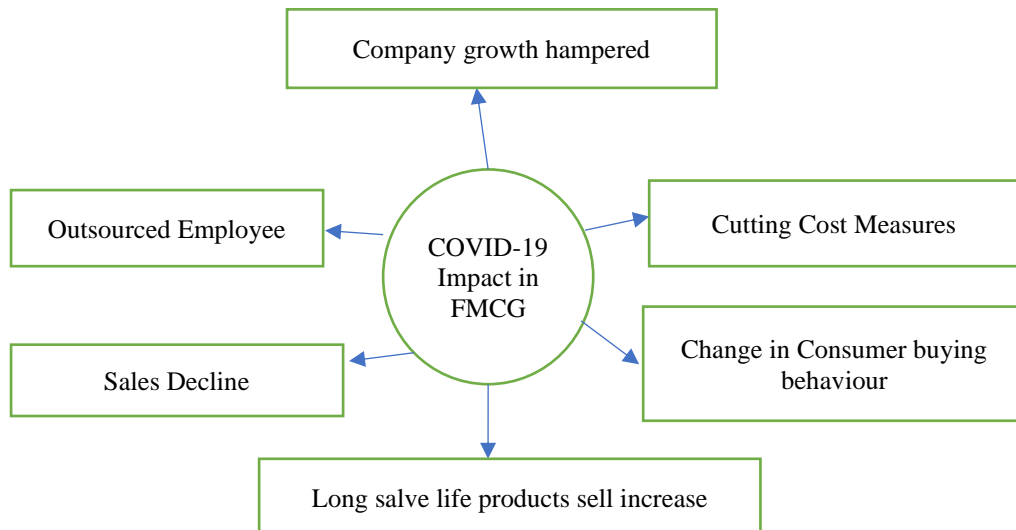
*The government can reduce taxes at this moment. And, give order to the landlords to minimize the rental for this crisis period [M#2].*

In this difficult situation, what can be the role of FMCGs? The representative of the consumer association replied.

*We have to work unitedly. Should not fight with each other. Strategies should be taken to alive the company minimum and prepare for the fightback after this crisis end[D#4].*

Another informant was hopeful and said.

*FMCG will be more resilient than other sectors and should bounce back faster, and within this segment, consumer staples should recover faster than discretionary items[M#3].*



**Fig. 1.** Missing Figure Caption

Source: Authors

## DISCUSSION

COVID-19 outbreaks had a major effect on e-commerce, infrastructure, business travel, and the economy (Hasnat et al., 2020). The above results indicate that the FMCG industry has also had a big impact. The pandemic has raised significant questions about job security and wages, which has led to a decline in spending. A recent McKinsey survey found that 60 percent of customers are ambiguous about the economy, which prevents them from making purchases or investing. Besides, the Stay-at-Home Directive also restricted the number of trips that customers make to stores to store their storerooms. Revenues are going up and the top management has not been able to get employees' salaries.

They must take action to save costs for survival. As a result, the layout of workers is going to happen. Also, other sectors have been indirectly affected. As the coronavirus pandemic hits the world, we can expect ginormous behavioral changes in customer purchases.

This is a common phenomenon because, if the intake of individuals decreases, the overall growth of the industry will decline. This concern about coronavirus spread could lead consumers to turn to cashless payments and further curb digital connectivity in the region.

The pattern may be stepped up as more people stay indoors and the number of prepaid orders online is increasing. As a result, the country's contactless payment gateways should expect a rise in demand. In the near term, discretionary classes might have more effect than simple ones.

And we're going to see new practices and better customer conduct. The number of customers would switch to online shopping instead of visiting brick and mortar shops, which has increased demand for faster deliveries and highlighted the need for better, more agile inventory, supply chain operations, and last-mile delivery.

Going forward as a strategy, the priority is to get the supply chain back on track, get production up and running, and ensuring that essential goods are available. The focus is on restarting the production of essential goods.

The next objective is to keep our team members safe and stable. The Government has clarified in the revised guidelines on the transport of essential items and the definition of essential and non-essential items. The administration is very responsive and accommodating. FMCG-Industrial companies that are more agile and open to growing consumer demands are in a stronger position to recover more quickly from the current crisis. Both stakeholders, sponsors, agencies will work together to solve this issue.

Companies must learn lessons from this crisis in order to prepare for the future. The welfare of distributors, workers, should be the priority. The effectiveness of emergency response is highly dependent on the quality and quantity of data available at any given time, and quality communication and cooperation between partners are vital (Bhattacharjee et al., 2019; Polas et al., 2019). Information sharing and cooperation are seen as effective strategies for the prevention and control of infectious diseases.

From the management perspective, during this unprecedented period in the VUCA (volatility, uncertainty, complexity, and ambiguity) environment; adaptability and decision-making capacity are necessary to sustain the business growth. As a result, the introduction of organizational resilience is a call for time. In order to provide a more comprehensive understanding of customer and top management behavior, we are integrating resilience into this report. As a result, the current investigation contributes to the development of literature by establishing a paradigm in the field that provides the opportunity to extend the reach of the research.

Consumer-centric decision-making would allow the company to easily adjust to the new way of working, more digitally and less physically (Ong et al., 2020; Hossain et al., 2020), while at the same time maintaining close proximity to the team members who are on the ground on a daily basis.

This strategy also ensures that all employee complaints can be received and reported to the top management and the HR department (Al Qalhati et al., 2020; Hossain et al., 2018) so that steps can be taken to minimize any possible risks found on the ground.

Implement stringent precautionary measures and procedures that involve social distancing, mandatory cleaning in all manufacturing facilities, adequate EPP equipment for distribution centers and vehicles, and new shift patterns for production and service.

## CONTRIBUTIONS OF THIS RESEARCH

The research paper presents the effect of coronavirus on Bangladesh's FMCG market. Analyzing it, it was found that companies are severely hindered by this pandemic disease. Our analysis has a range of contributions and policy implications.

As, first of all, our study is useful for businesses, especially the FMCG companies. They will get a summary of the business situation. They can also see the need to revise the rules and regulations in order to protect stakeholders from harmful impacts. Second, our paper added to the current literature on the FMCG industry.

This paper has contributed to an empiric inquiry into the effect of COVID-19 on the FMCG industry and its qualitative implications. To the best of the researcher's understanding, this is a ground-breaking scholarly contribution to the wider South East Asian FMCG industry in Bangladesh.

Third, our paper suggests that the government should ensure the smooth and proper distribution of stimulus package to the actual victims. Finally, policymakers will use the findings of this research to establish policies to improve the organizational potential of their regions for sustainable economic growth. Findings will help them fulfil their transition goals for a more sustainable local economy. The results clearly suggest that there is potential for reform in this field to mitigate the effect of the Covid-19 on the entire business process.

## LIMITATION AND AREAS FOR FUTURE RESEARCH

First, readers should be careful not to generalize our results. This is because, because of the very complicated movement limitation, we did not cover the other sector or businesses. Second, since it is an emerging illness, the effect can vary from time to time.

Further experiments may be carried out by expanding the study. Finally, we are creating potential avenues for research, such as the opportunity for interested researchers to analyse and quantify the factors explored in quantitative or qualitative terms in other national and other sectors, such as banking & finance, tourism, health care, manufacturing, and small and medium-sized enterprises.

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