

How Marico Is Coping With Changing Consumption Patterns In Covid-19 Era

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Marico Ltd. is seeing a "reset" in consumption patterns in the aftermath of the Covid-19 outbreak and subsequent lockdowns that has resulted in job losses.

The maker of some of India's most widely known household goods, including Parachute and Saffola oil brands, said it expects secular downtrading to play out in the coming quarters as consumers' disposable income remains under stress. Premiumisation of brands and products, according to the company, will decelerate.

Saugata Gupta, managing director and chief executive officer of the company, said that in such a situation, controlling product pricing will be imperative to protecting revenue stream. "There will be a secular downtrading and if you play the price points right, you'll be able to make sure people downtrade within your portfolio of brands," he told BloombergQuint in an interview.

This can be done by ensuring value products and passing on all cost advantages to the consumers, he said. While sales in the premium brands may remain dormant in the coming quarters, the ability to pass on cost advantage will allow Marico to drive growth via the "bottom of the pyramid", he said.



The Covid-19 lockdown, job losses, salary cuts and the overall fear of contracting the virus has impacted consumer behaviour which may not be temporary, Gupta said. People are eating more at home, eating healthy, buying hygiene products, shopping online but also using the local kirana stores more, he noted.

However, this has presented itself as an opportunity for the consumer goods maker which expects strong players to get stronger on account of the weak. "This is a unique opportunity to fast-track our food agenda," Gupta said, with the aim to expand Saffola's market from the Rs 200 crore it earned last year to Rs 300 crore this year and Rs 450-500 crore in the next two years.

Already having launched a vegetable wash and disinfectant spray, the company also expects to expand its hygiene segment.

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Structural Cost Savings

The pandemic has also given Marico a change to structurally revise its costs, Gupta said. While it decided against cutting down on investments into innovation, leaderships and manpower, everything else was given a hard look, he said.

"We started this exercise saying there are no holy cows," Gupta said, adding they're cutting down heavily on travel and merchandising costs. "We're ensuring that a significant part is structural cost saving and shouldn't creep back when things normalise."

Marico aims to save Rs 150 crore in cost reductions across the organisation in the ongoing financial year.

Watch the full conversation here:

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SAUGATA GUPTA
Managing Director & CEO, Marico