



News Release

<i>Date</i>	Thursday, September 1, 2016
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Impact of shift in consumer spending and behavior a challenge for CEOs in the retail and consumer goods sector: FICCI-PwC Report

- Consumer behavior is heavily influenced by large social networks that allow consumers to have ‘crowd clout’
- Need for a national retail policy and industry status for the FMCG and Retail sector as well as a unified national market for the sector

New Delhi, September 1, 2016: The changes to Indian consumer behaviour are being driven by increasing incomes, the younger profile of consumers and growing access to the internet. According to the FICCI-PwC report, **Shaping Consumer Trends**, the greatly increased use of smartphones, consciousness concerns about health and the environment, technological innovations and the rising complexity of decision-making due to the proliferation of products and points of sale are key areas of change that will impact consumer and retail businesses.

According to the report, these drivers are reshaping where, what and how consumers’ make purchases and how they want to be served. The key business trends that are visibly unfolding and creating a large number of opportunities for consumer-driven companies are:

- **Changing purchase patterns:** The shift in purchase behaviour towards online buying, dominated by mobile phones, has been very evident over the last few years. Preferences are now clearly extending beyond the original product categories of electronics and fashion to include food and grocery as well as local origin products.
- **Evolving desire for service:** Consumers are now seeking a clutter and trouble-free experience, enabled by technology and better quality sales people.
- **Switch to health and wellness-driven choices:** There is a marked consumer shift towards products and services that are perceived to be relatively healthy and less harmful or enhance people’s sense of physical and mental wellness and the environment.
- **Rise of convenience:** Cash-rich and time-starved consumers are seeking a new dimension in ‘convenience by knowledge’ to help them navigate to the right products and services that are relevant for them.
- **Growing social networks:** The concept of ‘crowd clout’ is gaining significance as consumers realise that their collective networks are enabling them to demand improved products and services from companies.

Discussing about the report, **Anurag Mathur, Partner and Leader – Consumer & Retail, PwC India**, said, "India is in a strong position in the world where a growing consumption capacity, demographic shape and lifestyle changes will propel double digit growth for consumer business over the next decade. However, the Indian consumers selective participation in global consumption trends & concerns coupled with local infrastructure challenges will require a unique response from companies to win and leapfrog on the growth cycle

India has come a long way in regulating its policies and promoting ease of doing business, and has huge potential for growth in the sector. As per the report, the Government is actioning policy reforms by liberalising foreign investment norms and creating a single window clearance policy to facilitate business in the country. But there is a need for further investment under the Make in India campaign for India to compete with the developed nations of the world and make a mark in the sector.

Commenting on the steps the Government has taken so far, **Akash Gupta, Partner & Leader – Regulatory Services, PwC India**, said, "Globally, investors are looking at India not only for its market size but as a destination with significant long- term potential. The evolving regulatory framework and the dynamism of the Government have opened new avenues and have twofold benefits on fulfilling objectives of make in India, and of increasing consumption demand in the country. This is the time when most regulations are and should be created around consumers. In particular, the food and beverages segment has opened up the extensive scope of manufacturing and trading in the country. And with the implementation of 100% FDI in retail trade of food products, we can expect to see an enhanced consumer basket and a utility-driven consumption trend."

Adding to this, **Krish Iyer, Chairman, FICCI Retail and Internal Trade Committee** said, "The continued focus on ease of doing business by the Government augurs very well for India's industries across sectors. We're seeing lot of reforms by the government, not only related to FDI, but also for removing several structural & systemic bottlenecks. So while India remains one of the most attractive markets for businesses worldwide due to its favorable demographics, size of the population, growing purchasing power and the growing consuming class, effective implementation of the progressive policy reforms will further boost the economy and create an ease of doing business environment in its true spirit."

Key regulatory recommendations made in the FICCI-PwC Report:

- Give the FMCG and Retail sector industry status so that companies are eligible for priority sector lending
- Continue to focus on improving 'ease of doing business' in the country to improve the regulatory environment and India's rank on the global index
- Implement GST early to achieve cost efficiency in the procurement and supply chain
- Provide fiscal incentives to the industry, including on backend infrastructure and supply chain
- Introduce a unified agriculture marketing ePlatform to actualise its objective of providing the 'best possible price to the farmer'
- Implement a unified retail policy on a pan-India basis and introduce a time-bound functional single window to help businesses meet compliance-related requirements for all bye-laws and guidelines (This would also entail one-stop clearance for registration of entities and reduce multiple layers of approvals for critical licenses and permits required to set up shops and businesses.)

- Harmonise various laws such as Legal Metrology, BIS and FSSA (Any confusion on these, specifically on labelling and related issues, should be pro-actively dealt with.) and create a mechanism to address issues arising due to the multiple laws
- Governing the sector under the existing FDI policy on retail sector, the sector is segregated between single brand retail trading, multi brand retail trading, wholesale cash and carry trading and e-Commerce. With a view to streamline this with the global trends and practices, the government may consider having a product specific policy for foreign investment in the trading sector – to give example, liberalisation of policy by removing conditionalities applicable to single brand trading in case of luxury products which will allow such companies to set up shops in India. This will create a niche brand presence in the country.

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