DEMONETISATION: THE NIELSEN VIEW
(PART II)

The Prime Minister’s November 8th announcement made way for a financially tumultuous fortnight. Nielsen published its initial view within a week outlining the likely impact on various key sectors and the consumers in the coming months post demonetisation. Refer note here.

Since then we have been closely monitoring the situation and are collecting empirical data to better understand the impact. Here are a few exclusive initial reads on how industry and consumers are affected.

This time we focus on the following aspects:

• Digital India and her movement towards e-wallets
• Impact on Modern Trade offtakes
• A read on Traditional Trade, with focus on categories impacted
• Social media conversations, capturing sentiment towards the move

DEMONETISATION DRIVES DIGITAL GROWTH

Demonetisation has proved to be a windfall for digital wallet companies, according to Nielsen Mobile data. Weekly installation numbers doubled in the week post announcement, as compared to the previous week, clocking an all-time peak of 28%. A large part of this would presumably have been driven by aggressive advertising by these companies and also quick adoption of digital payments by smaller businesses like restaurant and cafes, ‘kiranas’, small vendors, auto-rickshaw drivers etc.

GOING DIGITAL

Roughly 1.2 crore more Indians started using digital wallets in a single week. The reach of mobile payments increased by 6% in the week of the announcement as compared to the previous week, to peak at the highest ever reach of 70%. Usage frequency also surged by 15%.
IMPLICATIONS FOR THE DIGITAL PAYMENTS INDUSTRY

The demonetisation move by the government will push a lot of consumers to adopt and embrace digital payments and ease them into cashless transactions. This is a much-needed step in the right direction, and something the mobile payment companies will surely benefit from.

In view of their heavy dependence on cash-on-delivery, e-commerce companies may initially face a setback, but with the market moving towards digital payments, the net effect will be positive for the industry.

IMPACT ON FMCG

MODERN TRADE

Demonetisation had a major impact on modern trade. In fact, value growth in the week of demonetisation soared to 21% vs. year ago - a whopping five times the general growth of FMCG for year-till-date.*

When the news broke on the evening of November 8th, retailers were quick to leverage SMS notifications to spread the word that they were accepting old notes, besides extending working hours all the way to midnight, leading to a jump in sales. With uncertainty over availability of cash during the Nov-Dec period, or whether the local grocer would be willing/able to transact in cash, MT shoppers took the opportunity to stock-up. What aided sales were promotions and discounts offered by retailers.

MODERN TRADE WITNESSED A SURGE IN OFFTAKE

- Foods witnessed the highest increase in growth during the demonetisation week at 19% vs. year-ago. Within the food basket, packaged grocery and cooking medium saw a big upswing. Tea, packaged atta and rice, baby food, milk food and non-refined oil also contributed to the growth.

- Impulse categories (biscuits, chocolates, salty snacks and confectionery) also grew, but at a much slower pace. Soft drinks’ slowed down significantly; however, the onset of winter could also be contributing to this slowdown.

- Volume growth patterns in foods indicated a shift to bulk packs. Much of this could be driven by retailer private labels or the ongoing offers in the demonetisation week.

- Non-food sales grew as well, driven by personal care (17% in demonetisation week vs. a 4.8% growth year-till-date before demonetisation). All non-food categories including essentials like detergent powders and cakes, toothpaste, shampoo etc., saw a healthy double-digit growth (despite demonetisation falling right after the monthly shopping period).

*Based on Nielsen Scantrack 12 Banner data

*Data from Nielsen Scantrack Modern Trade Service – a weekly read of MT point of sale data from over 12 major MT banners across India.
SPIKE IN SALES ACROSS ESSENTIALS & PERSONAL CARE WHILE IMPULSE LEAST IMPACTED

![WEEK GR% vs YA](image)

WHAT IS UNFOLDING IN THE TRADITIONAL TRADE AND DISTRIBUTION NETWORK

Though the modern trade channel continues to witness high momentum, it is important to see how consumers behave in the traditional trade (contributing to 92% of FMCG sales) where usage of credit/debit cards and liquidity remains a challenge.

We contacted over 3200 traditional trade (TT) stores in the past week to assess the impact in TT across urban and rural India. Since the announcement, a small proportion of about 10% stores continued accepting old high value notes for the first few days. The most telling insight has been that most stores lag woefully behind on card machines, digital wallets or coupons. In fact, the figure stands at a dismal <1%.

Almost 62% of dealers claim that there has been a dip in the business. To boost demand back to normal levels, retailers are extending credit to consumers, more in the rural areas (35%) than in urban regions (27%). As expected, impulse categories like biscuits and salty snacks are taking the biggest hit, along with some personal care categories like toilet soaps, shampoos and detergents.
IMPACT TO DEALERS/STORES

CATEGORIES REPORTING DECLINE

Post the announcement, ~54%, or little over half the dealers are facing issues with stock replenishment both in urban and rural areas, with wholesalers and distributors not visiting them as per the planned schedule. Similarly, distributors and wholesalers continue to feel the heat as retailers are unable to purchase additional stocks.

Nielsen also analysed the impact of the demonetisation initiative on FMCG sales in organised wholesale stores, otherwise known as Cash and Carry in India. Cash and Carry provides an early indication of any slag or spurt in demand arising from changes in the domestic environment. An initial read during the week of demonetisation from Nielsen’s Scantrack Cash and Carry service, which offers a weekly read of Cash and Carry POS sales from 100% of organised wholesale stores across India, threw up some interesting findings.

- Cash and Carry FMCG value sales slowed down due to demonetisation.
- Retailers stocked up on essential products in anticipation of higher consumer demand of essentials in the weeks following the note ban. As a result, the slowdown was primarily due to non-food categories. Among non-food categories, personal care women was least affected while personal care-general saw a bigger impact.
- Food categories received a mixed response with certain categories having witnessed positive tailwinds while other categories saw a dip in demand from retailers. Impulse food witnessed the steepest decline in demand, while cooking oil and packaged grocery saw an exorbitant demand from retailers on the back of the belief that consumers would prefer to stock up on essentials in wake of the cash crunch.

Source: Nielsen
CASH & CARRY WITNESSED A SLOWDOWN

POSSIBLE IMPACT OF THE CREDIT CRUNCH IN TRADE

Gr% vs. YA

ALL INDIA TT & MT

7.2%

YTD OCT ’16

Gr% vs. YA

CASH & CARRY*

14%

YTD 6th NOV

-1%

DEMONETIZATION WEEK (7th - 13th NOV)

Gr% vs. YA

*Based on Nielsen Scantrack Cash and Carry data

NIELSEN RECOMMENDATIONS TO STAY AHEAD

• Digital payment companies should continue to leverage the opportunity to increase reach and educate consumers on alternate modes of payment to ensure faster adoption and stickiness towards the usage of such modes.

• Manufacturers need to:
  o Continue to be agile to address the volatility in demand by adjusting production cycles. After the current stocking of essentials, there may be a dip in demand or down-trading of pack sizes for the coming months.
  o Support channel partners to better manage liquidity crunch and adopt alternate payment modes. There is a need to extend the credit cycles.

• Brand owners need to sustain investments to support partners and counter the visible sluggishness in demand of certain categories.

• Impulse categories can focus on discounts and promotions to help ease sluggishness in demand.

• Organised retail needs to review stocking patterns and be agile based on the temporary shift in consumer demand for certain categories and pack sizes.
The initial impact immediately post demonetisation suggests that more is to unfold – as consumers go through a liquidity crunch for a few weeks, followed by gradual normalcy of the cash situation. Further weekly trends will reveal whether consumers continue to act selectively, or become more confident of their situation, and whether categories like impulse may have permanently lost a consumption opportunity, while others like toilet soaps may benefit from another wave of stock-up.

**THE CONSUMER’S VOICE**

Expectedly, consumers have taken to social media to amplify their sentiments and we have taken to the platform to gauge the collective mood. Understandably, the trepidation is palpable, even though sentiment is still largely positive in support of the move.

Three quarters of Indians conversing on social platforms are positively disposed towards the decision, and about a third of them believe that the move is an effective ‘surgical strike on black money’ which will likely clean the economy and fight corruption. A fifth have expressed their support for Prime Minister Modi’s ‘karak’, or daring decision for the nation’s progress.

There have also been a fair bit of criticism and negative sentiment towards the initiative. Prominent leaders of the opposition have been questioning the move in the light of the unquestionable public inconvenience, and expressing doubt on how effective it will be in taking care of the issue of black money.

**CONSUMER SENTIMENT**

- **NOT SUPPORTING DEMONETISATION**: 7%
- **PUBLIC INCONVENIENCE**: 3%
- **CHANNELS FOR CONVERTING BLACK MONEY**: 3%
- **NEGATIVE**: 16%
- **NEUTRAL**: 10%
- **POSITIVE**: 74%
- **BLACK MONEY ERADIATION**: 33%
- **SUPPORTING PM’S MOVE**: 20%
- **FIGHTS CORRUPTION**: 15%

Source: Nielsen Media & Digital

As implications of the demonetisation drive continue to unfold, organisations need to remain adaptable and focus on expressing empathy towards partners and consumers. Data-backed planning and an open line of communication with stakeholders remain critical at this point.
ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen’s Watch segment provides media and advertising clients with Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry’s only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world’s population.

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