Will non-metro markets propel India's recovery?

July 2020

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Foreword

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We are witnessing the start of a new way of measuring marketing effectiveness where the metrics for metros differ from the metrics for non-metros

Marketing leaders face an uncertain and rapidly evolving situation as a result of COVID-19. Leading marketers are proactively adopting an aggressive approach to preparing their organizations for the disruption that is sure to come. Multiple scenario planning and innovatively designed agency evaluation frameworks are taking centerstage in CMO discussions.

The findings of our survey of 4,000 consumers across metro and non-metro markets, where non-metro markets are seen to be recovering faster than metro markets, highlights the importance of monitoring customer channels for unexpected and quick changes to marketing performance and purchasing needs, and preparing for a potential disturbance in budgets, plans, campaigns and strategies in the coming months.

The green shoots observed in non-metros are being powered by increased resilience in those markets. The growing e-commerce footprint and accelerated digital journeys could result in a re-think of ad allocation across markets.

While COVID-19 is slowing down mobility, there are opportunities in marketing both physical products as well as digital services that were earlier restricted on account of distribution or adoption mindsets.

The report points towards agility, ongoing consumer monitoring and insights and a refresh on leading practices as possible mandates for marketers through this period of crisis. We hope you find it insightful.

Contents

Will non-metro markets propel India's recovery?

Our survey of over 4,000 respondents split equally between metro and non-metro markets, provides interesting insights into expected consumer behaviour.

Period: 22 June 2020 to 4 July 2020 | Age: 18+ | Male : Female 60% : 40%

1

While COVID-19 has impacted overall consumption, categories like health (household products, hygiene products, vitamins and supplements, etc.) and online services (gaming, home entertainment, online education, online banking, etc.) are expected to benefit

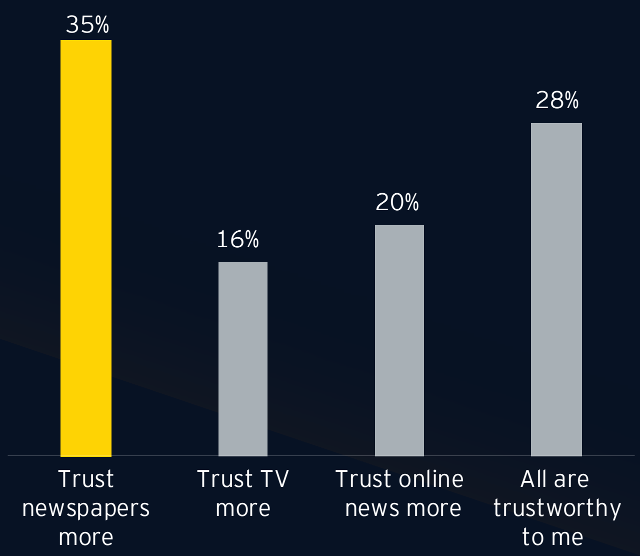
More than before	Same as before	Less than before
Household hygiene products	Personal care products	Shopping in malls
Home WiFi	Daily essential goods (food staples)	Restaurants
OTT entertainment	Life insurance	Public transport
E-learning	General insurance	Vacations
Online education	Savings & bank deposit	Business travel
Online banking	Equity / Mutual fund investment	Luxury goods
Vitamins and supplements		

Percentage of respondents who expect to consume (post the lockdown) more, the same as or less than before

4

Newspapers are the most trusted news source. 77% of metro respondents and 75% of non-metro respondents read news online. Time spent on digital and electronic media is expected to increase on account of COVID-19

Percentage of survey respondents



42% respondents in non-metro markets spend more than 20 mins in reading a newspaper compared to 36% in metros

2

Non-metro markets have shown higher resilience than metro markets in our study and could recover faster. The percentage of respondents who expected to spend more than before on a majority of categories was much higher in non-metro markets, indicating that when the lockdowns end, green shoots of recovery would probably sprout faster in these markets

3

Digital trials increased significantly during lockdown periods, indicating a significant mindset change. However, adoption continues to be higher for metros as compared to non-metros

Metros (avg)		Non-metros (avg)
9%	Consumer goods	19%
2%	Travel	20%
5%	Entertainment	21%
15%	Automobiles	25%
56%	Digital services	47%
12%	White goods	21%

Percentage of respondents who expect to consume (post the lockdown) more than before (averaged for different products under each category)

Metros		Non-metros
79%	Online education	70%
70%	e-Payments	63%
79%	Home WiFi	60%
72%	OTT	66%
29%	Dating / Matrimony	38%

Percentage of respondents who expect to consume (post the lockdown) more than before

5

COVID-19 could have some significant and even permanent change to consumption patterns. Our study of alternative consumption options indicates that more people will consume in-home entertainment as compared to out of home entertainment options for some time to come, for example. Other interesting analysis include staples vs. luxury products, transportation options, etc.

+ Same or Increased	VS	Reduced use -
Online education	1	Classroom education
Own transport	2	Public transport
Daily essentials	3	Luxury goods
In-home entertainment	4	Out of home entertainment

Percentage of respondents who expect to consume (post the lockdown) more, the same as or less than before

1

Overall change in customer behavior


BEAUTY & GROOMING
6

While COVID-19 has impacted overall consumption, categories like health (household products, hygiene products, vitamins and supplements, etc.) and online services (gaming, home entertainment, online education, online banking, etc.) are expected to benefit

Staples continue to remain largely unaffected, while household hygiene products, personal care and vitamins could see increased demand

	More than before	Same as before	Less than before
Household hygiene products	68%	26%	6%
Vitamins, herbs, supplements	62%	32%	6%
Personal care products	41%	52%	7%
Daily essential goods (food staples)	26%	63%	11%
Packaged foods and beverages	29%	30%	41%
Kitchen appliances	18%	40%	42%
Mobile phones	14%	41%	45%
White goods	16%	38%	46%
Cosmetics	12%	26%	62%
Apparel	12%	23%	65%

Percentage of survey respondents who expect to spend (post lockdown) more, the same as or less than before the lockdown on select categories

Working and studying from home is expected to lead to an increase in spending on internet services

	More than before	Same as before	Less than before
Home WiFi	70%	24%	6%
Mobile services	61%	30%	9%

The lockdown has led to a surge in consumption of media

	More than before	Same as before	Less than before
OTT	69%	23%	8%
Online gaming	52%	32%	16%
TV	47%	34%	20%

COVID-19 is expected to lead to accelerated consumption of online services

	More than before	Same as before	Less than before
E-learning (online services, webinars, online tutorials, etc.)	71%	21%	8%
Internet, mobile banking, e-wallets, etc.	67%	26%	7%
Order groceries / essentials online	51%	26%	23%
Dating / Matrimony apps	35%	32%	33%

Percentage of survey respondents who expect to spend (post lockdown) more, the same as or less than before the lockdown on select categories

Similarly online education is expected to see an increase in time spent as compared to classroom education

	More than before	Same as before	Less than before
Online education	74%	18%	8%
Classroom education	31%	24%	45%

The fear of the outdoors has greatly increased, but this could be temporary...

	More than before	Same as before	Less than before
Shopping in malls	10%	11%	79%
Restaurants	12%	10%	78%
Beauty parlor, salon , spa	14%	16%	70%
Food delivery	19%	18%	63%

....which is visible in expected spending on transport

	More than before	Same as before	Less than before
Public transport	11%	10%	79%
Own transport: scooters / bikes	19%	27%	54%
Own transport: cars	19%	23%	58%

Percentage of survey respondents who expect to spend (post lockdown) more, the same as or less than before the lockdown on select categories

Insurance has gained traction over other investment options

	More than before	Same as before	Less than before
Life insurance	28%	52%	20%
General insurance	22%	57%	21%
Savings bank FDs	25%	38%	37%
Equity / Mutual fund investment	25%	38%	37%
Gold / Silver jewelry	24%	37%	39%
Real estate	17%	32%	51%

Travel is expected to take some time to recover

	More than before	Same as before	Less than before
Vacation	11%	11%	78%
Business travel	11%	16%	73%

Percentage of survey respondents who expect to spend (post lockdown) more, the same as or less than before the lockdown on select categories

Shopping trends

Similar shopping patterns were observed across metro and non-metro markets; however 34% of non-metro respondents were going out shopping regularly as compared to 25% of metro respondents

When respondents went out shopping...

	Overall	Metro	Non-metro
Tended to buy more than before	27%	29%	26%
Tended to buy as much as before	35%	35%	34%
Tended to buy less than before	38%	36%	40%

Percentage of respondents

2

Metro vs. non-metro green shoot analysis

Non-metro markets have shown higher resilience than metro markets in our study and could recover faster. The percentage of respondents who expected to spend more than before on a majority of categories was much higher in non-metro markets, indicating that when the lockdowns end, green shoots of recovery would probably sprout faster in these markets

Demand from non-metros could revive faster than metros in certain categories post lockdown

Consumer goods

Metros		Non-metros
8%	Mobile phones	21%
7%	Apparel	18%
7%	Cosmetics	17%
12%	White goods	21%
15%	Kitchen appliances	21%

Percentage of respondents who expect to consume more of certain goods/services post the lockdown

Travel and outdoor entertainment

Metros		Non-metros
2%	Business travel	22%
2%	Vacations	20%
4%	Restaurants	22%
2%	Shopping malls	20%
2%	Public transport	19%
9%	Beauty parlours, spas	21%

Percentage of respondents who expect to consume more of certain goods/services post the lockdown

Automobiles

Metros		Non-metros
14%	Cars	25%
15%	Scooters / bikes	24%

Digital services

Metros		Non-metros
63%	Order groceries online	39%
77%	E-learning	64%
29%	Dating / Matrimony apps	38%

Percentage of respondents who expect to consume more of certain goods/services post the lockdown

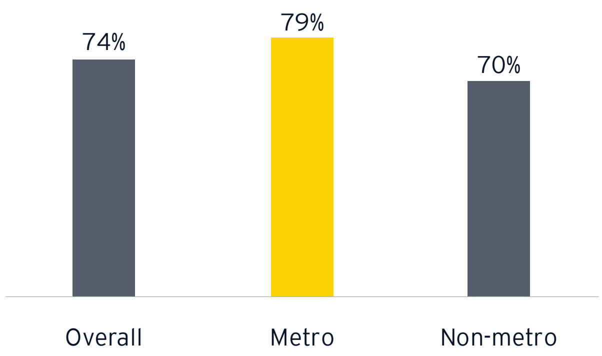
3

The digital divide

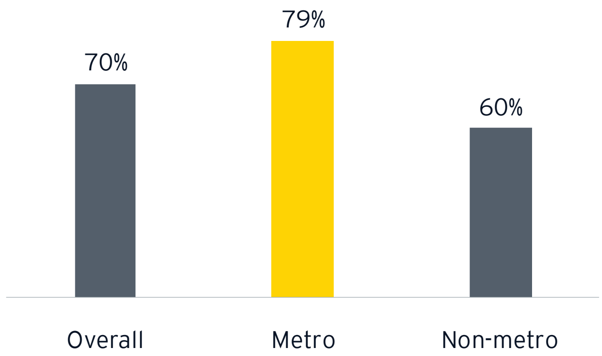
Digital trials increased significantly during lockdown periods, indicating a significant mindset change. However, adoption continues to be higher for metros as compared to non-metros

Non-metro respondents stated lack of knowledge of how to use digital services, absence of smart phones and fewer language interfaces as some of the obstacles they faced

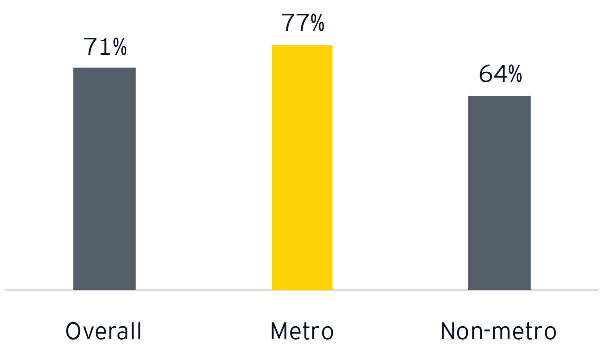
Using online education more than before



Using home wifi more than before

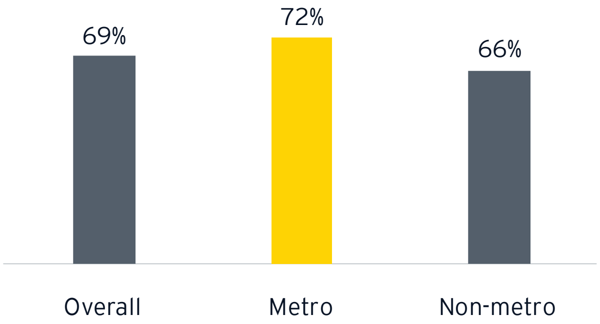


Using e-learning more than before

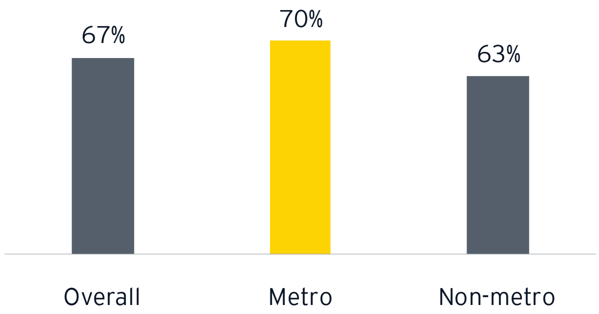


Percentage of respondents

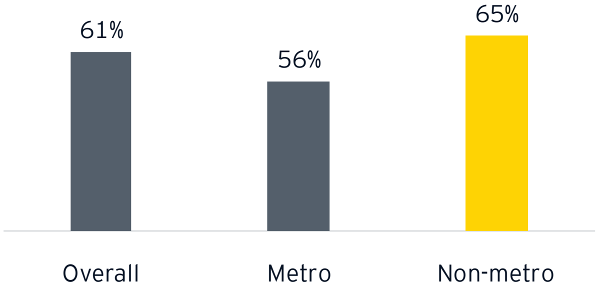
Using OTT platforms more than before



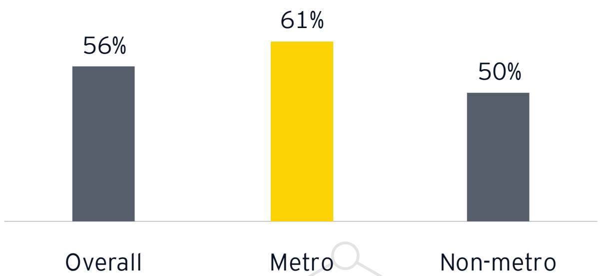
Using e-payments more than before



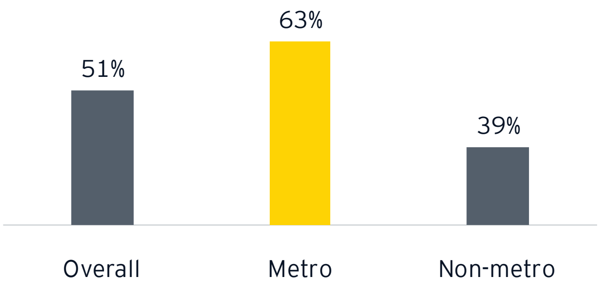
Using mobile services more than before



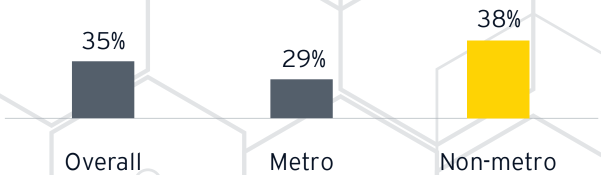
Using e-medicines more than before



Ordering groceries/ essentials online more than before



Using dating/ matrimony sites more than before



Percentage of respondents

Fraud and data theft continue to be the largest concerns across metros and non-metros while limited knowledge of usage and lack of devices still impact non-metro markets

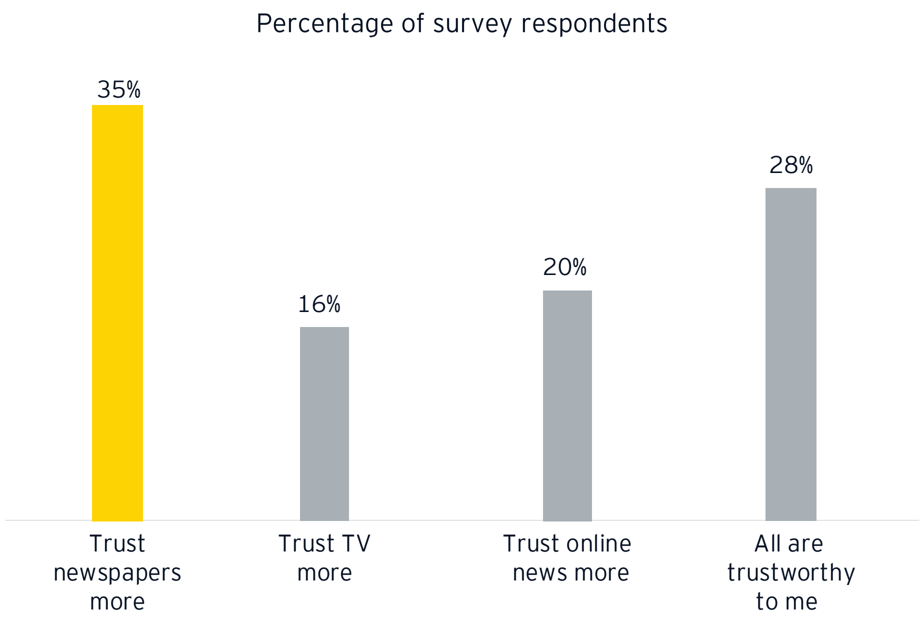
	Overall	Metro	Non-metro
Fraud in electronic payment or theft	38%	45%	31%
Personal data being collected	34%	44%	25%
Limited knowledge of usage	15%	7%	22%
Lack of devices	9%	3%	14%
Vernacular option not available	4%	1%	8%

Percentage of respondents

4

Media consumption

Newspapers are the most trusted news source. 77% of metro respondents and 75% of non-metro respondents read news online. Time spent on digital and electronic media is expected to increase on account of COVID-19



Percentage of respondents

Newspapers are the most trusted news source

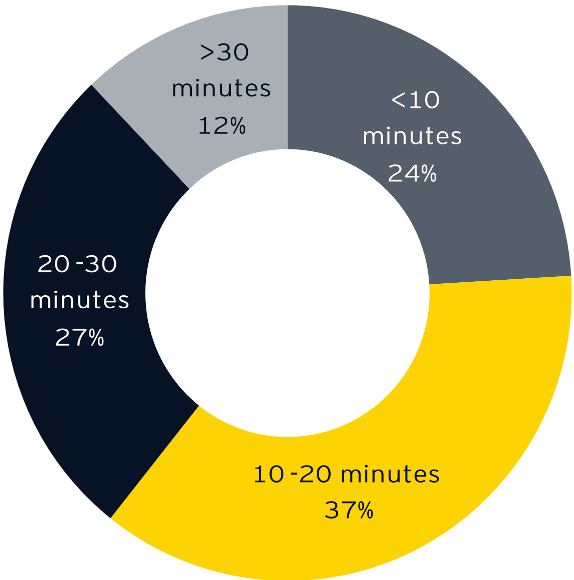
32% of metro respondents are getting newspapers at home

77% of metro respondents read news online

65% of non-metro respondents are getting newspapers at home

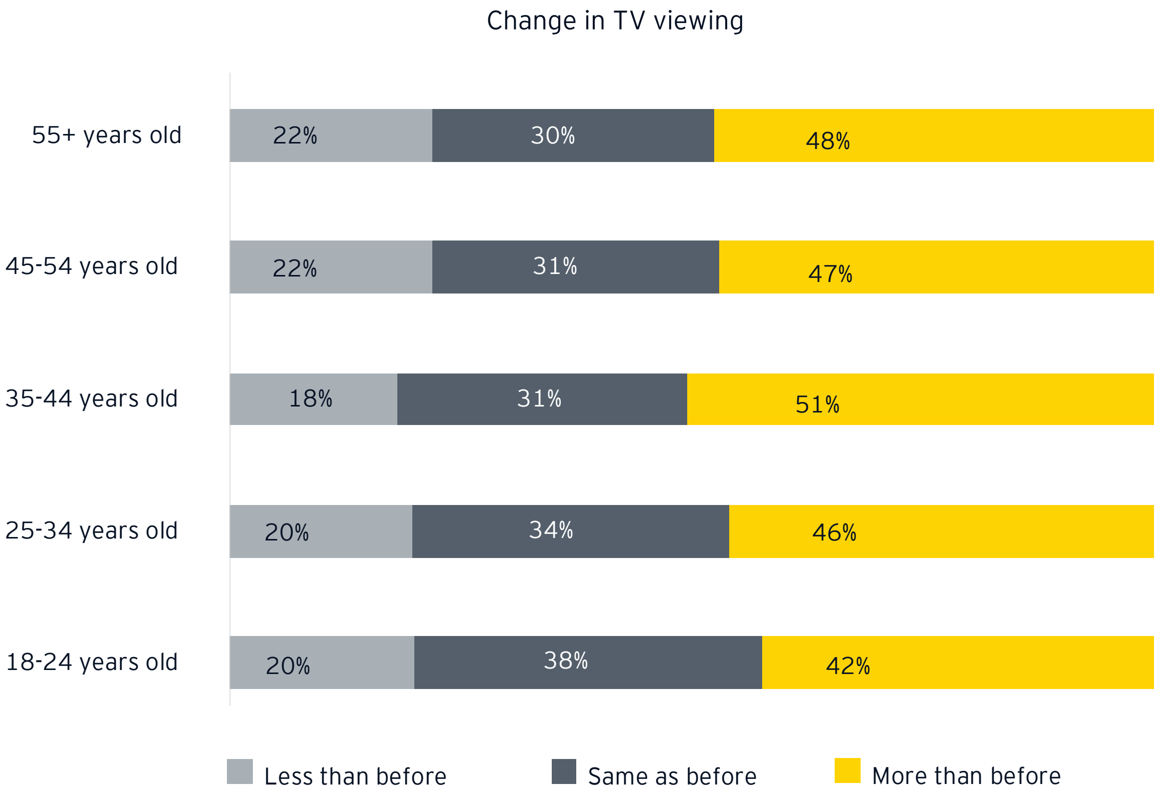
75% of non-metro respondents read news online

Time spent reading a newspaper everyday



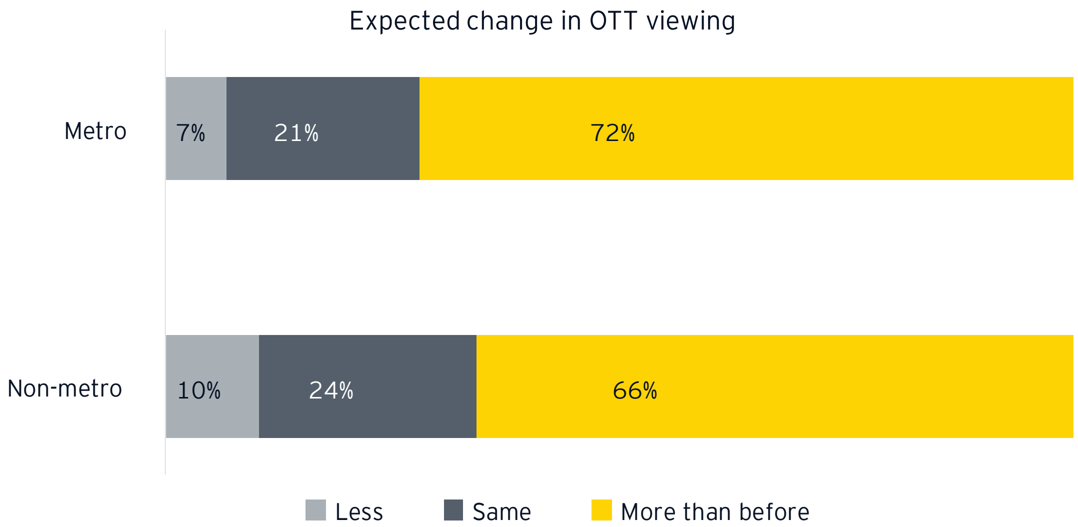
42% respondents in non-metro markets spend more than 20 mins in reading a newspaper compared to 36% in metros

Increase in TV viewing is expected across all age groups



Percentage of respondents

Sharp increase in OTT viewing is expected across all markets



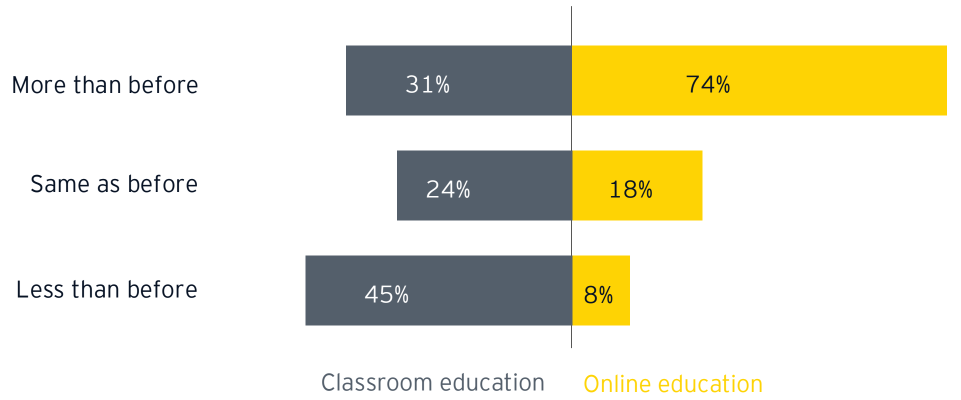
Percentage of respondents

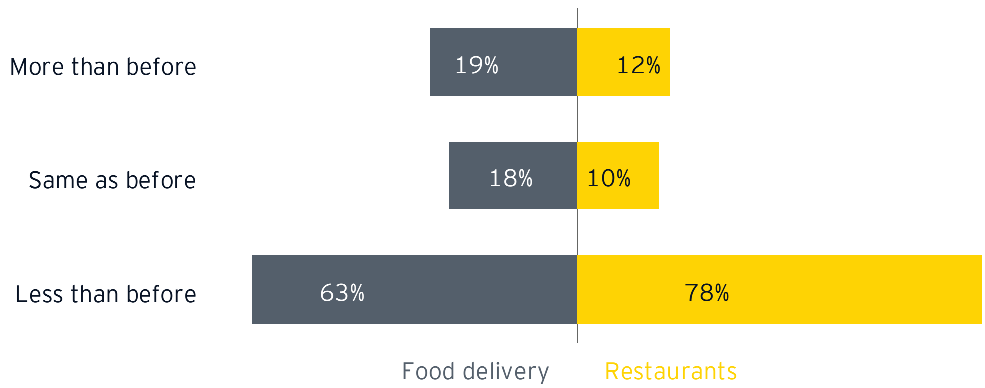
5

Alternative consumption trends

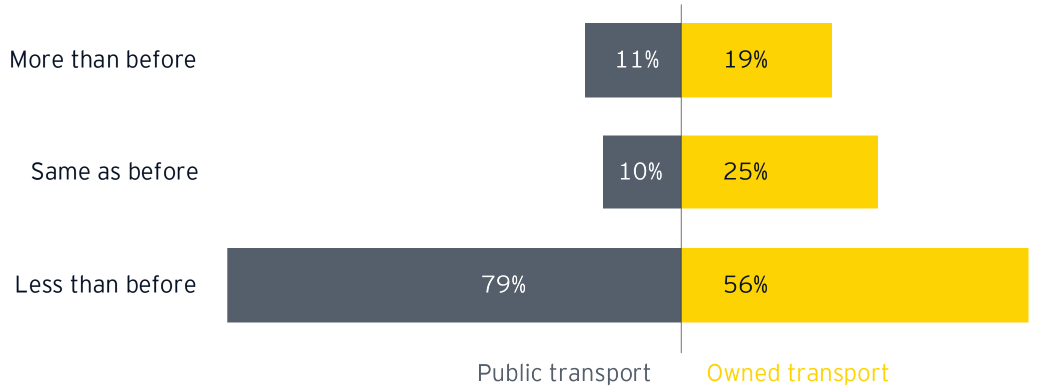
COVID-19 could have some significant and even permanent change to consumption patterns.Our study of alternative consumption options indicates that more people will consume in-home entertainment as compared to out of home entertainment options for some time to come, for example. Other interesting analysis include staples vs. luxury products, transportation options, etc.

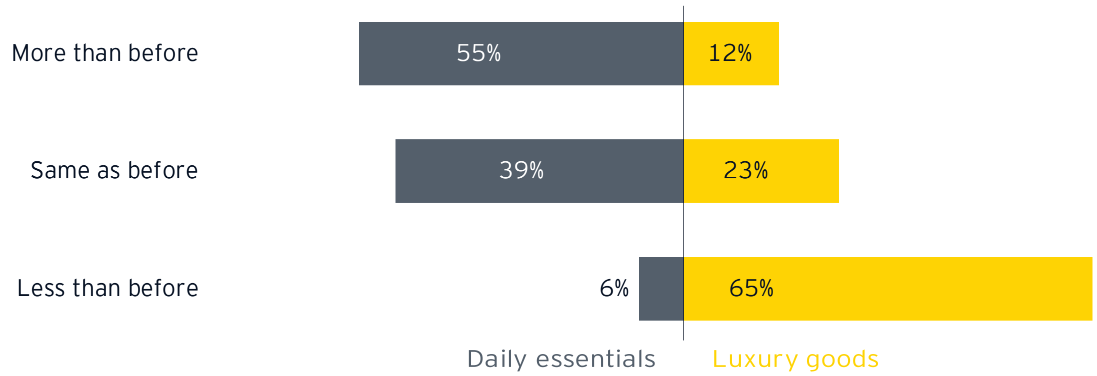
Consumption patterns could see some long term or even permanent change

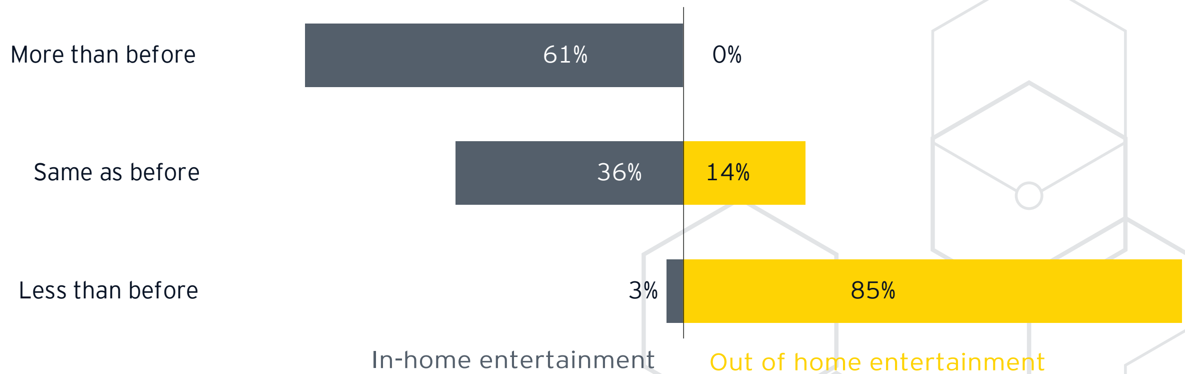




Percentage of respondents who expect to consume more/less of certain goods/services post the lockdown







Percentage of respondents who expect to consume more/less of certain goods/services post the lockdown

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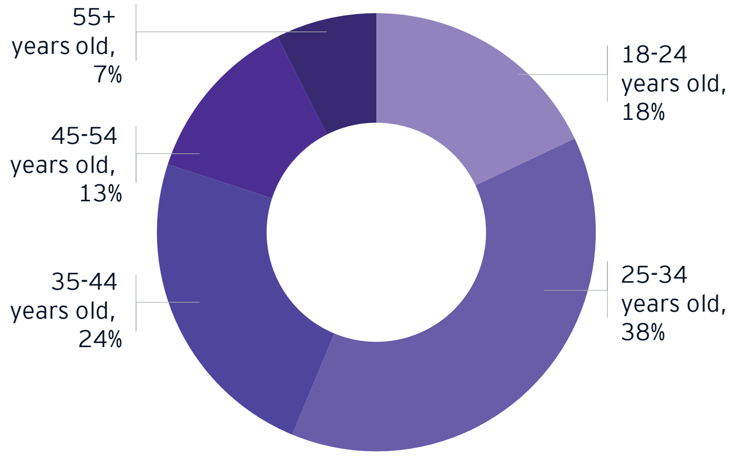
Methodology and sample

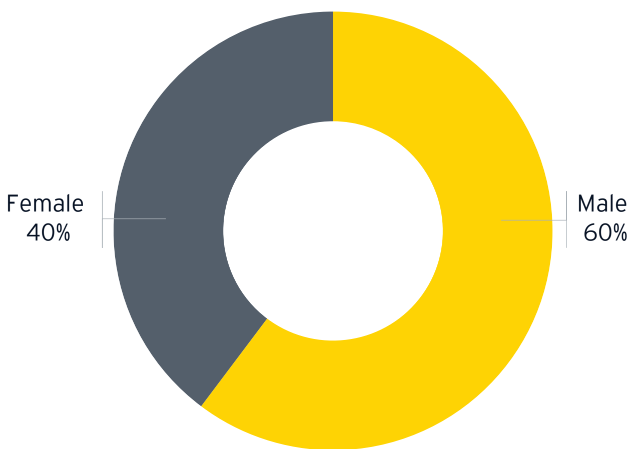
Online survey conducted of 4,074 respondents across metros (2,017) and non-metros (2,057) from 22 June 2020 to 4 July 2020

Location

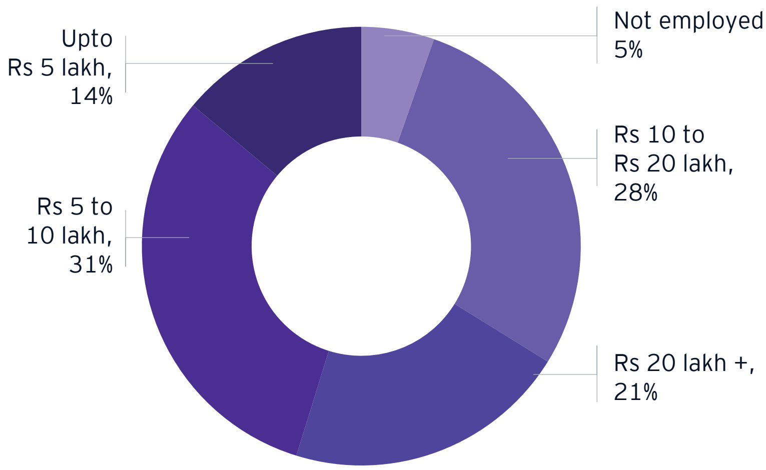
Age group



Gender

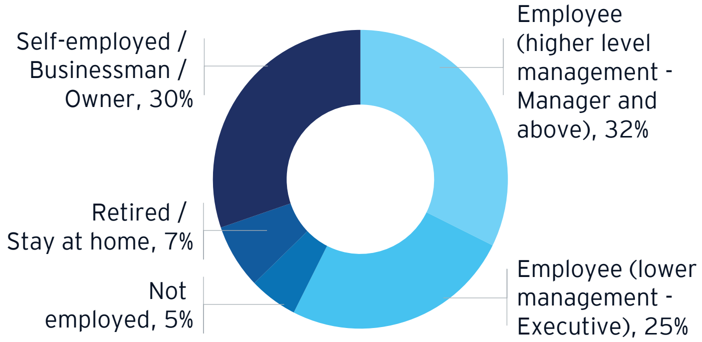


Annual household income

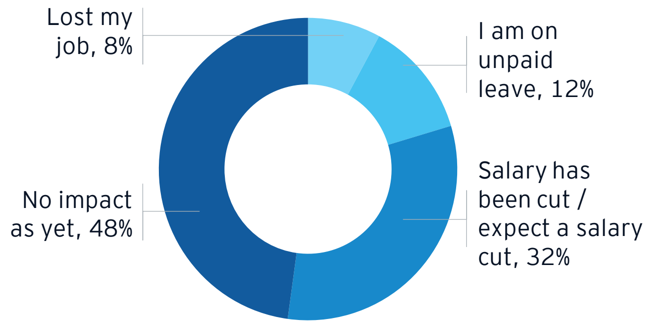


Disclaimer: The survey has been conducted through online methods using a panel of adults who have access to the internet. Responses are based on the current Covid-19 situation only, and may not reflect any new or altered reality where the situation changes, eg, a vaccine is developed and provided or the situation significantly deteriorates. This study aims to try and identify changes in consumer behaviour only to identify areas where growth could be quicker and must be combined with other, specific research prior to using it for any purposes. EY has performed this study on a best effort basis and makes no warranties or representations of any kind. We would like to thank Retail Quotient Research Private Limited, our research partner, and others who helped us with their insights and supported the survey.

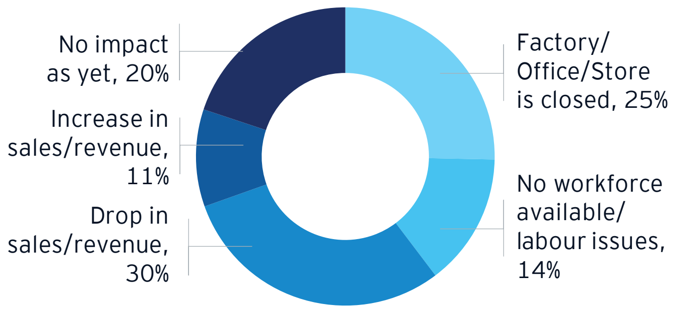
Employment status



Overall Impact on Employees



Overall Impact on Business



City	No. of respondents
Ahmedabad	152
Ajmer	55
Bangalore	308
Bhagalpur	82
Bhopal	133
Bikaner	40
Chandigarh	125
Chennai	167
Delhi	346
Gwalior	60
Hissar	80
Hyderabad	153
Indore	140
Jaipur	142
Jalandhar	80
Jodhpur	60
Kolkata	170
Ludhiana	80
Mumbai	686
Muzaffarpur	80
Patna	144
Pune	187
Raipur	89
Rajkot	80
Ranchi	81
Rohtak	80
Surat	83
Udaipur	51
Ujjain	60
Vadodara	80

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