

Pivoting for success: Unraveling the Post-Covid CPG Innovation Landscape in India

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The Context





India's Consumer Packaged Goods (CPG) sector has navigated a significant transformation in an unprecedented change and volatility era.

The COVID-19 pandemic has altered how we live and work and reshaped consumer behaviour and market dynamics, necessitating a fresh approach to innovation and strategy.

In this report, we delve into the heart of these changes.

Drawing upon Ipsos' extensive database and expertise, we explore the evolving nature of

CPG innovation, examining the trends that have emerged in the wake of the pandemic.

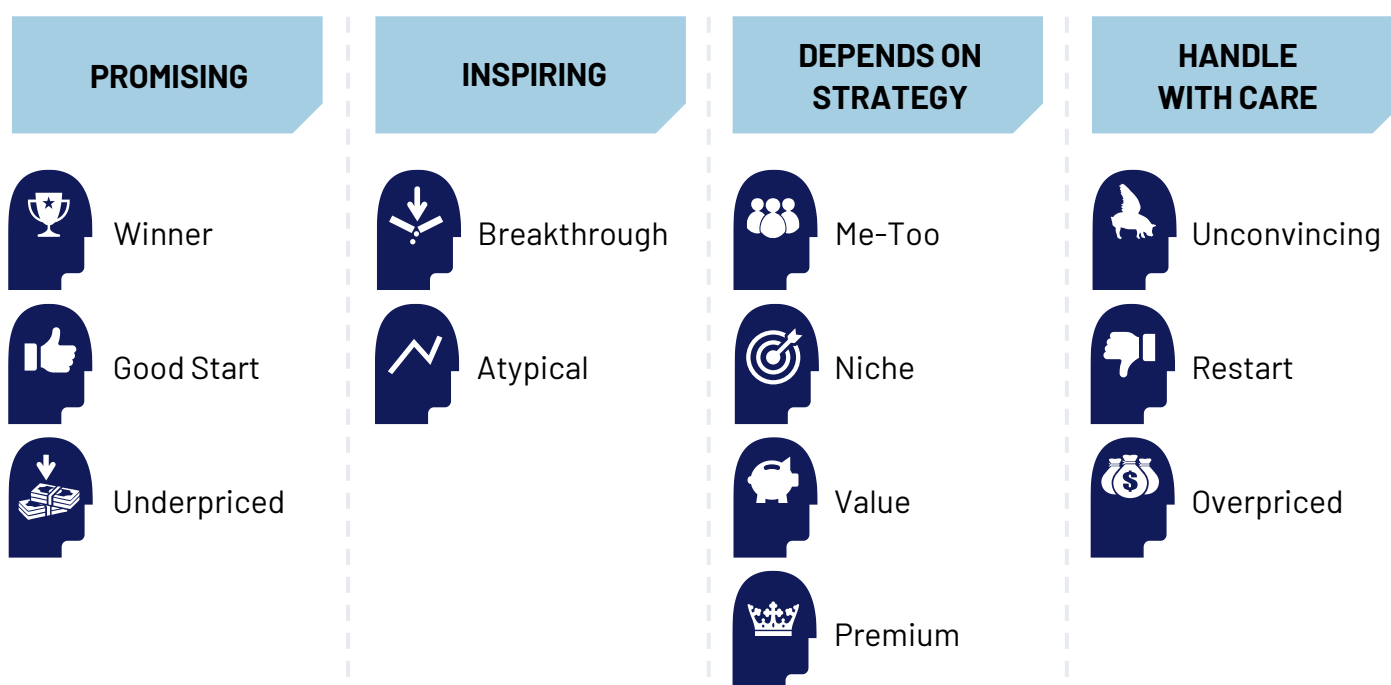
Whether you are a multinational corporation or a fledgling start-up, we hope this report provides valuable insights to guide your innovation strategies and help you unlock new opportunities in the Indian market.

Welcome to a new epoch of innovation in the CPG industry. Let's explore!

CPG Innovations: A Personality Success Guide

Understanding CPG innovation personalities will help us better understand and interpret the trends observed in the post-COVID CPG landscape in India. At Ipsos, we have found that some personalities have a better chance of success than others. We identified 12 personalities that a CPG innovation might possess using a unique algorithm and key performance indicators. We then grouped them in terms of market potential or strategy.

Ipsos Innovation Personality



We categorize the first group of personalities as “Promising.” Promising personalities include Winners, Good Starts, and Underpriced. Winners score well on all metrics. Good Starts do not perform as well but have no weaknesses. Underpriced are perceived as not expensive and can command a higher price. We categorize the next group of personalities as “Inspiring.” Inspiring personalities include Breakthroughs, which might be highly appealing but not believable enough.

Then there is a group of personalities whose success depends on the marketer’s strategy – hence the name “Depends on Strategy.” This group includes Me-Too, Niche, Value and Premium personalities. A marketer might want a Premium personality on the high end of the market, or a marketer might want to go after a Niche personality.

Finally, a group of personalities with a much lower chance of success is called “Handle with Care.” For example, an Unconvincing personality is unique but does not fulfil a need; moreover, consumers are not sure these innovations will deliver on their promise.

Key Trends in CPG Innovation Post-COVID

Based on 40+ years of experience testing product concepts in India, our extensive database of concept scores in the CPG sector reveals some interesting insights. Analysing concept performance scores across two time periods – 2015 -2019 as the pre-pandemic period and 2022+ as the post-pandemic period—there are five distinct trends in how innovation has evolved in the CPG sector.

#1

CPG Companies Are Struggling to find Mass Disruptive Breakthroughs for the Indian market, worse post-COVID

#2

Concepts with JUNK status are 2X higher than earlier

#3

Companies produce far fewer Mass “Me-too” propositions and more Geographical “Winners”

#4

Smaller companies have better odds of Innovation success

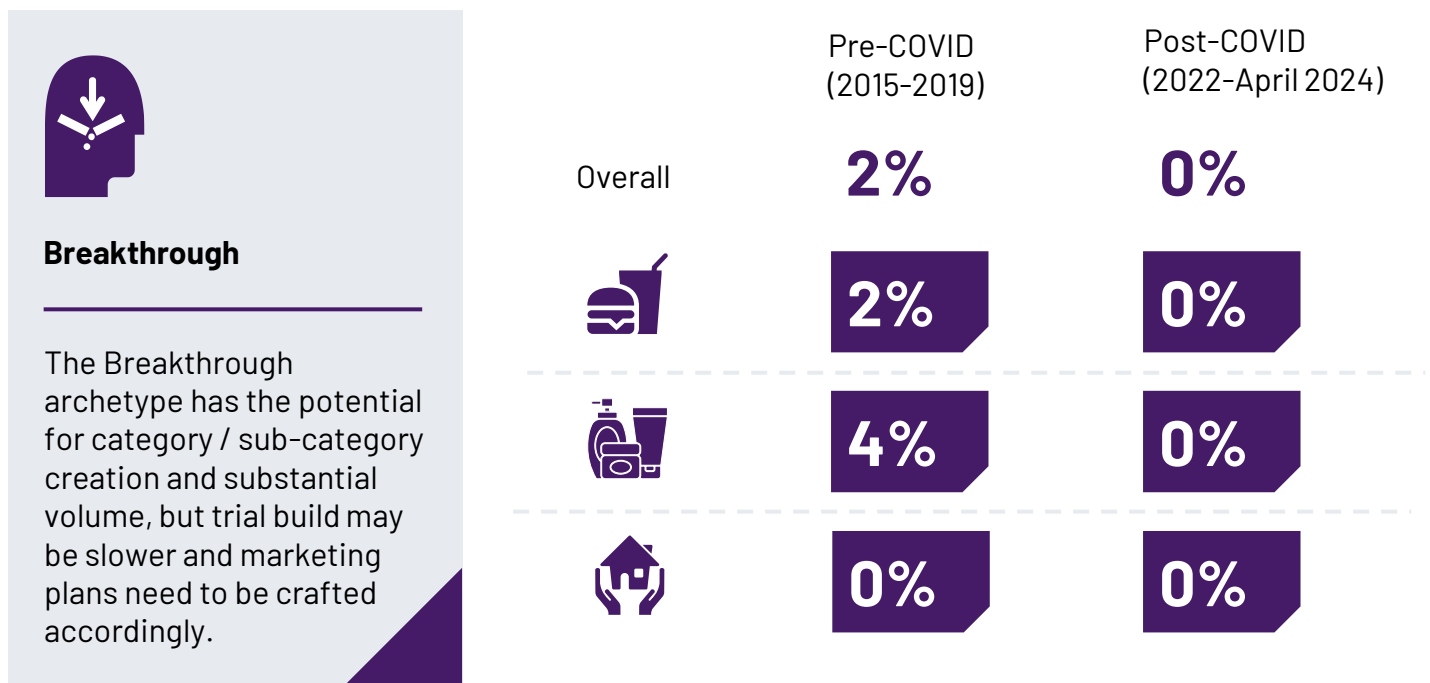
#5

Premiumization is driving growth

#1

CPG Companies Are Struggling to find Mass Disruptive Breakthroughs for the Indian market, worse post-COVID

In India, the landscape of mass-market innovations has experienced a notable shift post-COVID. Despite relentless investments, competition and the constant influx of new players, mass-market innovations perceived as "inspiring breakthroughs" have dramatically dwindled. Post-COVID, less than 1 in 100 concepts tested have been classified as mass breakthrough innovations. In the Personal and Beauty Care sectors, the numbers have plummeted from 4% to 0%.



*Data during the COVID years (2020-2021) has been excluded from the analysis. Results are basis a total of 860 cases over the two time periods reported.

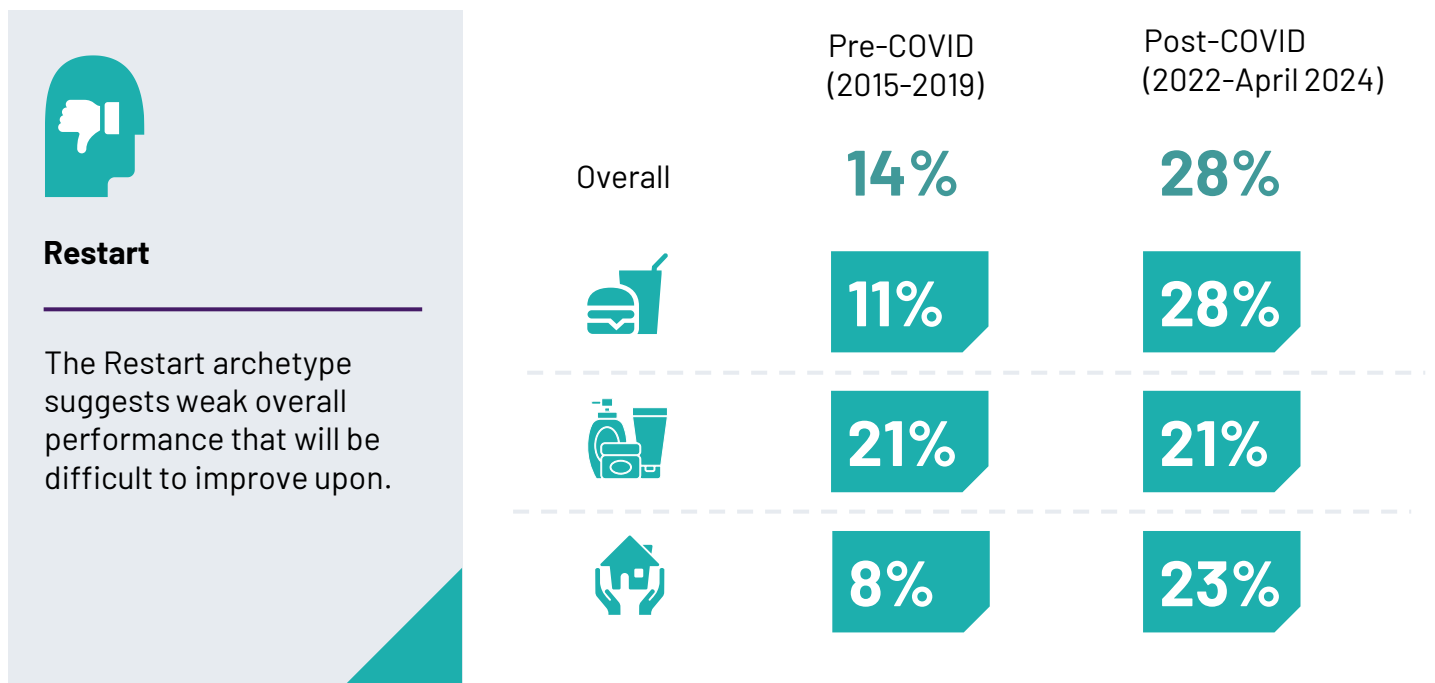
Inspiring breakthrough innovation is defined as something novel, beneficial, and surprising. It stands out for its uniqueness and yet, paradoxically, is often met with early scepticism due to its low believability. An example of a breakthrough innovation in the Indian market is the introduction of Patanjali Ayurved's herbal and natural consumer goods. The company disrupted the Indian FMCG market with its unique value proposition of offering natural and Ayurvedic products, a novelty in the market.

Their success highlighted the potential of creating genuinely novel and appealing products that can disrupt the market. This decrease in potential breakthroughs across Indian CPG companies can be attributed to several factors: Possible business focus and reduced appetite for high-cost investments, constraints on resources, and the challenges of remote collaboration could contribute to fewer breakthroughs reaching the market.

#2

Concepts with JUNK status are 2X higher than earlier

Concepts classified under “Restart” have doubled from 14% pre-pandemic to 28% post-pandemic. These concepts perform poorly on multiple measures, typically with low relevance and low differentiation, suggesting that the core business idea or consumer insight is lacking. It’s incredibly high in categories such as Homecare and Food & Beverages; there seems to be a fundamental lack of consumer interest in these innovative ideas.



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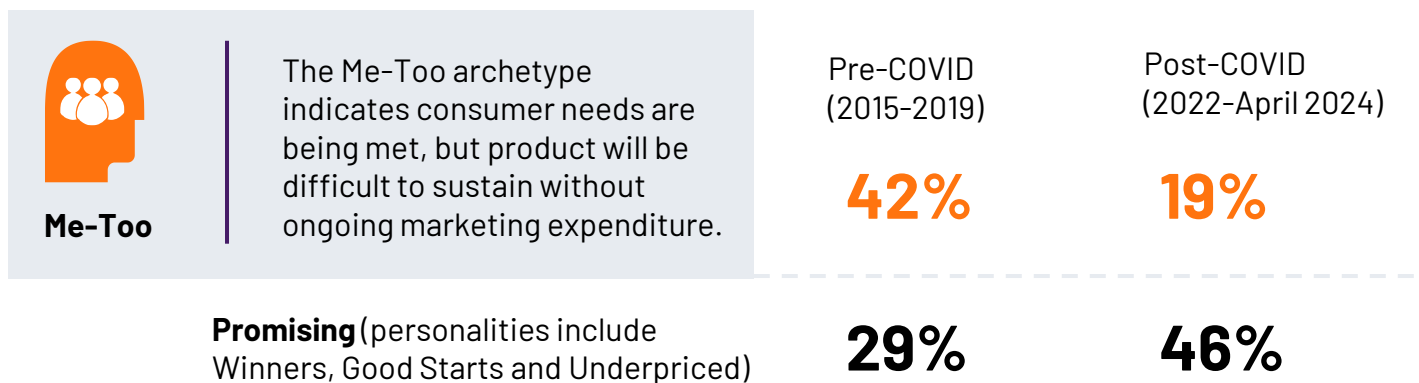
The high number of restart ideas suggests a drop in deep understanding of consumer motivations and tensions; hence, these ideas do not resonate with consumers. The pandemic changed consumer buying habits—what they purchase, how they purchase, and why they purchase — making it important for companies to re-evaluate what is important to consumers and the new normal, which itself continues to evolve as consumers settle into new patterns and lifestyle changes. Only with this new understanding can companies deliver successful innovations.

#3

Companies produce far fewer Mass “Me-too” propositions and more Geographical “Winners”

“Me-too” products, essentially imitation products with very little differentiation, often find it hard to sustain in the market in the long term due to the lack of uniqueness. While they may benefit from the established market and demand created by the original product, their lack of differentiation often results in fleeting success. They tend to compete mainly on price, which can lead to a race to the bottom and ultimately hurt profitability.

On the other hand, geographical niche-winners are “Promising” products or services tailored to meet specific needs and preferences of the consumers in a particular geographical area – these are mostly incremental innovations, distinct from disruptive “Breakthrough” ideas. These propositions are often more successful in the long term because they offer a unique value proposition that cannot be easily replicated by competitors. Historically, organisations have been guilty of having more “Me-too” products in their portfolio and fewer “Promising” propositions. However, the scenario has been changing rapidly.



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The shift towards geographical “Winners” suggests that companies recognise the importance of understanding and catering to their local consumers' unique needs and preferences. Such a strategy can help companies create more differentiated and relevant offers, enhancing their competitive advantage. This trend also suggests that companies are moving from a one-size-fits-all approach to a more targeted and personalised approach. The success of this strategy would depend on a company's ability to gather and analyse consumer insights, adapt its offerings to meet local needs, and effectively communicate and distribute its unique value proposition to its target audience.

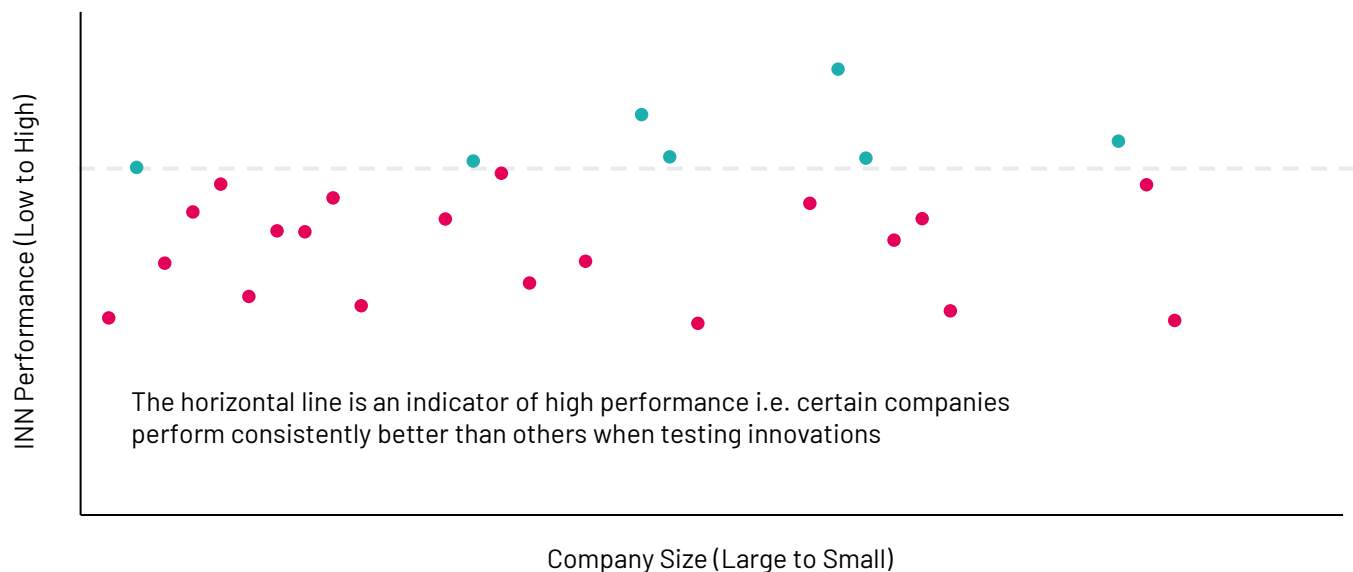
Britannia Industries is a classic example of a company tailoring its products to local needs post-COVID and effectively communicate and distribute its unique value proposition. The company launched a range of bakery products that cater to the local taste preferences in different regions of India. For example, in the South, they introduced Ragi biscuits; in the North, they introduced a range of cookies based on local flavours like 'Pista Badam' and 'Kaju Almond'. This localisation strategy has been instrumental in Britannia's success.

#4

Smaller companies have better odds of Innovation success

Before COVID (2015-2019), the odds of success in generating great product ideas were random and never correlated to company size. Post-COVID (2022-April 2024), the odds of innovation success favour smaller companies.

Scatter Plot between the Size of the Company and its Innovation Performance:



Note: Size of the companies based on 2023 Revenues in India; INN performance measured through average scores of Trial Potential (across concepts tested for that company).

Smaller companies operate in niche markets and often understandably have a more intimate understanding of their customers and are better able to adapt to their evolving needs and preferences. They are typically closer to their customer base and have more direct communication channels, allowing them to respond quickly to changes in consumer behaviour. This agility can be a significant advantage in rapid change.

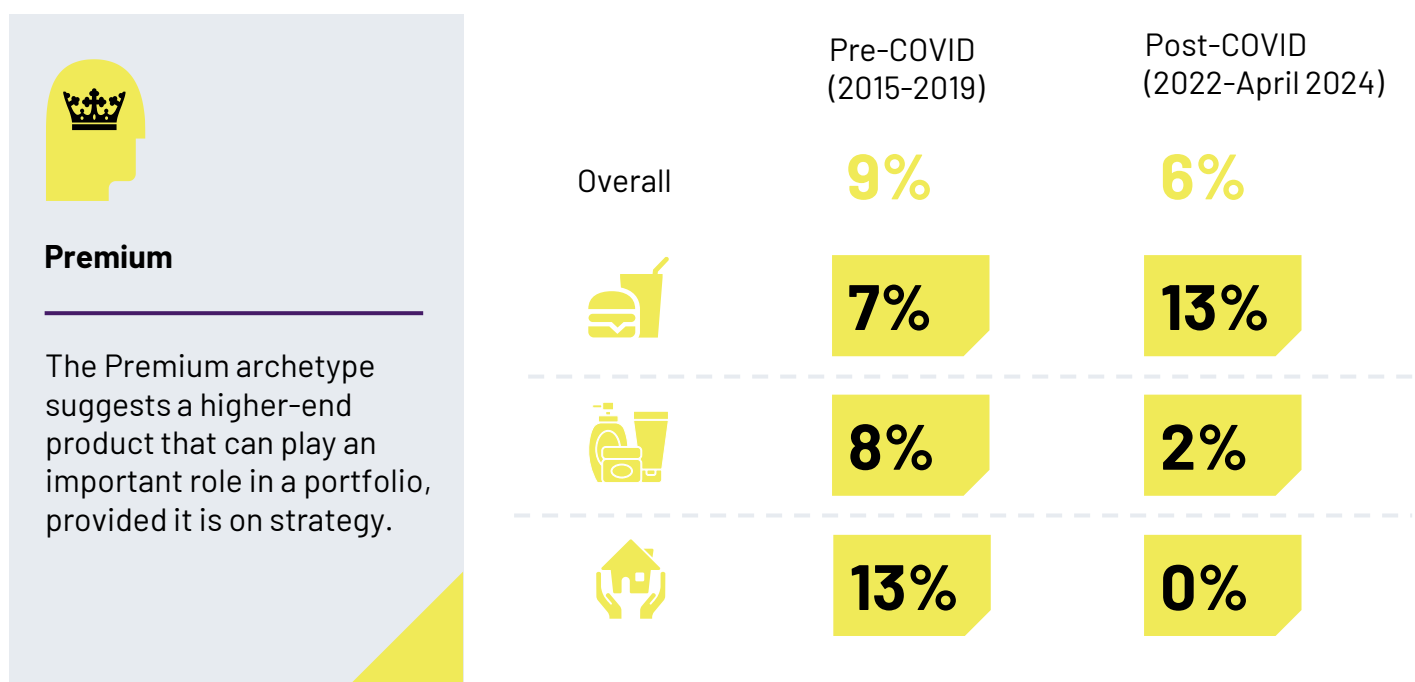
Small companies like 'Beardo' and 'The Man Company' have been successful in capturing the niche market of men's grooming during the pandemic. These companies have shown agility in responding to emerging consumer needs. Epigamia, a small startup, successfully tapped into the growing demand for healthier snack options with its Greek yoghurt and smoothie products. Their success demonstrates how smaller companies can effectively respond to changing consumer preferences.

However, while smaller companies may have some advantages, innovation success is not guaranteed and depends on various factors, including the execution strategy and market conditions. It would be interesting to see how this evolves as we move further into the post-pandemic world.

#5

Premiumization driving growth, supporting margins in the face of a slower-than-anticipated rural recovery, doing well in the F&B category

According to the data, Indians are willing to trade up more in categories such as food and beverages than in-homecare and personal care. "Premium" is a notable strength in either relevance or differentiation associated with high price perceptions; some sectors have been more successful in this space. Over time, the Food and Beverage category has created premium products.



*Data during the COVID years (2020-2021) has been excluded from the analysis. Results are basis a total of 860 cases over the two time periods reported.

The trend of "premiumisation," especially in the Food & Beverage (F&B) category, reflects a shift in consumer behaviour and expectations. Consumers seek premium products with high-quality ingredients, innovative flavours, and a superior consumption experience. This trend is also fueled by the rise of a more health-conscious consumer base willing to pay a premium for products that align with their health and wellness goals. In response to the premiumization trend, Indian dairy company Amul released 'Amul Epic', a premium ice cream range. The launch was successful, showing that Indian consumers are willing to pay a premium for high-quality, unique products.

Over 70% of the new products launched by India's largest consumer goods maker, Hindustan Unilever, were in the premium segment in the last two years. For biscuit maker Parle Products, around 60-65% of new launches were in the premium segment compared to 40% pre-Covid. (Source: [Economic Times](#)). Companies must also carefully select the categories where consumers are willing to pay a premium. It's important to note that successful premiumisation requires a deep understanding of consumer needs, the ability to communicate the value proposition effectively, and careful strategic planning and execution.

Achieving Successful Innovation



The Indian market is still ripe with opportunities for innovation. However, companies must adapt their strategies and embrace a bolder, more consumer-centric approach to stand out in the post-COVID landscape. Companies should consider the following methods:

1. Remember to maintain sight of mass breakthrough innovations: Successful innovators understand the benefits of having a mix of incremental and breakthrough ideas in their pipeline. Companies need to have the right mix. The main challenge, however, with breakthrough innovations is the inherent risk and uncertainty. Companies may fear the failure of a new concept, which could lead to significant financial loss. Companies can conduct thorough market research and testing before launching a product to overcome this. They can also foster a culture that encourages innovation and isn't afraid of calculated risk.

2. Tailor Products to Local Needs: The success of geographical "niche-winners" suggests that companies should tailor their products to meet local needs and preferences. A one-size-fits-all approach may not be the

most effective. Companies should strive to create a unique value proposition that differentiates them from competitors.

3. Learn from Small Companies: The fact that smaller companies have been more successful at producing niche innovations suggests that larger companies can learn from them. They should consider how they can foster agility, cultivate close customer relationships, and gain a deep understanding of their market. Paper Boat is a good example of a small company creating successful niche innovations. They revitalized traditional Indian beverages like Aam Panna and Jaljeera, which were not widely available in packaged forms. Their success demonstrates how smaller companies can innovate in niche markets with agility and close customer relationships.

Due to their size and complexity, large companies may need help to foster the agility and innovation that characterise successful small companies. To overcome this, larger companies can create smaller, autonomous teams responsible for new initiatives. They can also collaborate with startups or establish corporate incubators to promote innovation.

4. Empathise with the end consumer: The increase in "Restart" concepts suggests that companies must deepen their understanding of their target audience. Big companies, in particular, seem to have diluted their connections with the end consumer.

Some examples of deep consumer understanding prevalent before COVID like Surf Excel's 'Daag Acche Hai' (Stains are Good) campaign that showed a deep understanding of Indian parents' aspirations for their children – to be free, play, and learn, even if it means getting their clothes stained. Coca-Cola India's 'Share A Coke' campaign or ITC and Nestle's range of ready-to-cook meals and snack products were born out of rigour, numerous consumer connects, observations, and immersions that were face-to-face personal interactions with the end consumers. A common theme in Insights that fails is the lack of tension in the insight and an understanding of consumer motivations.

5. Collaboration: Innovation is often fueled by the cross-pollination of ideas in collaborative, social environments. People from various backgrounds and experiences bring unique perspectives to the table. When these perspectives intersect, they spark new ideas and solutions that may not have emerged in a less diverse setting. Remote work and limitations on physical interactions have imposed certain constraints that might impact the effectiveness of collaborative innovation. More than ever, companies need to adapt and evolve their collaborative methods. They must invest in digital tools and platforms facilitating virtual collaboration, creating virtual 'spaces' where ideas can be shared and developed.

6. Leverage the premiumisation Trend: The success of premium products in the F&B category indicates a growing market for high-quality, unique products. Companies should consider leveraging this trend by investing in high-quality ingredients, innovative flavours, or unique experiences.

7. Focus on Storytelling and Communication: Even the most groundbreaking innovation can only succeed if communicated effectively. Companies need to craft compelling narratives that highlight their innovations' unique value proposition and connect with consumers on an emotional level.

In summary, companies in the Indian market should focus on maintaining a balance of breakthrough and incremental innovations, tailoring products to local needs, and learning agility from smaller companies. It's crucial to understand and connect with the end consumer, promote collaboration in the face of remote work, leverage the trend towards premium products, and master storytelling to communicate the value of their innovations effectively.

References and Acknowledgements

Reference Papers

- Finding hidden winners first - How to Identify Great Ideas before Your Competitors - Read [here](#)
- NATURE VS. NURTURE -Can You Change Your Innovation's Destiny? - Read [here](#)

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About Innovation at Ipsos

As Innovation experts, we are passionate about helping clients identify, qualify, optimize and forecast the business potential of innovations, products and packaging.

Our rapid and validated end-to-end solutions, combine optimization with qualification, to enable clients to be faster in seizing opportunities and be more agile in bringing their products to market.



About the author

Anthony Ambrose Dsouza, Executive Director, Service Line Leader-INN, has 20 years of experience in innovation and forecasting. His philosophy:



I am more like your guardian. You may see me contest when you waste energy and resources. But I have always been that way; I have always looked for the route where I optimise resources and energy. If I get the opportunity to make the trip again, I would try and do it more efficiently the next time and the next time and finally automate it.

My greatest satisfaction comes from simplifying things; we tend to overcomplicate explanations and undertake actions often not based on empirical evidence. The quote - 'It is easy to make things hard, but hard to make them easy' - by Rudger Bregman feels right.

I also love helping individuals discover and develop their skills. Meeting new people and reading new ideas energises me. If you think I can help, do drop me a line."

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