



Executive Summary

Digital penetration: Video, vernacular, and views

650M+ users will be online by 2020 | Time spent on Digital same as TV

Digital households: More valuable

Spend **2X** of non-digital HHs | Riding the natural wave

Digital influence: Large, brace for exponential growth

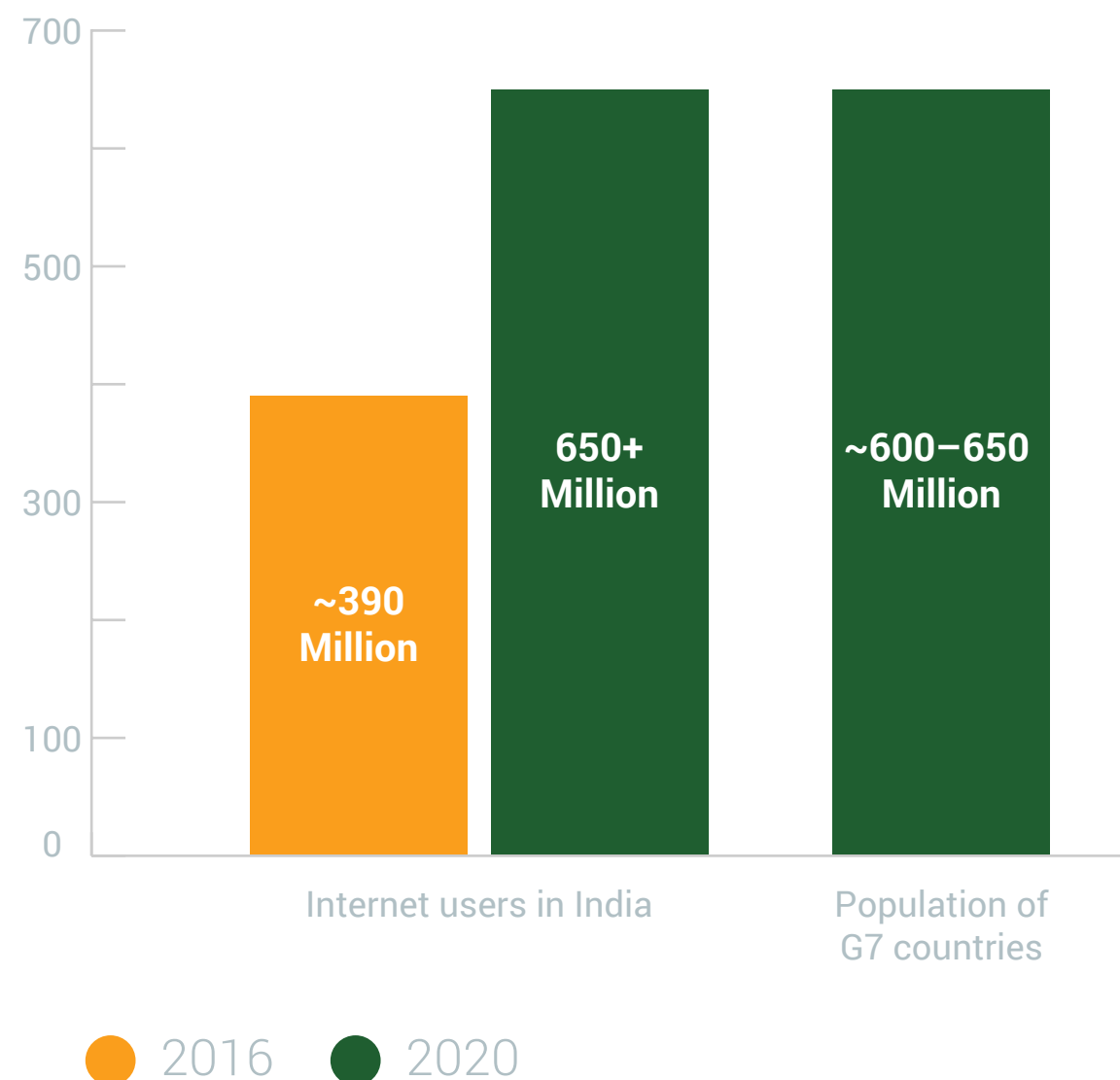
\$45B digitally influenced FMCG consumption by 2020 | **7X** e-commerce

Winning strategy on digital

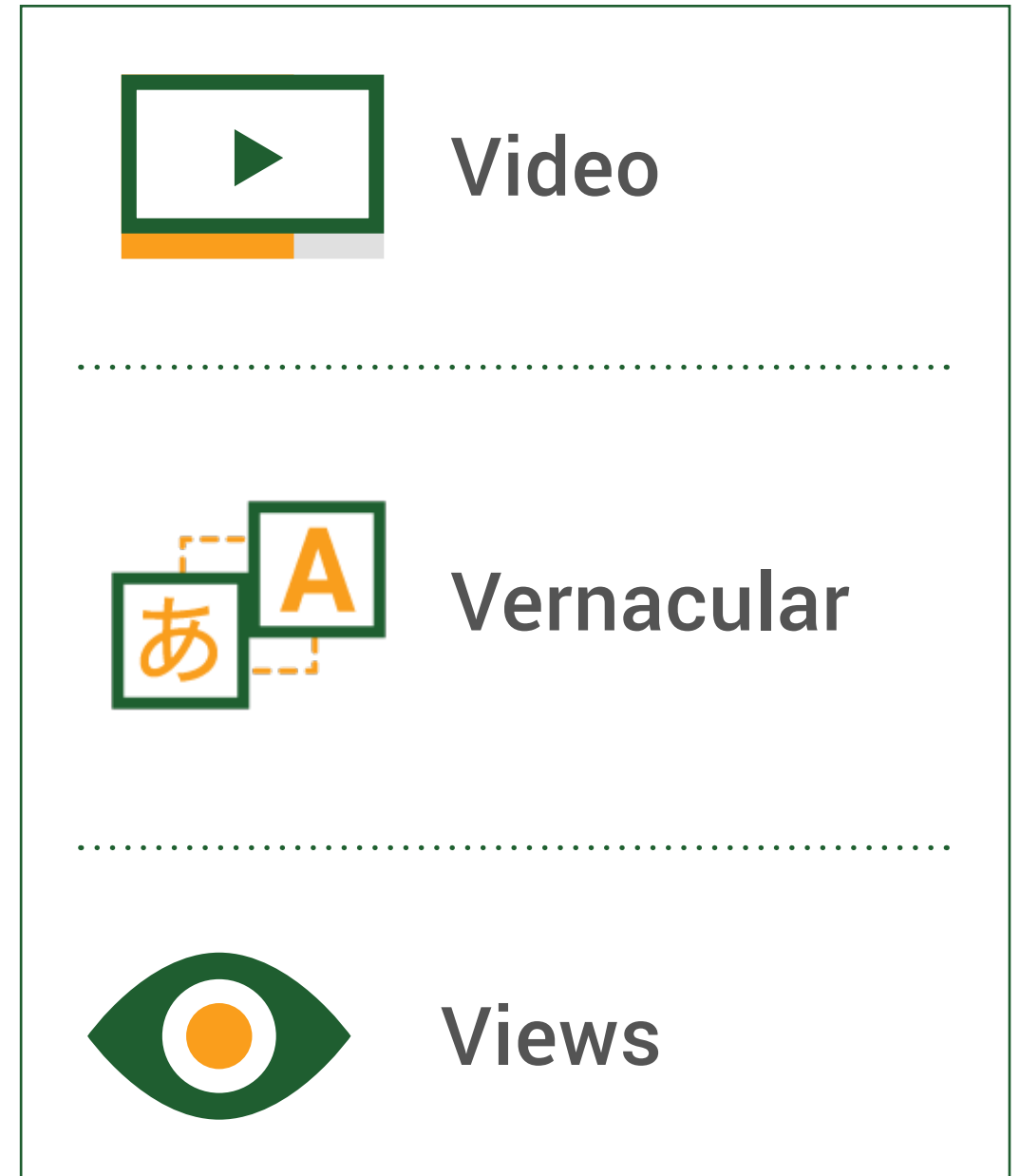
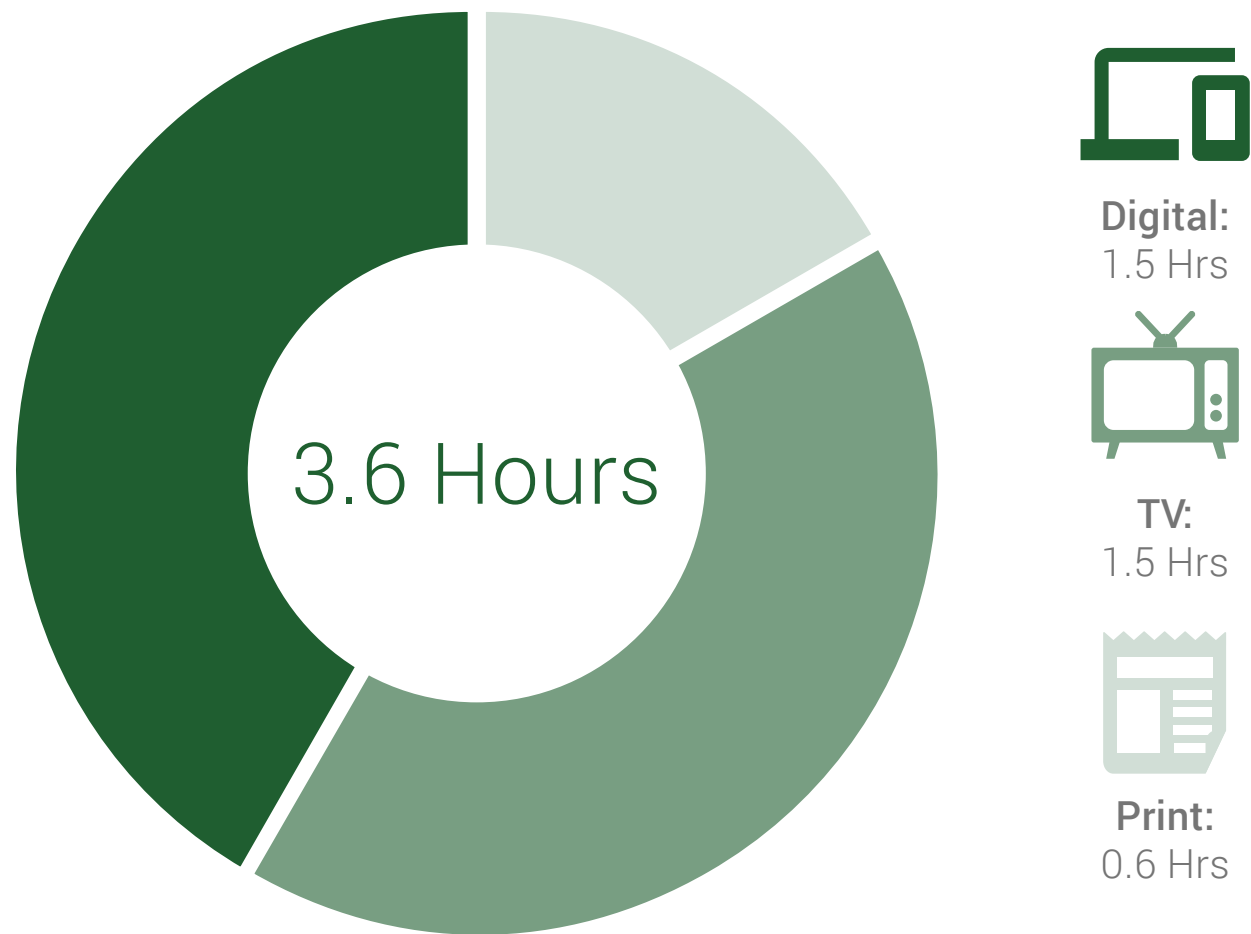
Digital playbook for FMCG organizations

Digital penetration: An all-pervasive force

India's Internet user base is expected to surpass the population of G7 countries.

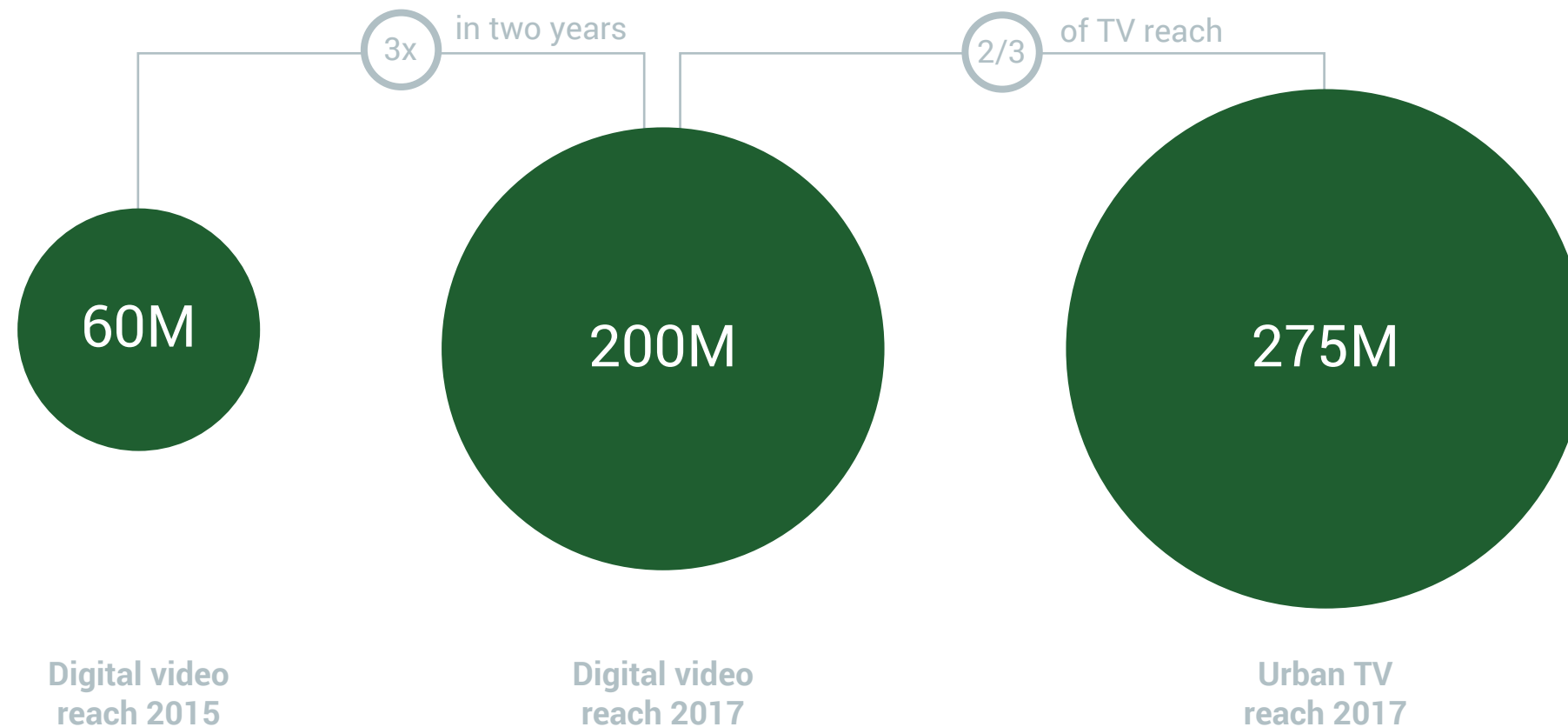


Time spent on digital was the same as time spent on TV in 2016.

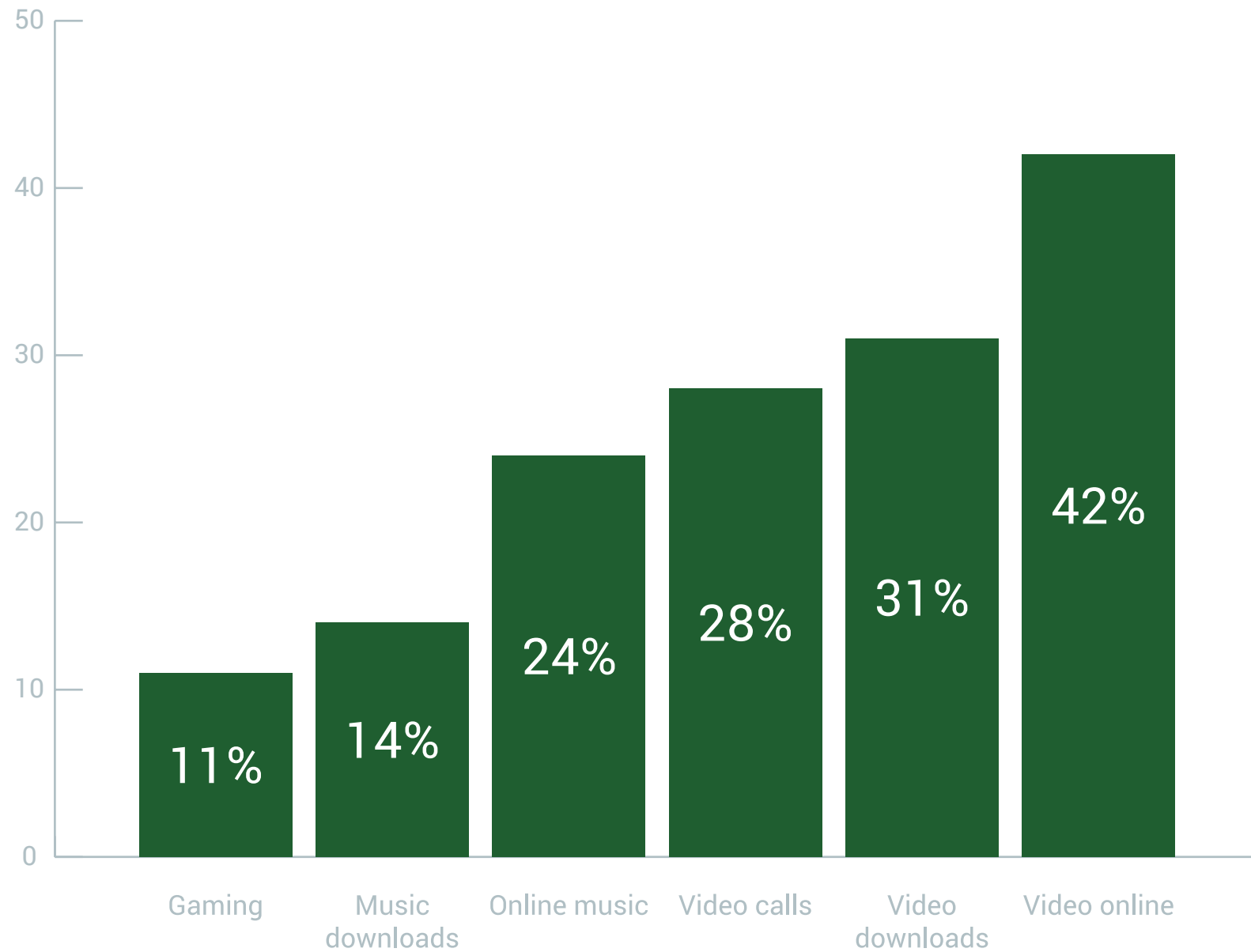


Time spent by urban internet users with digital access on various media channels (Hours/day) in 2016
Source: BCG CCI Digital Influence Study, 2016

Digital video has grown significantly over the past two years.



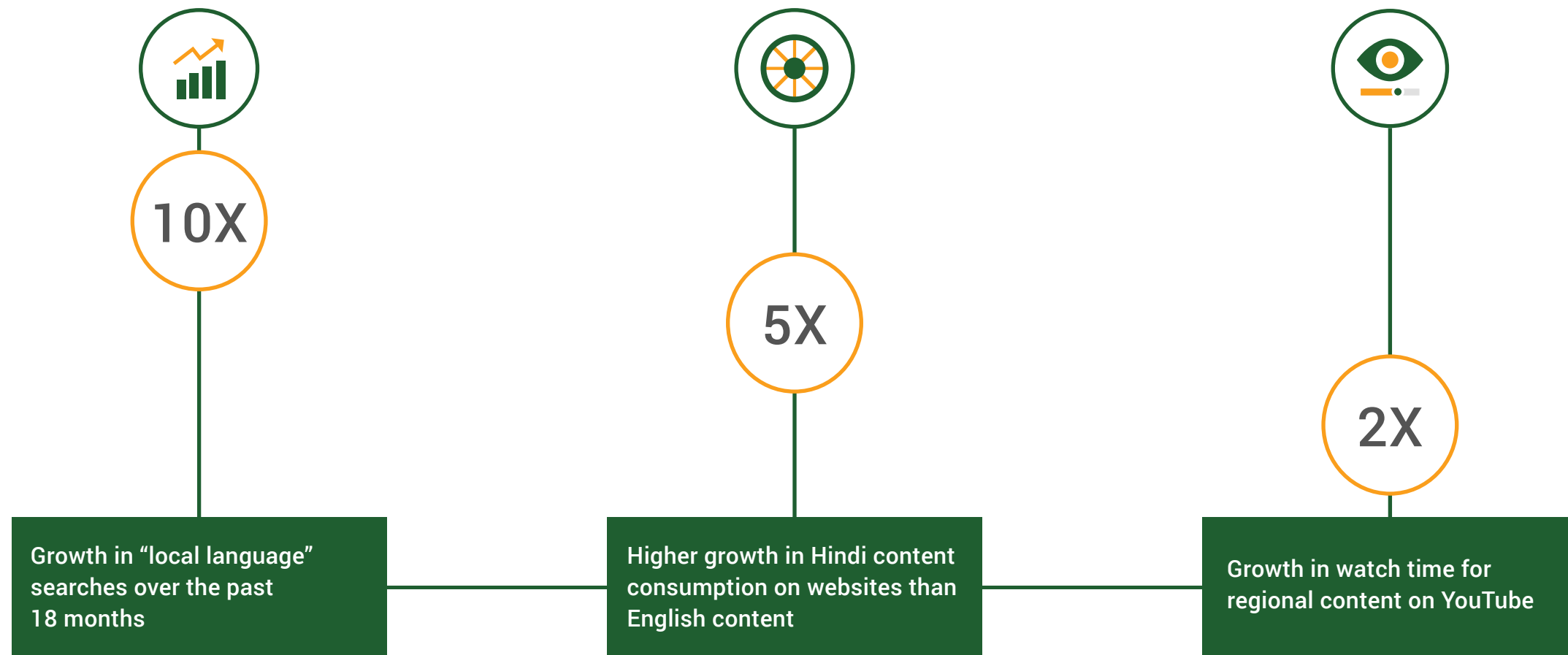
There's been a significant boom in digital video since last year.



Key activity being tried out for the first time on mobile by adopters on a new entrant's network

Given as a % of users trying the mentioned activity for the first time
Source: BCG TIE Billion Digital Volcano Study, 2017

Consumers are increasingly searching, viewing, and demanding content in their local language.



88% of Indian-language internet users are more likely to respond to a digital advertisement in their local language than they are to one in English.

Consumers turn to digital to look for views of advocates.

On YouTube...



Cooking

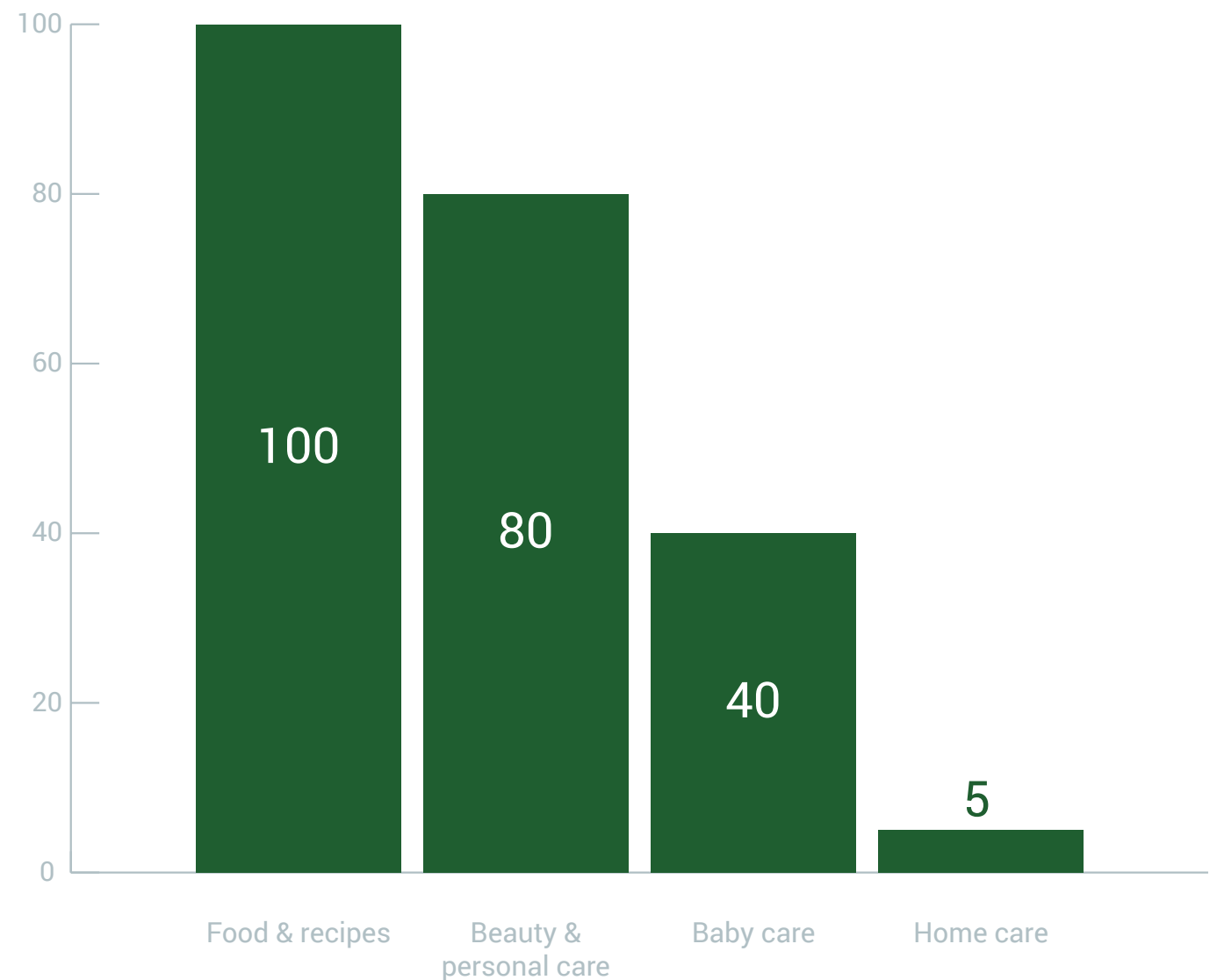
Watch time YoY growth



Beauty and Fashion

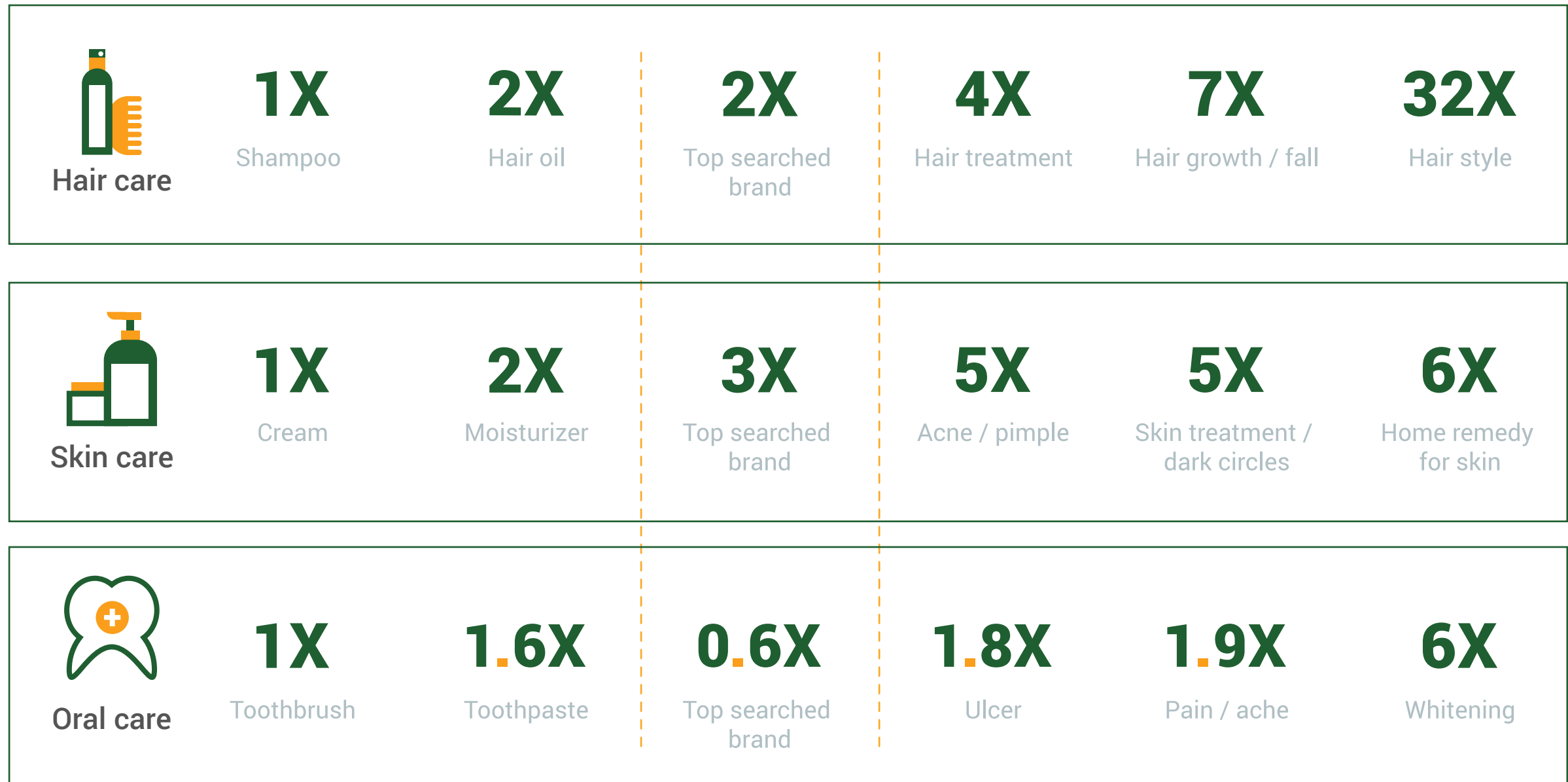
Watch time YoY growth

... and on search



Sources: Google Internal Data, YouTube Watch Time growth in H1'17 vs H1'16, Monthly Searches Indexed to the largest category (Jul'16-Jun'17)

Higher searches for “problem solutions” vs “products”



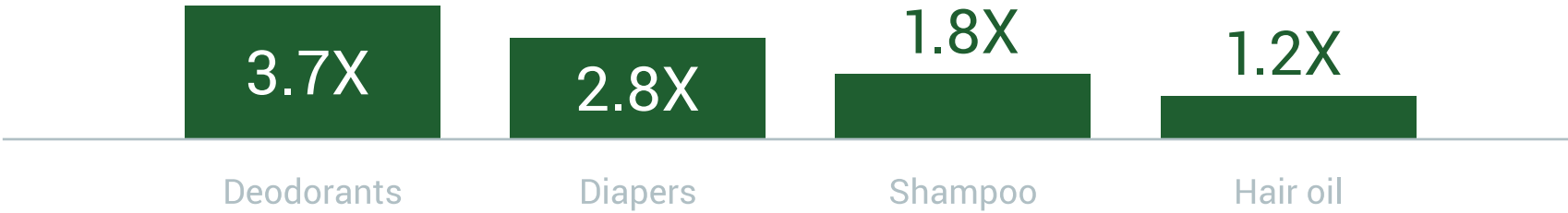
Digital households:
More valuable

Consumers with digital access spend 2X more on FMCG than offline consumers.

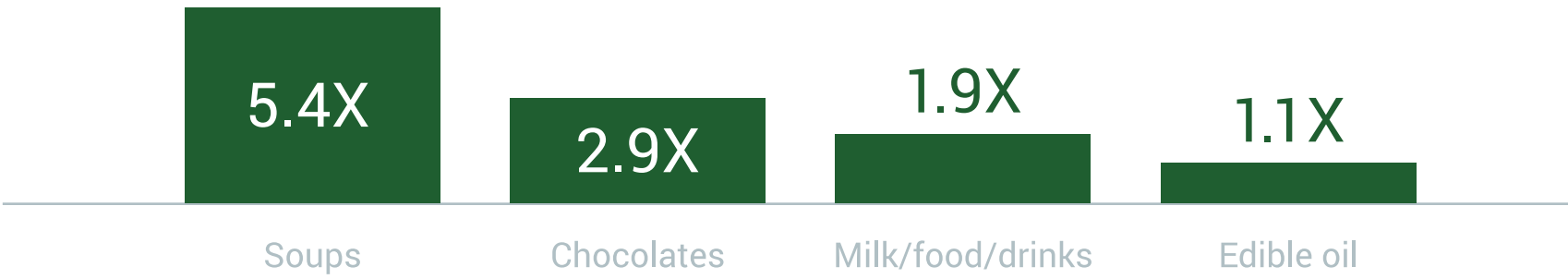
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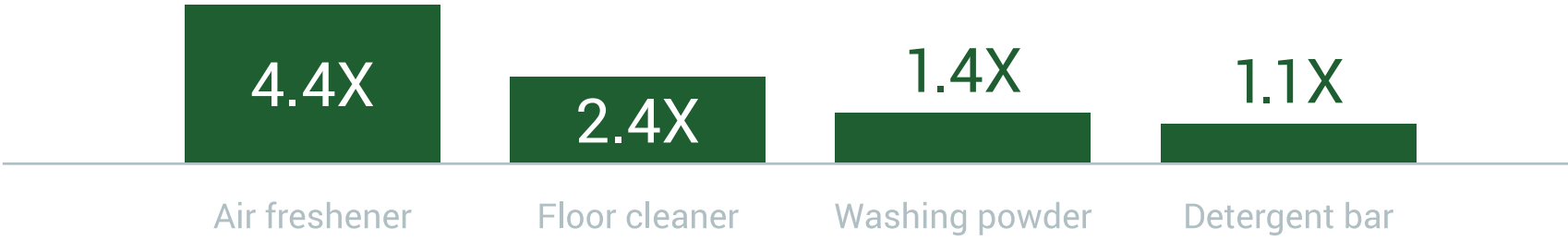
Personal care



Food and beverages



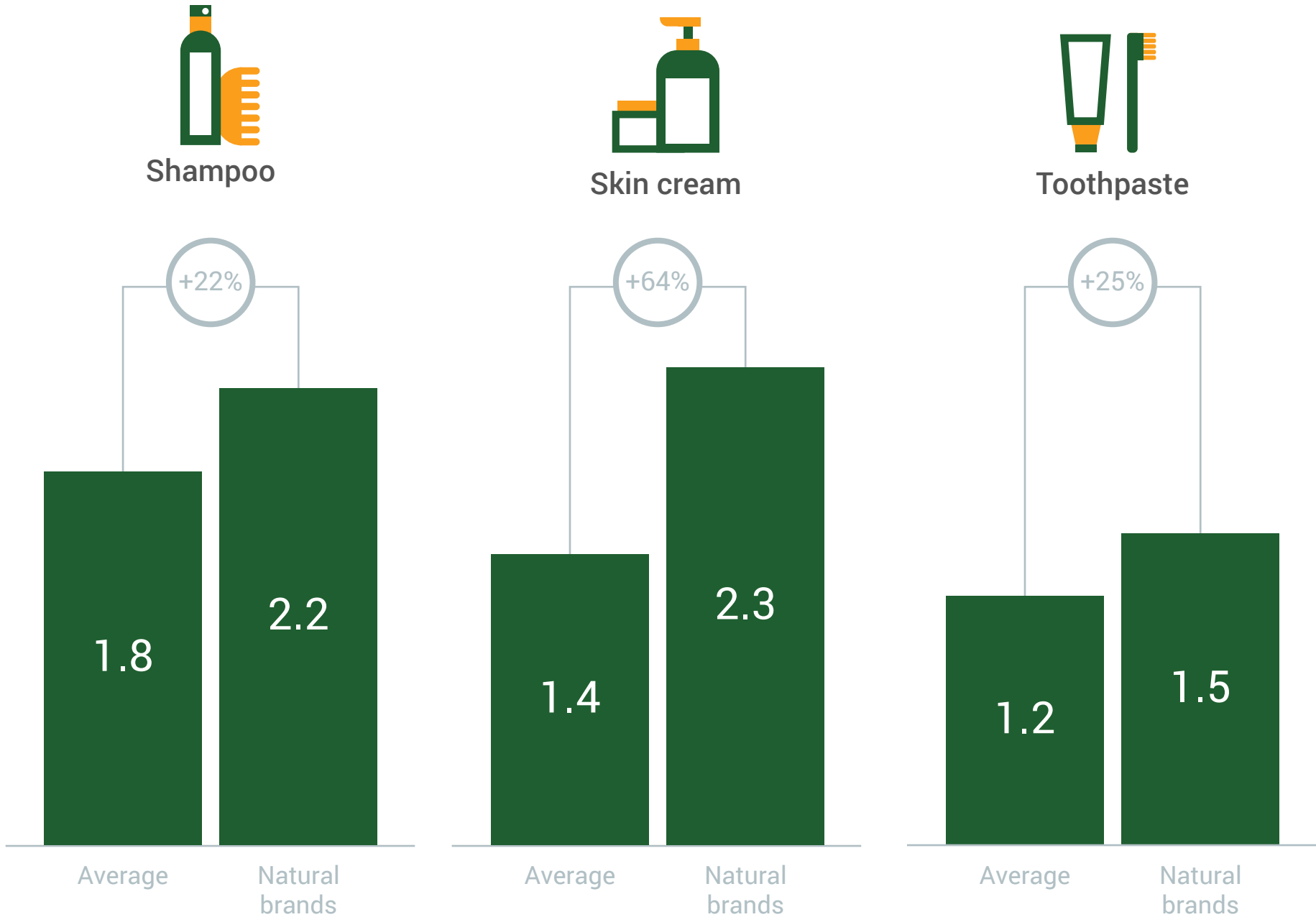
Home care



Relative spends on purchased product in Online Household to Offline Household; Online Household defined as a household with access to internet via Desktop, Laptop, Tablet or Smartphone Source: IMRB Kantar Worldpanel 2016

Consumers with digital access spend even more on natural brands.

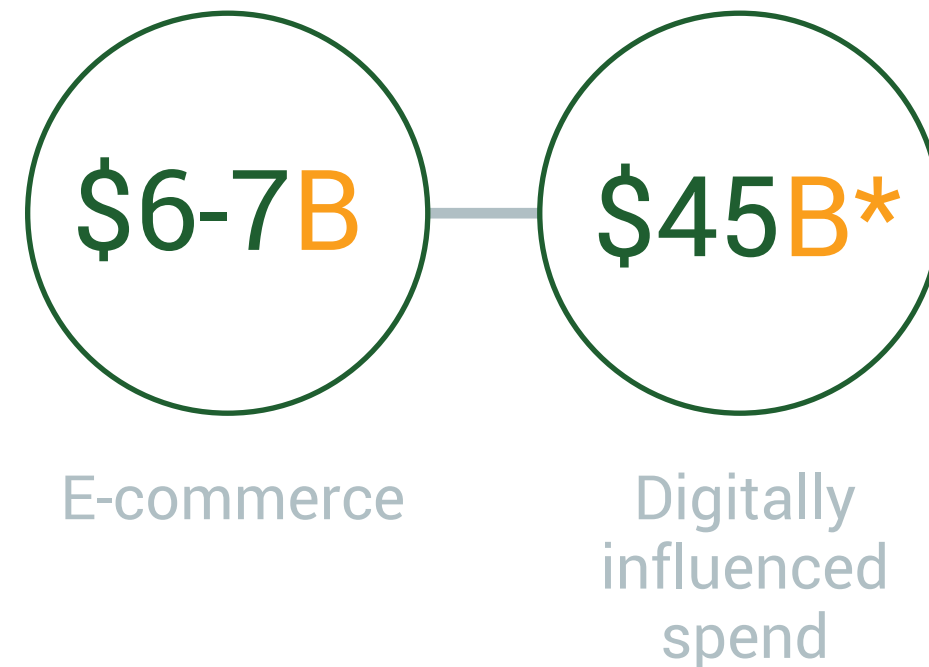
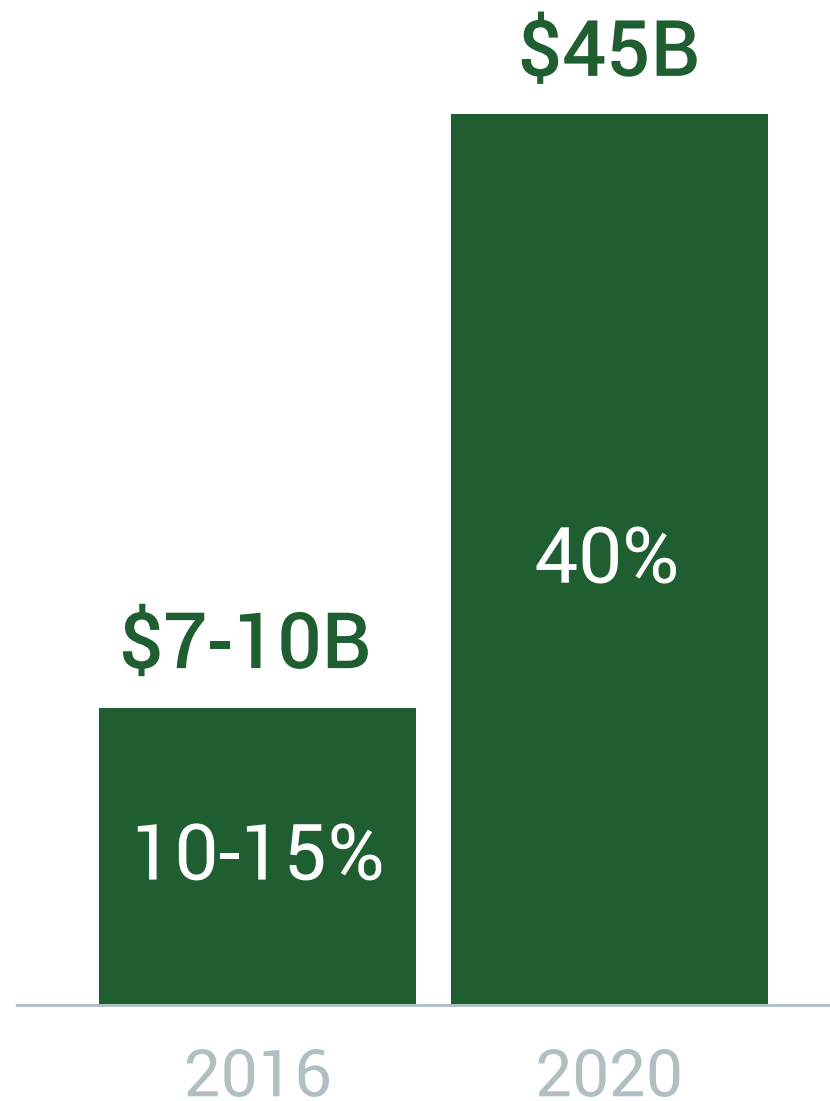
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Source: IMRB Kantar Worldpanel 2016

Digital influence: Brace
for exponential growth

\$45B digitally influenced FMCG consumption by 2020.



*7X of e-commerce in 2020

Digital influence is defined as the use of internet for conducting pre-purchase, purchase & post-purchase activities
Sources: BCG CCI Digital Influence Study – 2016; BCG – RAI report: "Digital in Retail", Feb 2017; *Constant currency

Digital influence by category.

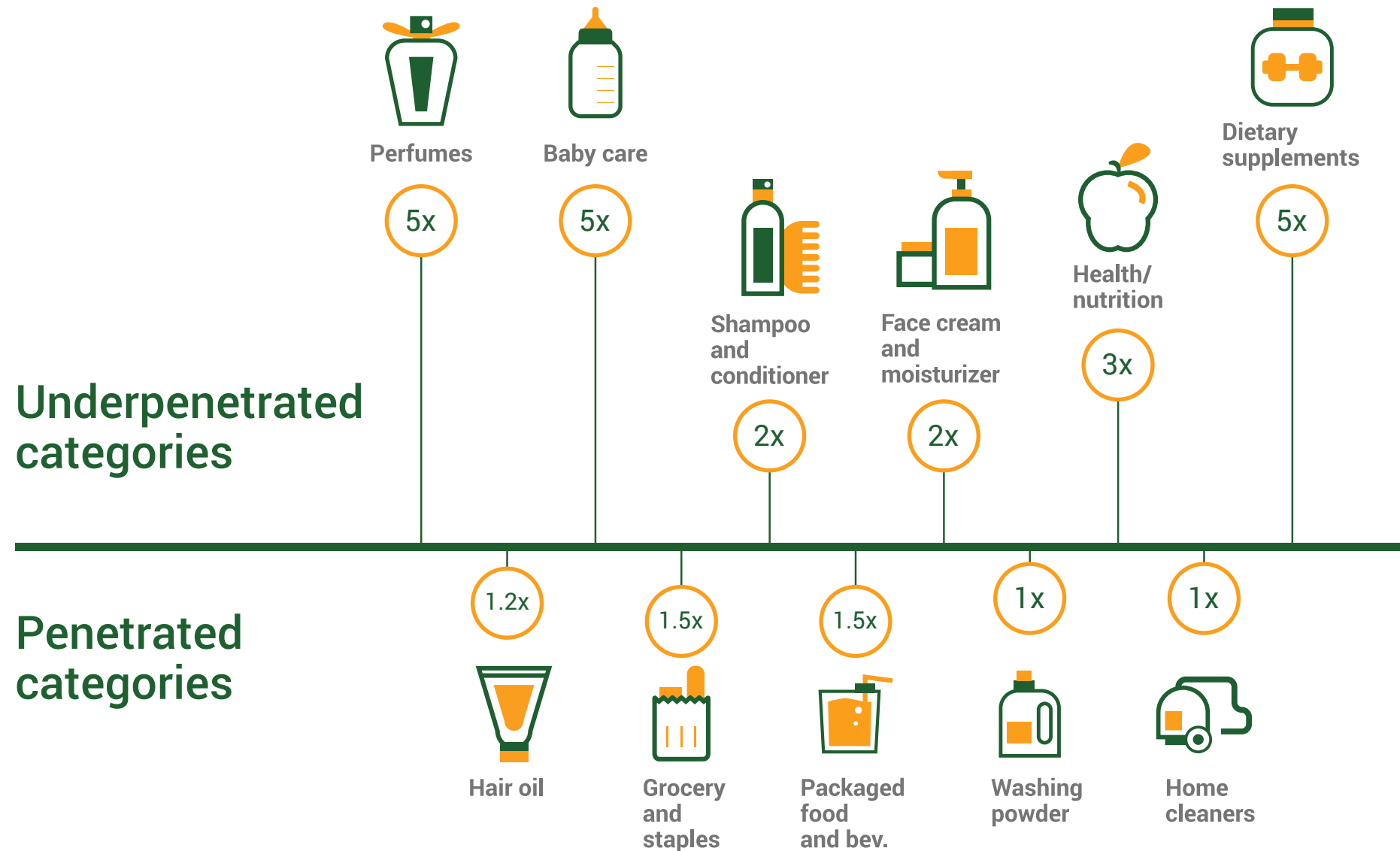


Digital influence is defined as the use of internet for conducting pre-purchase, purchase & post-purchase activities
Sources: BCG CCI Digital Influence Study – 2016

28M elite + affluent households (HHs) contribute 60% of digitally influenced consumption.

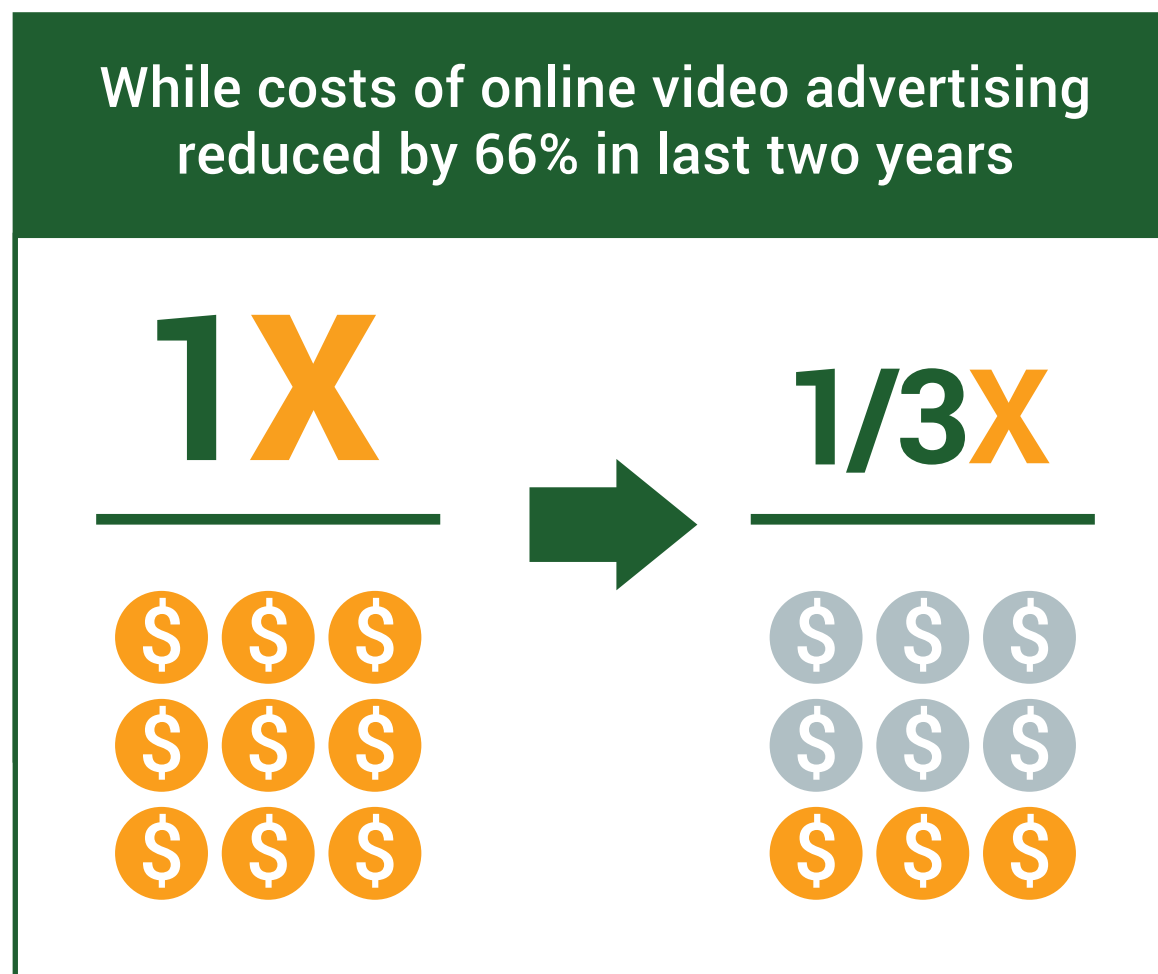
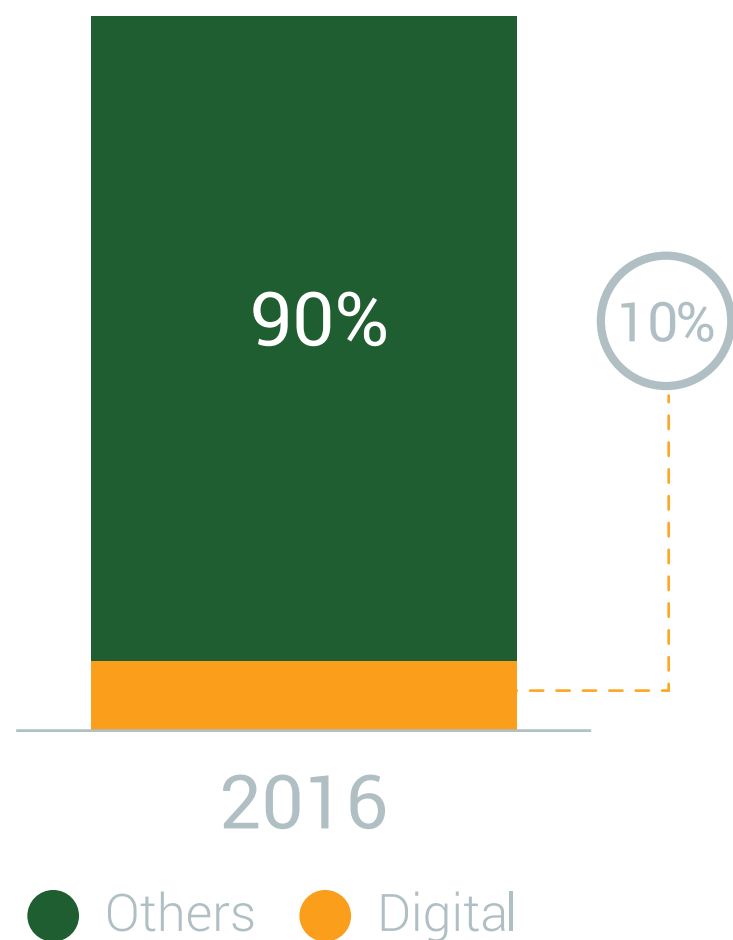
Type of HH basis annual income	No. of HHs (million) 2015	No. of HHs (million) 2020	Consumption contribution 2020	Digitally influenced FMCG consumption 2020
Elite	10 (4%)	15 (5%)	39%	60-65%
Affluent	11 (4%)	13 (5%)		
Aspirers	20 (8%)	31 (11%)	22%	18-20%
Next billion + strugglers	224 (84%)	228 (80%)	40%	18-20%
Total	265M	287M		

Higher digital influence was observed in relatively underpenetrated categories.



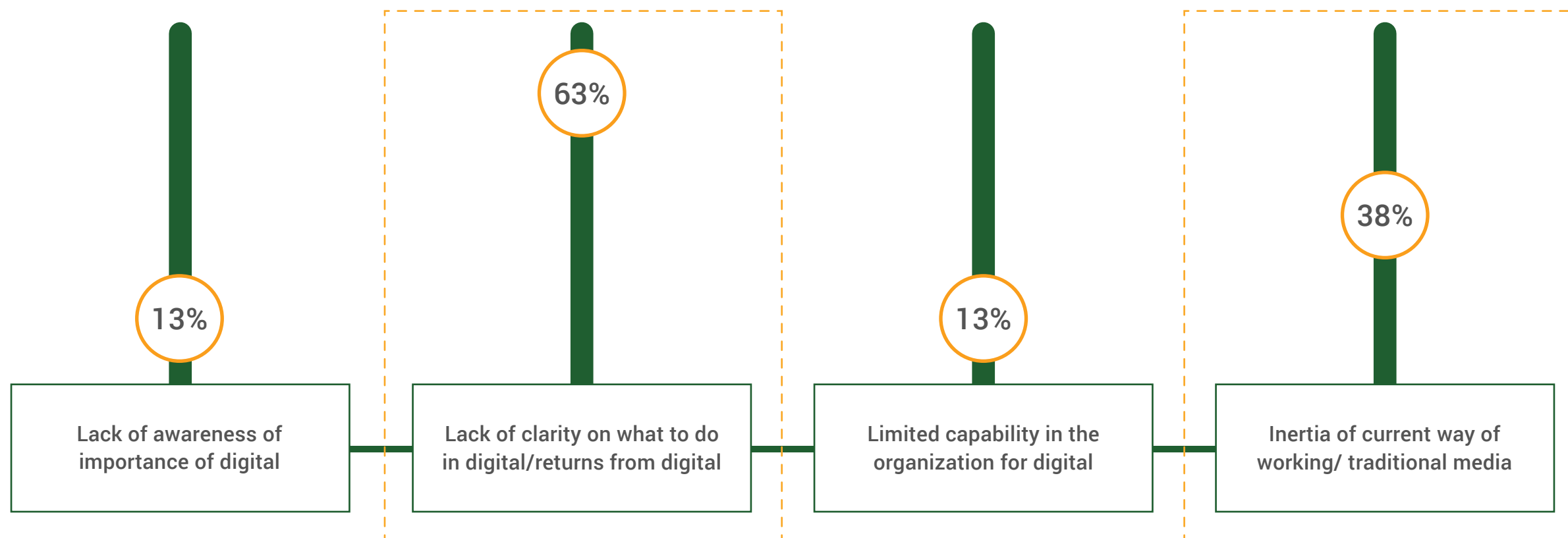
Winning strategy on digital

Digital spend doesn't equal time spent by consumers on digital.



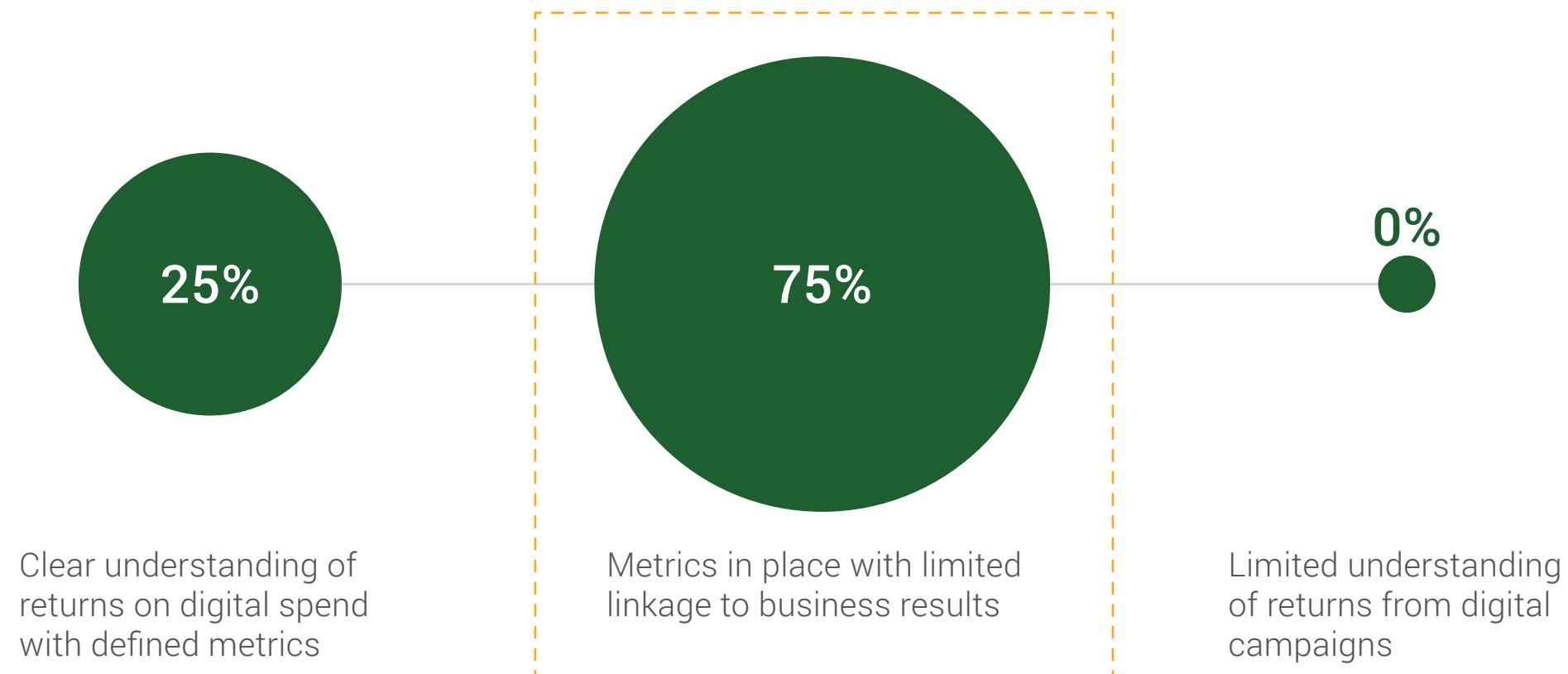
Share of advertising spend on different formats (%); Others includes Print, TV, Radio, Cinema and Outdoor.
Sources: Pitch Madison Advertising Report – 2017; Google Internal YouTube Auction Data, 2017; BCG analysis

Advertisers lag for multiple reasons.



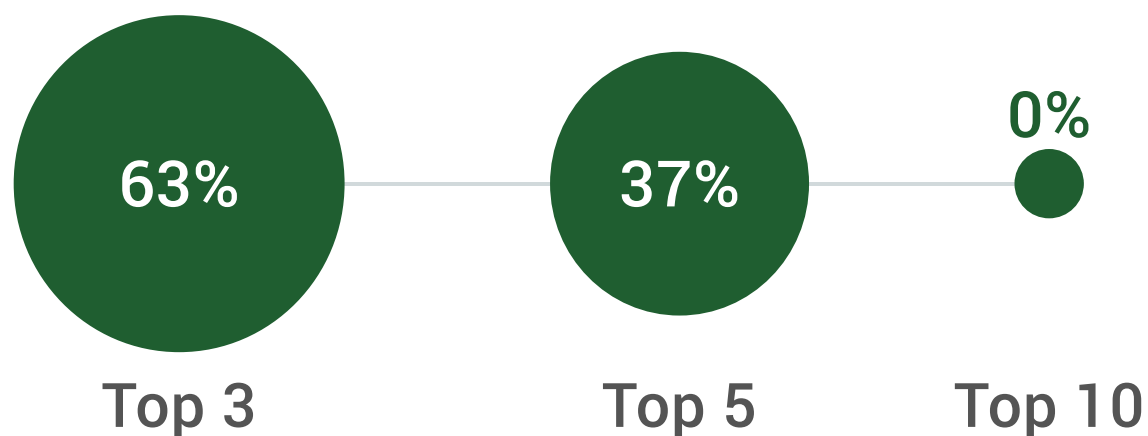
What stops you from spending more on digital?

Advertisers lag for multiple reasons.

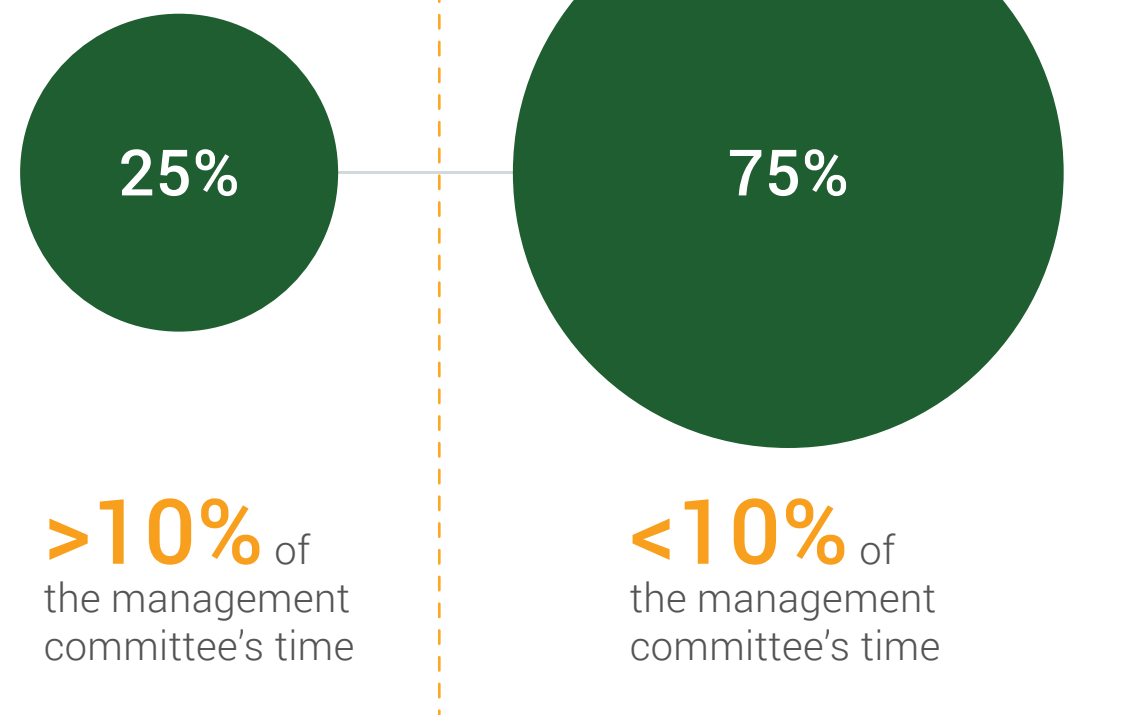


Which of the following best represents the current state of your digital impact measurement?

Companies are aware of importance but leadership isn't spending adequate time driving digital.



Do you see using digital as one of the top priorities for your business?



Is progress on digital strategy clearly monitored and discussed with the management committee?

Magnitude and shape of digital influence varies significantly based on intent of consumption and category penetration.

Intent: Conventional usage

Intent: Solutions space

Penetrated categories

Soap, home cleaner, edible oil, etc.



Underpenetrated categories

Hand wash, deodorant, conditioner, etc.



Problem solutions space

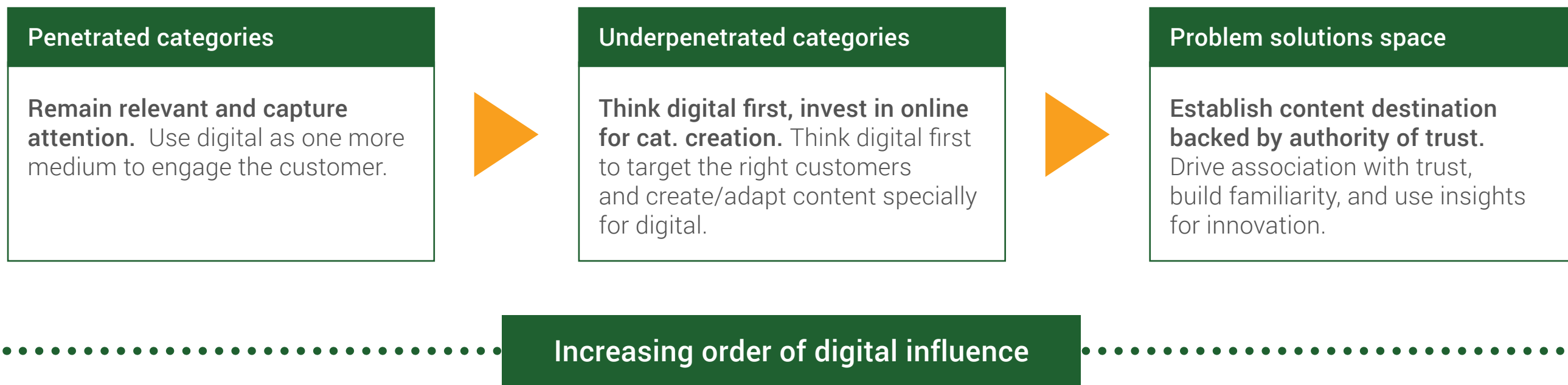
Weight loss, natural breakfast, hair style, etc.

Increasing order of digital influence

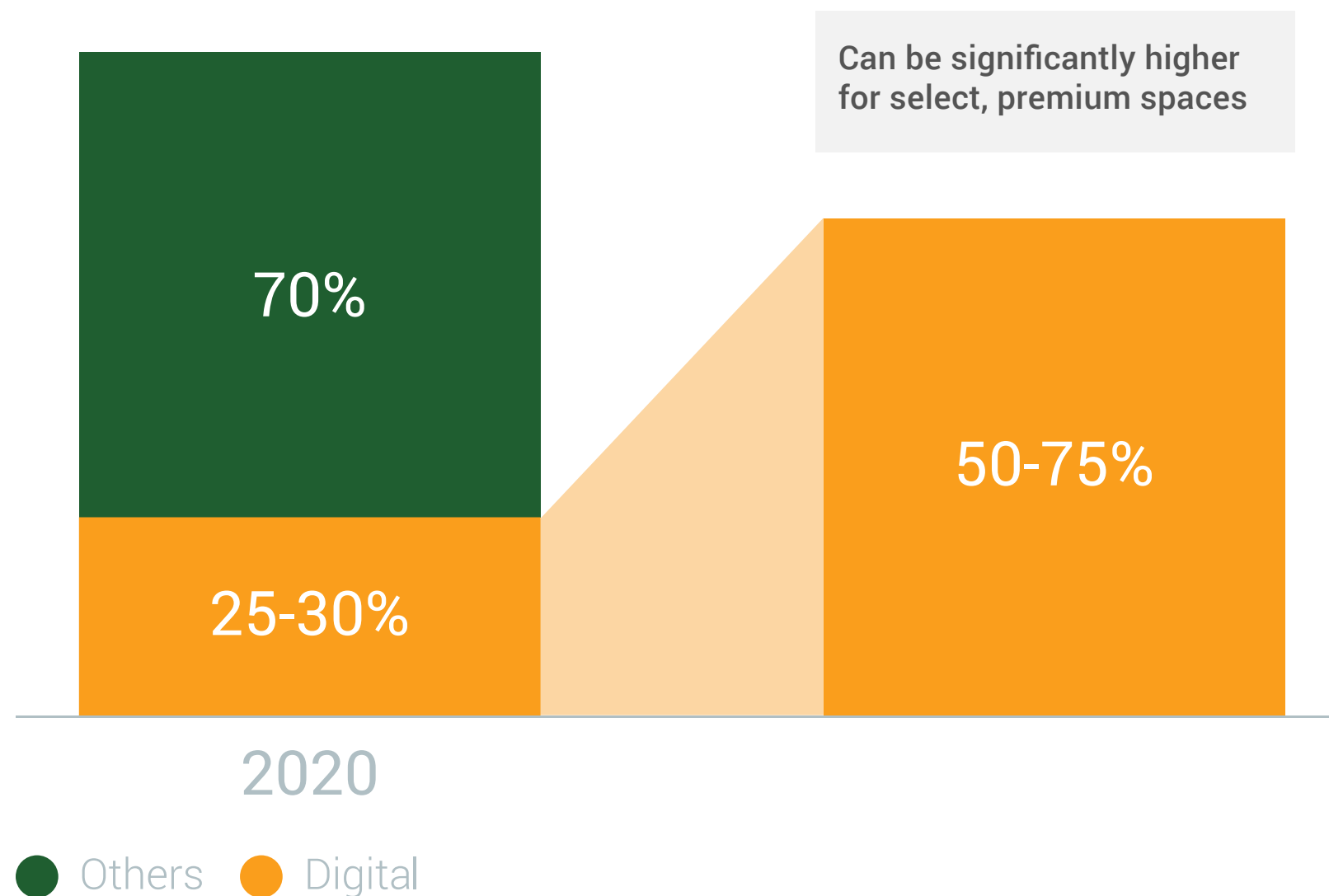
Brands can follow a simple approach to understand how best to approach digital.

Intent: Conventional usage

Intent: Solutions space



The share of digital in ad spend for FMCG can potentially grow to ~30% by 2020.



Key implications for FMCG companies

The new reality

Digitally influenced spend in FMCG likely to rise to \$45B by 2020

Significant growth of 3 Vs: Video, vernacular, and views

10% of households to account for 60% of digitally influenced FMCG consumption by 2020

Extent and nature of digital influence depends upon the intent of consumption and category penetration

Spend in digital is under-indexed. Organizations are unclear of how to leverage digital effectively.



Call for action

Leverage digital across touchpoints in consumer journey

Actively create and shape the digital strategy around the 3 Vs

Invest in data driven marketing to win with these HHs

Index the extent of digitally based relevant categories; differentiated approach for different spaces

Institute the right measures of performance for digital spends and build capability in the org.

Are we ready to make
the shift?



THANK YOU

 September 2017