

Liquor, Cigarette Firms can Only See Smoke

Zero sales in April; likely squeeze on discretionary spending, social distancing to hurt more

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Kolkata | Bengaluru: Indian consumers are going to be thrifty with liquor and cigarettes this year with the Covid-19 outbreak shrinking incomes and discretionary spending, while social distancing becomes the norm at pubs and restaurants after the lockdown is lifted, companies and researchers said.

Industry executives said there were no sales of these two categories in April in the white channel due to government prohibition. This compares to 9% sales growth for liquor in the same month last year and 2% for cigarettes. They said there may be an initial sales surge immediately after lockdown is lifted as some consumers may stock up, but it will be far from sufficient to match the lost sales and in May it

Shifting Habits

**SALES GROWTH OF
CIGARETTES** (by volume)



**SALES GROWTH OF
ALCOHOLIC DRINKS** (by volume)



Source: Euromonitor International



might be significantly lower.

Several states have also indicated the lockdown may continue beyond May 3 in the hotspots, which covers state capitals and large towns, with the Centre unlikely to relax prohibitions put on sales of liquor and cigarettes in such areas, they said.

A Nielsen survey found over 42% of consumers in India will cut their spending on alcohol and tobacco products to reduce discretionary spending in the coming months.

Euromonitor International has predicted 10% decline in cigarette sales volume in 2020 due to Covid-19 and the increase in taxes during the last budget that hiked prices. Before Covid-19, it had estimated 3.2% drop in cigarette sales due to the hike in taxes.

Confederation of Indian Alcoholic Beverage Companies said there will be 12-15% decline in overall hard spirits sales due to

impact on consumer earnings and social distancing norms.

Deepak Roy, executive VC of Allied Blenders & Distillers, the makers of Officers Choice whisky, and chairman CIABC, said consumers like daily wage earners consuming entry level regular brands and those buying deluxe brands are likely to down trade. "On-premise consumption because of social distancing will be hit hard in the third quarter. Even if liquor retail opens after May 3, there will be an issue on the supply side as transport is restricted. We will see normalcy only by June," Roy said.

ITC and Godfrey Phillips India have suspended production of cigarettes and distribution since the lockdown in March-end as per government order. However, in the black market both cigarettes and liquor are sold at 25-100% over their maximum retail price, industry executives said.