



Problems and prospects of FMCGS marketing in India

Akhileshwar Kumar Singh

District Program Manager, District AIDS Prevention and Control Unit, Sadar Hospital Campus, Dist. Araria, Bihar, India

Abstract

With a total market size in excess of USD14.7bn, India's FMCG industry is the fourth largest sector in its economy and plays a vital role in India's socioeconomic front with nearly eight million stores selling FMCG and employing some 25mn people as wholesalers, distributors and others. Besides that, the FMCG sector purchases nearly INR9,600cr worth of agricultural products and processes them into value-added products while the sector accounted for nearly 40% of the media industry's revenue. Fast moving consumer goods (FMCG) are the 4th largest sector in the Indian economy. There are three main segments in the sector – food and beverages which accounts for 18 per cent of the sector, healthcare which accounts for 32 per cent and household and personal care which accounts for the remaining 50 per cent. The FMCG sector has grown from US\$31.6 billion in 2011 to US\$ 49 billion in 2016. The sector is further expected to grow at a Compound Annual Growth Rate (CAGR) of 20.6 per cent to reach US\$ 103.7 billion by 2020.

Keywords: FMCG, market, industry, Indian, economy and growth

Introduction

Fast-moving consumer goods (FMCGs) are commonly known as consumer packaged goods. The FMCG goods include those products that are sold quickly at relatively low cost. The most common things that are counted in the list of FMCG products include toilet soaps, detergents, and shampoos, toothpastes, shaving products, shoe polish, packaged foodstuff and household accessories. The term even extends to certain electronic goods also. Consumers need these things in their everyday life, so they invest a good portion of their income in these things. There are so many companies which are dealing in FMCG products like HUL, Dabur, Cavin Care, AMUL, P&G etc. As large numbers of companies are looking this sector as a profitable venture, so for sustaining their position and gain new market they have to bring something unique in their products or services to gain position in the market or to sustain there. There are about more than 6 lakh villages in India and the companies need to make their products available in the remotest corner of each village. It is not easy to achieve that goal and the major companies are incurring huge costs to make their products available in the 3.5 million rural outlets. It is a challenge for any company to design a distribution model that is cost effective and that meets the growing demand from the rural market. The distribution network involves number of channels that helps the company to make their products available to the ultimate customer. FMCG distribution has the maximum channel partners in the Indian rural market like distributors, super-stockiest, wholesalers, stockiest, transporters and retailers. So, in order capture the rural market efficiently; the companies need to improve their supply chain.

India's FMCG sector is the fourth largest sector in the economy and creates employment for more than three million people in downstream activities. Its principal constituents are Household Care, Personal Care and Food & Beverages. It is currently growing at double digit growth rate and is expected to maintain a high growth rate. Fast

Moving Consumer Goods (FMCG) - alternatively known as consumer packaged goods (CPG) are products that are sold quickly and generally consumed at a regular basis, as opposed to durable goods such as kitchen appliances that are replaced over a period of years. The FMCG industry primarily engages in the production, distribution and marketing operations of CPG. FMCG product categories comprise of food and dairy products, pharmaceuticals, consumer electronics, packaged food products, household products, drinks and others. Meanwhile, some common FMCG include coffee, tea, detergents, tobacco and cigarettes, soaps and others. The big names in this sector include Sara Lee, Nestle, Reckitt Benckiser, Unilever, Procter & Gamble, Coca-Cola, Carlsberg, Kleenex, General Mills, Pepsi, Mars and others. In recent years, the fast moving consumer goods sector (FMCG) is witnessing increased use of sales promotion activities all over the world. This sector is characterized by products having low unit value and requiring frequent purchases and consumer behavior reflecting less loyalty, impulse buying, and low involvement on the part of a consumer. Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG).

FMCG products are those that get replaced within a year. Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. The fast-moving consumer goods (FMCG) sector is an important contributor to India's GDP. It is the fourth largest sector of the Indian economy. The FMCG market is estimated to treble from its current figure in the coming decade. Penetration levels as well as per capita consumption of most product categories like jams, toothpaste, skin care and hair wash in India are low,

indicating the untapped market potential. The growing Indian population, particularly the middle class and the rural segments, present an opportunity to makers of branded products to convert consumers to branded products. The Indian rural market with its vast size and demand base offers a huge opportunity for investment. Rural India has a large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income.

In modern business, distribution network has a great impact on the success of any business. In the FMCG segment the role of an excellent distribution channel becomes even more crucial because the delivery of FMCG Product is confined to day to day basic. Hence in order to survive and thrive in a highly competitive market one should have its distribution channel which has no problem at any point of the distribution channel. The factor which is of crucial importance to survive in any business is the understanding of the mind of the individual consumer i.e. to know the main characteristics of the product which a consumer consider while making a purchasing decision regarding FMCG Product. In order to make right decision regarding all these aspects, the company requires a complete knowledge of the problems faced in distribution channel and should be able to overcome all these problems.

Review of Literature

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed. A careful review of research, journals, books, dissertations, thesis and other sources of information about the problem to be investigated is one of the important steps in the planning of any studied.

Srivastava and Kumar (2013) Analysed that FMCG sector is a vital contributor to India's Gross Domestic Product. It has been contributing to the demand of lower and middle income groups in India. Over 73% of FMCG products are sold to middle class households in which over 52% is in rural India. Rural marketing has become the hottest marketing arena for most of the FMCG companies. The rural India market is huge and the opportunities are unlimited. After saturation and cutthroat competition in urban areas, now many FMCG companies are moving towards the rural market and are making new strategies for targeting the rural consumer. The Indian FMCG companies are now busy in formulating new competitive strategies for this untapped potential market. Therefore, a comparative study is made on growth, opportunity, and challenges of FMCG companies in rural market. This research paper provides detailed analysis about the contribution of FMCG industry in growth of Indian rural market and aims to discuss about customer attitude towards better purchasing decision for FMCG products in rural market with growing awareness and brand consciousness among people across various socio-economic classes in rural market

Sulekha and Kiran (2013) [3] concluded that in India more than 72% population lives in villages and FMCG companies are famous for selling their products to the middle class households; it implies that rural India is a profitable and potential market for FMCG producers. Rural consumers 'incomes are rising and now they are more willing to buy products which improve their lifestyle. Producers of FMCG have to craft unique marketing strategies exclusively for

rural consumers. In this process they need to understand the rural consumer buying behaviour which may differ geographically. The present study focuses on understanding the rural consumer buying behaviour for FMCG in Haryana. Deliya, (2012) [4] Studied the importance of packaging design as a vehicle for communication for packaged FMCG products. This research utilized a focus group methodology to understand consumer behaviour towards such products. The challenge for researchers is to integrate packaging into an effective purchasing decision model, by understanding Consumer's behaviour towards the packaging of FMCG products. When consumers search for the process information in-store, the product's package can contain relevant and useful information for the consumer. Product packaging forms the end of the 'promotion-chain' and is close in time to the actual purchase and may therefore play an important role in predicting consumer outcomes.

Bhagat (2012) [5] concluded that today, companies focus on consumer to reach success in the global competitive environment. In new marketing approaches, focus on consumer activities take place of focused on product/service activities. The companies analyse consumer qualifications and form their marketing strategies based on them. The consumers are affected from some individual and environmental factors, such as motivation, personality, perception, learning, values, beliefs, attitudes, life style, personal influence, reference group, family influence, social class and culture in their buying decision process. The aim of this study is to focus on affecting factors on the consumer buying behaviour in teenager consumer market, because teenager consumers are one of the important market segments of companies.

Ali, Abbas, Venkat and Khan (2012) [6] Revealed with more than six hundred thousand villages and more than 70% of the population, rural India has become a massive consumer goods market. FMCG has emerged as a major product category in rural consumption. Companies marketing FMCG to rural consumers cannot merely extend their general marketing strategies to rural markets. Instead, they need to devise rural specific strategies. In this process, they need to understand crucial issues relating to rural consumer behaviour and more specifically relating to different geographic regions of the country. This paper focuses on understanding factors that affect the rural purchase of FMCG in South India.

Methodology

The method used in this paper is descriptive-evaluative method. The study is mainly review based. It is purely supported by secondary source of data, i.e. books, journals, papers and articles and internet.

FMCG Sector in Indian Market

The FMCG sector is witnessing demand growth again, driven by improving reach, organized retail and innovative channels, higher usage – driven by affordability and rising incomes driving aspiration levels. As a result, we see an improvement in sales growth for the FMCG industry. Consumer Demographics & Buying Patterns of Indian Consumers. FMCG is one sector which caters to the daily and more basic needs of consumers and therefore don't have a chance to run out of focus. From oral care products to packed food to detergents, soaps, mosquito coils, etc, are the various categories of products that FMCG market makes

available to lakhs of consumers across the country.

According to a report by the Federation of Indian Chambers of Commerce and Industry (FICCI), several FMCG registered double-digit growth in value terms, for example, shaving cream (20%), deodorant (40%), branded coconut oil (10%), anti-dandruff shampoos (15%), hair dyes (25%) and cleaners and repellents (20%). On the contrary, negative growth of up to 8% was registered in products such as personal healthcare, laundry soaps, dish wash, toilet soap, toothpaste and toothpowder. In 2008, India's FMCG sector had a value of INR86,000cr and analysts projected a growth of 15% in 2010 (2009: 12%) as the economy shows signs of recovery. According to the FICCI-Techno report, the FMCG sector will grow at a rate of 10-12% within the next decade to reach INR206,000cr by 2013 and INR355,000cr by 2018. The implementation of the proposed Goods and Services Tax (GST) and the less restrictive foreign direct investment (FDI) policies are expected to contribute to the growth of the FMCG sector to INR225,000cr by 2013 and INR456,000cr by 2018. With a total market size in excess of USD14.7bn, India's FMCG industry is the fourth largest sector in its economy and plays a vital role in India's socioeconomic front with nearly eight million stores selling FMCG and employing some 25mn people as wholesalers, distributors and others. Besides that, the FMCG sector purchases nearly INR9,600cr worth of agricultural products and processes them into value-added products while the sector accounted for nearly 40% of the media industry's revenue.

Fast moving consumer goods (FMCG) are the 4th largest sector in the Indian economy. There are three main segments in the sector – food and beverages which accounts for 18 per cent of the sector, healthcare which accounts for 32 per cent and household and personal care which accounts for the remaining 50 per cent. The FMCG sector has grown from US\$31.6 billion in 2011 to US\$ 49 billion in 2016. The sector is further expected to grow at a Compound Annual Growth Rate (CAGR) of 20.6 per cent to reach US\$ 103.7 billion by 2020. Accounting for a revenue share of around 60 per cent, urban segment is the largest contributor to the overall revenue generated by the FMCG sector in India and recorded a market size of around US\$ 29.4 billion in 2016-17. Semi-urban and rural segments are growing at a rapid pace and accounted for a revenue share of 40 per cent in the overall revenues recorded by FMCG sector in India. The rural FMCG market in India is expected to grow at a CAGR of 14.6 per cent from US\$ 29 billion in 2016 to US\$ 100 billion by 2020. Growing awareness, easier access, and changing lifestyles are the key growth drivers for the consumer market. The Government of India's policies and regulatory frameworks such as relaxation of license rules and approval of 51 per cent Foreign Direct Investment (FDI) in multi-brand and 100 per cent in single-brand retail are some of the major growth drivers for the FMCG market. FMCG companies play a pivotal role in our daily lives. From tooth paste, soaps, daily use items etc. FMCG companies have dominated the Indian market and are set to grow further. The FMCG industry has seen some big players but disruption by new players has also changed the Indian scenario. The top Indian FMCG companies include names like HUL, ITC, Nestle and New Entrant Patanjali.

The middle class and the rural segments of the Indian population are the most promising market for FMCG, and give brand makers the opportunity to convert them to

branded products. The Indian economy is surging ahead by leaps and bounds, keeping pace with rapid urbanization, increased literacy levels and rising per capita income. The FMCG sector consists of consumer non-durable products, which broadly include personal care, household care and food and beverages. It is largely classified into organized and unorganized segments. The sector is buoyed by intense competition between these two segments. Besides competition, it is marked by a robust distribution network coupled with increasing influx of MNCs across the entire value chain. The sector continues to remain highly fragmented.

Initiatives Taken by the Government to Promote the FMCG Sector

- In the Union Budget 2017-18, the Government of India has proposed to spend more on the rural side with an aim to double the farmer's income in five years; as well as the cut in income tax rate targeting mainly the small tax payers, focus on affordable housing and infrastructure development will provide multiple growth drivers for the consumer market industry.
- The Government of India's decision to allow 100 per cent Foreign Direct Investment (FDI) in online retail of goods and services through the automatic route has provided clarity on the existing businesses of e-commerce companies operating in India.
- With the demand for skilled labour growing among Indian industries, the government plans to train 500 million people by 2022 and is also encouraging private players and entrepreneurs to invest in the venture. Many governments, corporate and educational organisations are working towards providing training and education to create a skilled workforce.
- The Government of India has drafted a new Consumer Protection Bill with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
- The Goods and Services Tax (GST) is beneficial for the FMCG industry as many of the FMCG products such as Soap, Toothpaste and Hair oil now come under 18 per cent tax bracket against the previous 23-24 per cent rate.

Challenges in FMCG Sector

India's FMCG market is highly fragmented which is a contrast to that in U.S where it is dominated by a few big players. Therefore, launching and growing market share around a product poses tremendous challenges. Initially a huge amount of money is invested for promotion and advertising and image building. This is very important for a market like in India where there are many players for the same product. Also the Indian population wants a better return value for their investment. So the game really lies in setting up a price point. Setting up logistics and distribution chains also possesses difficult challenges which are being tackled by constructing and increasing the existing network of railways and roadways and other modes of transportation for easy transportation for goods throughout the country.

Conclusion

The transformation of the retail market is likely to have a long-lasting impact on wholesale trade and the distribution

of FMCGs as well.. Single product leaders such as Colgate Palmolive India Ltd and Britannia Industries Ltd have also witnessed strength in their respective categories, aided by innovations and strong distribution. Strong players in the economy segment like Godrej Consumer Products Ltd in soaps and Dabur in toothpastes have also posted market share improvement, with revived growth in semi-urban and rural markets. Indian buyers were a bit conservative partly due to lesser disposable income and partly due to fewer competitive and more variety of products. There is a prevalence of spurious goods with the same brand name and packing colours and many rural consumers were becoming victims of such menace. Less educated people did not buy branded products and became victims of duplicate products. During the survey it was found that the majority of the families had fewer members in family and also majority of the rural consumers had no investment at all. It was also seen that major brands of FMCG were not available in rural area. Although the good behaviour and courtesy of the retailers had great influence on rural customers and if required branded product was not available at the time of buying, the rural consumers postponed their buying. The successful distribution channel leads to the customer satisfaction which in turn leads to the Companies success. In order to make the distribution successful, the Companies needs to accomplished or build the trust, increase their credit period, avoid in delaying the supply & channel discrimination. So, these proactive companies understand that strong long-term profitability can only be achieved by creating and promoting positive relationships, mutual benefit between members of distribution channel.

References

1. Kumar Arun, Meenakshi N. Marketing Management, New Delhi: 3rd edition, Vikas Publishing House Pvt Ltd, 2016, 51-53.
2. Srivastava Preeti, Kumar Raman. A Study of Consumer Behaviour that Influences Purchase Decision of FMCG Products in Rural Markets of Uttar Pradeshl, International Journal of Retailing and Rural Business Perspectives. 2013; 2(3):65-68.
3. Sulekha, Kiran. An Investigation of Consumer Buying Behaviour for FMCG: An Empirical Study of Rural Haryanal, Global Journal of Management and Business Research Marketing. 2013; 13(3):42-44.
4. Deliya Mitul. Consumer Behaviour towards the New Packaging of FMCG Productsl, Journal of Research in Commerce and Management. 2012; 1(11):119-211.
5. Bhagat Kishori, Jagdish. Consumer Behaviour of Teenagers with Reference to Fast Moving Consumer Goods (FMCG) in the Mumbai Region- Maharashtra India, Proceedings of International Conference on Business Management, 2012, 112-114.
6. Ali Abbas, Venkat Ram Raj Thumki, Naseer Khan. Factors Influencing Purchase of FMCG by Rural Consumers in South India: An Empirical Studyl, 65 International Journal of Business Research and Development. 2012; 1(1):48-57.