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A Study And The Brief Discussion On Indian FMCG Sector

Ms. Pooja Chauhan[1] & Dr. Pankaj Jain[2]

[1]*Ph.D. Research Scholar, Department of Management, Shri JJTU, Rajasthan, India*

[2]*Professor & PhD Research Guide, Department of Management, Shri JJTU, Rajasthan, India*

Corresponding Author - Ms. Pooja Chauhan

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Abstract:

Products in the FMCG industry are involved in every facet of human existence. These items are used often by all segments of society, and a substantial amount of the money that those segments of the population earn goes toward purchasing these things. In addition to this, the industry is a significant contribution to the economy of India and ranks among its main contributors. Over the course of the previous several years, this industry has shown an incredible growth rate, and in fact, it has recorded growth even during times of economic contraction. The consumer-packaged goods (FMCG) industry has a bright future ahead of it as a result of its innate potential as well as positive shifts in the surrounding environment. In this piece of writing, we provide an overview of the industry, as well as its critical analysis and future prospects.

Keywords: FMCG brands, FMCG sector.

Introduction:

The sector known as "Fast Moving Consumer Goods" (FMCG) is the industry that makes the most significant contribution to the Indian economy. This fourth biggest sector of India's economy is responsible for the employment of around 3 million people, which is equivalent to approximately 5 percent of the total employment in factories throughout the nation. These items are used on a regular basis by people of every social class, financial bracket, age group, and other demographics in the society regardless of these factors. The fast-moving consumer goods (FMCG) sector is more lucrative due to low levels of market penetration, a well-established distribution network, low operating costs, lower consumption on a per capita basis, a large consumer base, and simple manufacturing processes for the majority of products, which result in relatively low capital investments.

The existence of both local and international corporations, as well as the unorganised sector, contributes to the industry's intense level of competition. Unorganized companies that sell items without brands or packaging control a significant share of the market. More than half of the total profits generated by FMCG firms originate from the sale of items with a price point of ten rupees or less1. This has resulted in a development of locally based brands, which are supplied in a more diluted form in rural and small town areas, both of which have low levels of brand recognition. Over the last decade, local businesses have been giving multinational companies a run for their money in terms of competitiveness; in fact, domestic firms have surpassed several MNCs in terms of growth and market worth. The profit of local firms climbed by 24 percent between 2005 and 2014, whereas the profit of global corporations increased by just 14 percent over the same time period.

The consumption of FMCG products in India is split between urban and rural areas, with urban India accounting for 66 percent and rural India accounting for 34 percent. Despite this, more than forty percent of India's consumption of key FMCG categories including personal care, fabric care, and hot drinks takes place in rural areas. According to the findings of a study conducted by ASSOCHAM, businesses such as Hindustan Unilever Ltd. and Dabur India derive fifty percent of their revenue from rural India, while Colgate Palmolive India and Marico each account for almost thirty-seven percent of their total revenue.

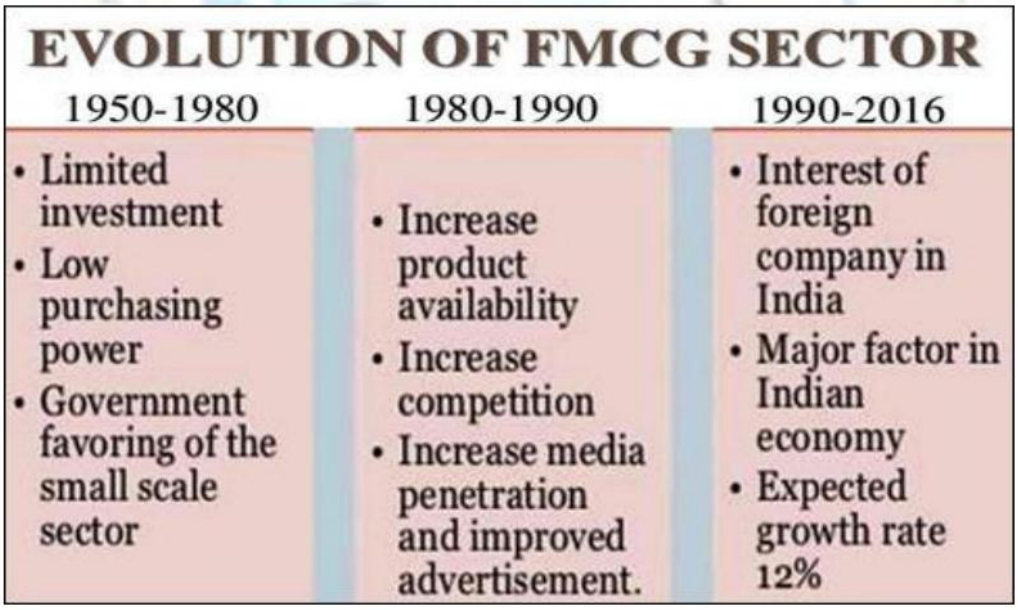
Overview of Indian FMCG Sector History:

During the last fifty or so years, the Indian Fast Moving Consumer Goods (FMCG) business started to take shape. Between the years of the 1950s and the 1980s, the FMCG business did not see a substantial amount of growth. Because of poor buying power and the government's preference for the small-scale sector, the FMCG business was not appealing to investors in the past. This was owing to the fact that the government favoured the small-scale sector. Following the liberalisation of the Indian economy in the early 1990s, FMCG's development narrative continued on an upward trajectory. As a result of the easing of restrictions on foreign direct investment (FDI), a large number of international players have entered this market segment. At the same time, the domestic market has seen the emergence of a number of new brands despite the relatively lower capital and technological requirements. These reasons contributed to the fast-moving consumer goods (FMCG) business in India being one of the most significant contributors to the Indian economy. The rate of expansion of the industry was quite high throughout the middle of the 1990s, but it dropped down significantly towards the end of the decade. The first expansion was brought on by a rise in both the amount of goods sold and the consumption levels4. The fast-moving consumer goods (FMCG) industry in India is projected to continue expanding to reach $100 billion by 2025, riding on the back of a rapidly expanding economy, increasing per-capita earnings, and a rising trend of urbanisation.

Products that fall under this category are often low-cost and don't take much in the way of buying effort. These are items that do not have a long lifespan and are offered in packed versions. The final customer often buys these items in very modest amounts and does so on a regular basis. Personal care, household care, branded and packaged food, and tobacco are the primary categories that fall under the umbrella of fast-moving consumer goods (FMCG).

- Personal care includes things like tooth care, hair care, skin care, body wash (soaps), cosmetics and toiletries, deodorants, fragrances, paper goods (tissues, diapers, and sanitary napkins), shoe care, and other similar things.
- Fabric wash (including synthetic detergents and laundry soaps), home cleaners (including dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides, and mosquito repellents, metal polish, and furniture polish), and furniture polish are all included in this category.
- It includes health beverages, soft drinks, staples and cereals, bakery items (biscuits, bread, cakes), snack food, chocolates, ice cream, tea, coffee, packaged dairy products, bottled water, branded flour, branded rice, branded sugar, juices, and so on.
- It is difficult to provide an accurate product-wise sales breakdown for each of the goods when discussing spirits and tobacco.

Evolution of FMCG in India:



- The Fast-Moving Consumer Goods industry is the fourth biggest sector in the Indian economy.
- The main category in terms of market share is "Household and Personal Care," which accounts for fifty percent of the total market. The next two categories in terms of market share are food and beverages and hair care. The market share for food and beverages is 18 percent.
- The most important growth factors for the industry have been increased levels of knowledge and accessibility, together with shifts in lifestyles.
- It is anticipated that India will have more than 850 million users of the internet by the year 2025.
- The retail industry in India is projected to reach US$ 1.1 trillion by the year 2020, up from US$ 672 billion in 2016. It is anticipated that contemporary commerce would develop at a rate of 20% to 25% annually, which is likely to improve the profits of FMCG firms.

Growth of FMCG Sector

- In 2016, the fast-moving consumer goods (FMCG) industry in India earned sales of $49 billion US.
- It is anticipated that the industry would generate 104 billion dollars in sales by the year 2020.
- It is anticipated that organised players in the FMCG business would profit from demonetisation in the long term as a result of the system being more transparent and readily compliant as a result of it.
- The increase in sales of key fast-moving consumer goods (FMCG) businesses like Dabur, HUL, and Marico during the June-September 2017 quarter is an indication that consumer demand in India is beginning to recover.
- The Hair Care market sector is the most lucrative, accounting for 23 percent of the total market.
- Food Products is the second leading category of the sector, accounting for 18 percent of the market share, followed by health supplements and dental care, each of which has a market share of 16 percent. Food Products is the main segment of the industry.
- The urban segment is the greatest contributor to the overall revenue

produced by the FMCG industry in India. In 2016–17, the urban segment recorded a market size of around US$ 29.4 billion, accounting for a revenue share of almost 60 percent of the total revenue generated by the sector.

- The semi-urban and rural sectors are expanding at a fast rate, and they accounted for a revenue share that was equivalent to forty percent of the entire revenues reported by the FMCG industry in India.
- In comparison to urban India, the market for fast-moving consumer goods (FMCG) in rural India has expanded at a quicker rate during the last several years.
- Products falling within the FMCG category account for fifty percent of overall expenditure in rural areas.
- In the fiscal year 2017, the rural sector of India was responsible for forty percent of the entire FMCG market.
- The total revenue from rural areas, which is estimated to reach $ 1.8 trillion by 2021 fiscal year (FY21), is now approximately US$ 572 billion.
- It is anticipated that rural India's per capita disposable income would expand at a compound annual growth rate of 4.4%, reaching US$ 631 by the year 2020.
- In rural India, not only are income levels increasing, but the proportion of spending that goes toward non-food items is also clearly on the rise.
- It is anticipated that the market for fast-moving consumer goods (FMCG) in India's rural and semi-urban areas would exceed $220 billion by the year 2025.

Conclusion:

These days, fast-moving consumer items have become an inseparable component of everyday life for most people. This industry is not susceptible to economic downturns and has been responsible for the creation of a significant number of job opportunities in India; as a result, it has emerged as an important pillar of the Indian economy. By capitalising on their areas of expertise, FMCG businesses could position themselves to capitalise on prospects such as rising household incomes, evolving consumer lifestyles, rising expectations among rural consumers, and stable economic development. Increasing brand recognition and lowering costs through pooling resources, such as distribution networks, are two strategies that may be used to combat the competition posed by the unorganised sector. The demand side, the supply side, and the systematic drivers are all showing signs of favourable growth, which implies that the future of this industry is quite bright.

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