ISSN PRINT 2319 1775 Online 2320 7876
Research paper Volume 11, Spl Iss 5, 2022

CONSUMER STAPLES: AN IN-DEPTH LOOK AT THE FMCG INDUSTRY

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DOI : 10.48047/IJFANS/V11/Splis5/18

ABSTRACT:

FMCG products affect every facet of a person's life. All societal segments regularly consume these products, and they account for a sizeable amount of their income. Additionally, the industry contributes significantly to the Indian economy. In the previous few years, this sector has expanded remarkably; in actuality, it has grown even amid the recession. This sector has a bright future because of its innate potential and advantageous environmental changes. This essay covers the industry's overview, critical analysis, and prospects for the future.

KEYWORDS: FMCG, Segments, FDI, and Sector Analysis.

INTRODUCTION:

The FMCG sector is the primary engine of our nation economy. About three million people are employed in this, the fourth-largest sector of the Indian economy, making up about 5% of all factory jobs in the nation. Every social class, income bracket, age group, and other group in society consumes these products daily. Due to its low perforation levels, entrenched distribution network, stubby operating costs, large customer plinth, lower consumption per person, and generally basic manufacturing techniques requiring relatively low capital investments, the FMCG sector enjoys higher profitability than other industries.

The sector is very competitive because of its both domestic and multinational corporations' presence as well as the unorganized. Unorganized players who sell not branded or packaged goods take up a substantial share of the market. Products priced at ten rupees or fewer explain more than 50% of FMCG companies' overall sales (Mallick, 2011). low knowledge of the brand has caused localized brands to flourish and be sold loose in rural and small-town areas. In the over the last ten years, regional businesses have been a formidable rival to multinational corporations; in fact, their growth and market capitalization have surpassed many MNCs. Domestic businesses saw a 24% increase in profit between 2005 and 2014, compared to a 14% increase for multinational corporations.

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Of India's total FMCG consumption, 66% comes from urban areas, with the remaining 34% coming from rural areas. Still, over 40% of India's consumption is found in rural areas when it comes to major FMCG categories like hot beverages, fabric care, and personal care. ASSOCHAM's analysis shows that businesses like Hindustan Unilever Ltd. and Dabur India receive half of their revenue from rural India, compared to roughly 37% for Colgate Palmolive India and Marico.

OBJECTIVES:

1. Understanding the FMCG concept.
2. Providing an overview of the Indian FMCG industry.

METHODOLOGY:

For this study, an exploratory designing research is being employed. This study aims to critically analyse and present a brief overview of the industry. The study's secondary data were gathered from theses, reports, books, journals, periodicals, and news articles.

These goods are low-cost items that don't require a large amount of shopping work (Kumar & Meenakshi, 2006). These are packaged, non-durable goods that are sold. The final consumer purchases these goods regularly and in small amounts. The four primary FMCG segments are tobacco, branded and packaged food, household care, and personal care (Bhattacharjee, 2011).

Personal care: Oral care, hair care, bath and body products, skin care, cosmetics and toiletries, deodorants, antiperspirants, fragrances, paper goods (tissues, diapers, sanitary napkins), shoe care, hand sanitizers etc. all fall under the heading of personal care. These are characterized by their frequent usage, relatively low unit cost, and a focus on convenience. They are often available in a broad variety of brands and formulations to cater to different consumer preferences.

Household Care: This includes cleaning products, laundry care products, dishwashing products, household paper products, batteries, furniture polish, insecticides and mosquito repellents, dish/utensil cleaners, storage, and organization related products. Household FMCG products are designed to provide convenience and efficiency in managing day-to-day household tasks. They are typically purchased regularly, making them a staple in most households. Brand reputation, product effectiveness, and cost is one of the key elements that influence consumers' choices when selecting household products. Sustainability and environmental issues have also grown in importance within this category, leading to the evolution of eco-friendly and sustainable alternatives.

Branded and Packaged Food and Beverages: This category includes energy drinks, dairy beverages, functional and health drinks, bottled water, juices, soft drinks, bakery goods, and meat. These are typically chosen based on elements such as taste, price, brand reputation, nutritional value, and convenience. Brand loyalty often plays a significant role in consumers' choices. Additionally, product innovations and the growing demand for healthier, organic, and sustainable options are shaping this sector of the FMCG industry. Companies in this sector invest heavily in marketing and advertising to create and maintain brand recognition and consumer trust.

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Spirits and Tobacco: It is challenging to ascertain the precise product-by-product sales breakdown for each item.

A recent Nielsen report shows that the personal care segment's share increased to 22% while the food segment's share dropped to 43%. These brands have a strong consumer base and distinctive qualities, which contribute to their high brand equity. Sixteen of the top twenty brands were FMCG, according to Brand Equity's "Most Trusted Brands Survey 2014." Colgate, Dettol, Maza, and Magi were amidst the best 5 brands in the FMCG category.

OVERVIEW OF FMCG SECTOR OF INDIA:

During the last fifty years or so, this industry in India has started to take shape. From the 1950s to the 1980s, there was little to no growth in the FMCG sector. Government's preference for the small-scale sector and the FMCG industry's low purchasing power used to turn off investors.

The trajectory of growth for FMCG products persisted even after the deregulation of the Indian economy in the early 1990s. With comparatively lower capital and technological requirements, several new domestic brands also emerged, and the easing of FDI restrictions allowed for the access of numerous international players. Because of these factors, this industry in India is highly competitive and a major a contributor to the GDP of the nation. In the mid-1990s, the sector experienced rapid growth; however, by the decade's conclusion, it was rapidly declining. The first growth was caused by increases in the adoption and use of products levels. India is seeing rapid economic growth and rising per capita income, and increasing urbanization are expected to propel a $100 billion FMCG market by 2025 (Singh & Nielsen, 2011).

Over the period of 2006 to 2013, the Indian FMCG industry grew by approximately 16 percent. In the previous ten years, the size of the industry has tripled, growing at a significantly faster rate than in previous decades.

In the 2007–08 fiscal year, the FMCG sector grew by 14.5 percent despite the slowdown in the Indian economy. Nomura claims that the FMCG sector has not been significantly impacted by the volatility in the agriculture sector (Moneylife, 2014). India has outperformed global growth across all major FMCG categories, according to a comparison of the performance of the top 50 global and Indian FMCG companies over the last ten years. After China, India is the second-largest market in Asia for soaps and cleansers, according to Pricewaterhousecoopers Private Limited. The Indian FMCG market's food, beverage, and tobacco sectors seem to be growing at a quick pace.

FMCG Sector Analysis:

Political:

- Tax Structure: Numerous obstacles confront this sector, like that a convoluted tax code, elevated direct tax rates, and dynamic tax legislation.
- Infrastructure Problems: Public expenditures on transportation, electricity, and agriculture infrastructure have a major impact on the FMCG sector's performance.

IJFANS INTERNATIONAL JOURNAL OF FOOD AND NUTRITIONAL SCIENCES
ISSN PRINT 2319 1775 Online 2320 7876
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- Regulatory Restrictions: Among the main restrictions are the need for multiple state licenses and permits, antiquated labour laws still in effect, and laborious and drawn-out export procedures.
- Policy framework: License regulations for industry establishment, changes to the statutory minimum cost of commodities, and foreign direct investment (FDI) into the retail sector (single- and multi-brand retail) are obstacles to the sector's expansion.

Economical:

- GDP Growth: The growth in the Indian economy is consistent with the expansion of the FMCG sector. Over the previous five years, it has grown at 15%. It suggests that the future of this industry is promising.
- Inflation: The Indian economy has been dealing with inflationary pressures recently, which change consumers' purchasing power. However, the Indian FMCG sector has not been significantly impacted.
- Consumer Income: India's economy has grown more rapidly in recent years. From 797.26 US dollars in 2006 to 1262.4 US dollars in 2014, India's GDP per capita income grew. As a result, consumer spending increased.
- Private Consumption: Compared to other economies, the Indian economy has a very high percentage of private consumption—61 percent.

Social

- Modification of Customer Profile: An explosion of new opportunities has resulted from the rapid growth and alteration of demand patterns brought about by rising per capita income, increased literacy, the formation of nuclear families, and rapid urbanization. In India, about 45% among the populace is under 20, and this percentage is anticipated to continue rising.
- Lifestyle Shift: Over the final ten years, Indian consumers' consumption patterns have changed, with a greater percentage of their spending going toward discretionary items (52%) in contrast to necessities (such as food and clothing). In the previous ten years, the fastest-growing industries have been apparel, footwear, and healthcare, while necessities like cereals, edible oil, fruits, and vegetables have declined.

Technology:

- Leading businesses like HUL, ITC, and others are the only ones that effectively use technology.
- Future growth in FMCG sales will be attributed to e-commerce. By 2020, digital will influence the over 150 million consumers, who will spend over $45 billion on FMCG products. –CII

DISCUSSION:

Compared to previous decades, the size of the Indian FMCG sector has nearly tripled in the last ten years. Even in the financial crisis years of FY 2008 and FY 2009, the FMCG industry saw steady growth rates of 14% and 11%, respectively; this industry practically recession-

IJFANS International Journal of Food And Nutritional Sciences Official Publication of International Association of Food and Nutrition Scientists

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Spl Iss 5, 2022

proof. Rising demand, improvements in the supply side, and favourable changes in government policy are all contributing factors to the FMCG industry's growth.

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