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CURRENT TRENDS IN FMCG SECTOR IN INDIAN MARKET CONTEXT

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Abstract
The fast- Moving consumer goods (FMCG) sector is an important contributor to India's GDP and it is the 4th largest sector of the Indian economy has market size ~ Rs.460 billion. Items in this category are meant for the frequent consumption and they usually yield a high return. This research emphasizes the various trends and current condition present in this industry. Study is carried out through secondary data. India is becoming one of the most attractive markets for foreign FMCG players due to easy availability of imported raw material, cheap labor cost, enhanced economy, and vast market opportunities. Due to intense competition present in industry market players adopting various modern practices including use of E-Marketing & Social media. Rural area has become a crucial market place in recent days which includes 627,000 villages. Indian market is divided into organized retail and unorganized retail stores, roughly half market being dominated by unbranded, unpacked, and local products. This presents tremendous opportunity for marketers of branded product to convert consumer to buy branded products.

Key Words: - FMCG, Indian Market, Rural Market, Trends.

BUSINESS ENVIRONMENT

FMCG refers to consumer non-durable goods required for daily or frequent use. Typically, a consumer buys these goods at least once a month. The sector covers a wide range of products such as detergents, toilet soaps, toothpaste, shampoos, creams, powders, food products, confectioneries, beverages, and cigarettes.

LEADING PLAYERS IN THE FMCG SECTOR

- **Hindustan Unilever Ltd**
  Hindustan Unilever Limited is the Indian subsidiary of Unilever—one of the world's largest FMCG multinationals. This came into existence in1933 as Lever Brothers India Limited. It has been found that two out of every three Indians uses a HUL food, beverage, home or personal care product. The company has been identified as a Golden Super Star Trading Company by the Government of India.
- **ITC**
  ITC came into existence in1910 as Imperial Tobacco Company of India. The company deals with different FMCG products apart from cigarettes, such as soaps and shampoos, packaged food like chips and pasta, and cooking oil.
- **Nestle India**
  The journey of Nestle India began in 1912 as Nestle Anglo-Swiss Condensed Milk Export Company Limited. Its main products include milk powder, baby food and chocolates.
- **GCMMF (Amul)**
  GCMMFstands for Gujarat Cooperative Milk Marketing Federation and the company's products include Amulya(milk powder), Amul Milk,Nutramul, Amul Ice Cream, AmulShirkhand, Amul Chocolates, AmulCheese, Amul Spray, Amul Ghee,and Amul Butter.
- **Dabur India.**
  Dabur India dealswith personal and health care products. Its brands are Dabur Lal DantManjan, Dabur chyawanprash,Dabur Amla, Hajmola, Anmol, Vatikaoils and shampoos and Daburred toothpaste.
- **Cadbury India**
  Cadbury cameinto India in the year 1948 by importing chocolates. The firm now has manufacturing units cross India. Its popular brands include Dairy Milk, Celebrations, Eclairs, Perk and5-Star, apart from the popular milk drink Bournvita.
- **Britannia Industries**
  Britanniais well known for its cheese, cakes, rusks, bread and the popular Britannia biscuits. Some of its popularbranded biscuits are Milk Bikis, Good Day, Pure Magic, Maska Chaska, Treat and Marie Gold.
- **Procter & Gamble Hygiene and Health Care**
  Procter & Gamble (P&G) markets household cleaners, pet food and personal care products. It is also the parent company ofsome popular brands like Global Gillette and Clairol. Some of its popular health care products are Vicks inhaler,Vicks Formula 44 cough syrup,Vicks cough drops, Vicks VapoRuband Vicks Action 500+.

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- **Marico Industries**
  Marico Industries is a leading Indian company that manufactures and exports consumer products to different SAARC countries, Egypt, Middle East and the US. Some of its popular brands are Parachute hair oil, Revive starch, Saffola cooking oil and Medicare shampoo. •

OBJECTIVE OF STUDY
The main objective behind this project is to study and understand current scenario present in FMCG industry. It ensures substantial corporate strategy and also serves as a useful tool for analysis of sector. This study also aims to opportunities and challenges in FMCG industry.

RESEARCH METHODOLOGY
Research refers to a search for knowledge; it can be defined as a scientific and systematic search for pertinent information on a specific topic. Research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deduction and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis. In dealing with any real life problem it is often found that data at hand are inadequate, and hence. It becomes necessary to collect data that are appropriate. There are several ways of collecting the appropriate data which differ considerably in context of money costs, time and other resources at the disposal of the researcher.

The study conducted is a descriptive in nature and involved collection of data through secondary sources.

Secondary Sources
The secondary data consists of information collected from:

- Websites
- Annual Report of the Companies
- CMIE Report
- Business magazines
- Trade guides
- Published data on FMCG industry

Data Analysis
Currently different types of categories present in this sector which mainly includes,

- Personal care
- House Hold care
- Food and Beverages

These are the main three categories present in this industry. These main categories contain many product lines and depths.

PERSONAL CARE
The personal care products (PCP) market in India is estimated to be worth ~USD 4 bn p.a. Personal hygiene products (including bath and shower products, deodorants etc.), hair care, skin care, colour cosmetics and fragrances are the key segments of the personal care market. Each of these segments exhibits its unique trends and growth patterns. For example, the largest segment of personal hygiene products, largely dominated by bar soaps, has grown at ~5% p.a. over the last five years. In comparison, the second largest segment, hair care products has seen a much higher growth of ~9-10% p.a. during the same period. Personal care products include skin care, hair care and oral care products.

Skin care: The total skin care market is estimated at Rs.34 billion. This market is at a nascent stage in India. The penetration level of this segment in India is around 20 percent. With changing lifestyles, increase in disposable incomes, greater product choice and availability, people are becoming more aware about personal grooming. Major players in this segment are HUL with a market share of 54 per cent, followed byCavinKare with a market share of 12per cent, and Godrej with a market share of 3 per cent.

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Hair Care: The hair care marketing India is estimated at Rs 38 billion, including hair oils, shampoos, hair colourants, conditioners and hairgels. Marico is the leader in hair oil segment with a market share of 33per cent; Dabur occupies second position at 17 per cent.

Shampoos: The Indian shampoo market is estimated at Rs 27 billion. It has a penetration level of only 13per cent. Sachets make up 40 percent of the total shampoo sales. It has a low penetration level even in metros. Again, the market is dominated by HUL with around 47 per cent of market share; P&G occupies second position with a market share of around 23 per cent.

Oral Care: The oral care market can be segmented into toothpastes (60 per cent), toothpowder (23 per cent) and toothbrushes (17 per cent). The total toothpaste market is estimated at Rs 35 billion. The penetration level of toothpowder and toothpaste in urban areas is three times that of rural areas. This segment is dominated by Colgate-Palmolive with a market share of 49 per cent, while HUL occupies second position with a market share of 30 per cent. In the toothpowder market, Colgate and Dabur are major players.

HOUSEHOLD CARE

Household care products include bath soaps and detergents.

Bath soaps: The market size for soaps is estimated at Rs 83 billion, comprising the premium, economy and popular. The penetration level of soaps is 92 per cent. They are available in 5 million retail stores, of which 75 per cent are in the rural areas. Hindustan Unilever Limited (HUL) is the leader with a market share of 53 per cent; Godrej occupies second position with a market share of 10 per cent. With increase in disposable incomes, rural demand is expected to increase because consumers are moving up towards premium products.

Detergents: The size of the detergent market is estimated at Rs 120 billion. Small unorganised players account for a major share of the detergent market. In washing powders, HUL is the leading company with 38 per cent of the market share. Other major players are Nirma, Henkel, and Proctor & Gamble.

The demand for detergents has been growing at an annual growth rate of 10 to 11% during the past five years. On account of convenience of usage, increased purchasing power, aggressive advertising and increased penetration of washing machines, the urban market prefers washing powder and detergents to bars. The regional and small unorganized players account for a major share of the total detergent market in volumes. Household Care category recorded robust volume and value growth during the year through focused innovation in the portfolio to provide greater consumer value. Vim bar continues to delight consumers by delivering superior performance and new offerings like the Anti-Germ Bar and the Monthly Tub Pack. Vim liquid continues to develop the liquid dish wash category driven by superior product quality and strong advertising. It has effectively accomplished the dual job of growing the liquids market by reaching out to more households, while increasing consumption in existing households. Domex continued to provide clean and germ free toilets to the consumers.

FOOD & BEVERAGES

The food category in FMCG is gaining popularity with a string of launches by HUL, ITC, Godrej and others. Nestle and Amul slug it out in the milk powder segment. The food category has also seen innovations like softies in ice creams, ready-to-eat rice by HUL, and pizzas by Godrej Pillsbury.

Tea: The tea market is dominated by unorganised players, who control over 50 per cent of the market. The leading branded tea players are HUL and Tata Tea.

Coffee: More than 50 per cent of the market is dominated by loose, unbranded coffee. Major players in this segment are Nestlé, HUL and Tata Coffee.

Food processing industry is one of the largest industries in India, ranking fifth in terms of production, growth, consumption, and export. The total value of Indian food processing industry is expected to touch USD 194 billion by 2017 from a value of USD 121 billion in 2012, according to Indian Council of Agricultural Research (ICAR). The packaged food segment is expected to grow 9% annually to become a `6 lakh crore industry by 2030, dominated by milk, sweet and savoury snacks and processed poultry, among other products, according to the report by CII-McKinsey. The ready-to-drink tea and coffee market in India is expected to touch 2,200 crore in next four years, according to estimates arrived at the World Tea and Coffee Expo

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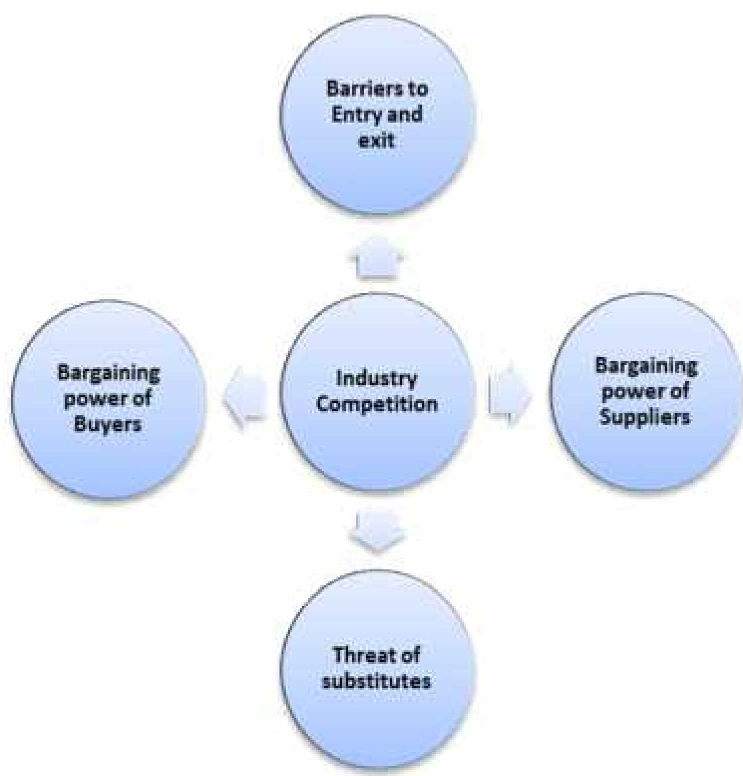
2013. Branding could drive the next growth wave in the country's food processing sector. The total soft drink (carbonated beverages and juices) market is estimated at ~USD 1 billion. The market is highly seasonal in nature with consumption varying from 25 million crates per month during peak season to 15 million during offseason. The market is predominantly urban with more than 25% contribution from rural areas. Coca cola and Pepsi dominate the Indian soft drinks market.

SWOT Analysis of India's FMCG Sector

- ***Strengths***
  1. Low operational costs
  2. Presence of established distribution networks in both urban and rural areas
  3. Presence of well-known brands in the FMCG sector Marketing and distribution
- ***Weaknesses***
  1. Lower scope for investing in technology and achieving economies of scale, especially in small sectors
  2. Low exports levels
  3. Me-too products, which illegally mimic labels of established brands. These products narrow the scope for FMCG products in rural and semi-urban markets
- ***Opportunities***
  1. Untapped rural markets
  2. Rising income levels, leading to higher purchasing power of consumers
  3. Large domestic market with a population of over one billion
  4. Export potential
  5. High consumer goods spending
- ***Threats***
  1. Removal of import restrictions resulting in cheap alternatives to domestic brands
  2. Slowdown in rural demand
  3. Tax and regulatory structure

Porter's Five force model:-



1. Barriers to Entry and exit
The Indian FMCG Industry is characterized with modest entry and exit barriers. Integrated business model and increasing capital requirement in the industry restrict new entrants. Huge investments in setting up distribution networks and promoting brands and competition from established companies.

2. Threat of Substitutes
Being an essential commodity the demand for consumer products is elastic. Multiple brands positioned with narrow product differentiation. Companies entering a category /trying to gain market share compete on pricing which increases products substitution. Hence, threat of substitute is high in the industry.

3. Buyer Bargaining Power
High brand loyalty for some products, thereby discouraging customers' product shift. But low switching cost and aggressive marketing strategies under intense competition within the FMCG companies, induce Customers to switch between products, thereby driving value for money deals for consumers.

4. Supplier Bargaining Power
Prices are generally governed by international commodity markets, making most FMCG companies price takers. Due to the long term relationships with suppliers etc., FMCG companies negotiate better rates during times of high input cost inflation .

5. Industry Competition
Competitiveness among the Indian FMCG players is high. With more MNCs entering the country, the industry is highly fragmented. Advertising spends continue to grow and marketing budgets as well as strategies are becoming more aggressive. Private labels offered by retailers at a discount to mainframe brands act as competition to undifferentiated and weak brands.

CURRENT PRACTICES BY FMCG PLAYERS

Global Concentration

Major global consumer product companies (such as Unilever, P&G, Colgate, Nestle, Heinz) have a lion's share of the global market. These companies have been established for a very long time and possess a clutch of strong brands with proprietary technology. Most of these companies are cash rich and well managed. Their brands generate strong cash flows and allow them to reinvest in strengthening their brand equity further, with continued promotions/ advertisements. They also have the financial clout to acquire small local brands to strengthen their position in the category. These companies also make considerable investment in R&D to sharpen and maintain their edge in the business.

Growth is in the Third World
Most of the global majors have their origins in Europe or USA. They find their home markets saturated and are banking on the third world for future growth. These companies are setting up shop and are aggressively expanding their base in these countries. They also look out for opportunities to acquire local brands to push start or consolidate their position in these markets.

Value for Money
During the last 4-5 years, particularly after reduced consumer spending during the global recession, the new buzz word is value for money. FMCG companies globally have embarked upon major re-structuring/ cost cutting exercises as the business has become fiercely competitive. Also, several innovations in packaging media have taken place.

Adapting to Local Conditions
In the last few years, process of adapting to local conditions has accelerated. MNCs are adapting their products, process and marketing communication to the local conditions. They alter the manufacturing process to maximize use of local raw materials and suit their products to the taste and requirements of local consumers. This process has been necessitated by the imperative to be cost effective and be competitive vis-a-vis strong local players.

Packaging

The role of packaging has increased significantly in recent times, partly due to improvement in packaging technology. Traditionally, packaging was expected to serve the purpose of protection and economy. Then, packaging was expected to fulfil the objective of convenience. Today, packaging is used as an effective tool for promotion. Besides, new packaging technology has enabled most FMCG companies to significantly reduce their packaging costs.

Rural Distribution

Increased focus on rural distribution has increased logistics spend for the leading companies. The rural market is currently worth approximately USD 9 billion in consumer spending in the FMCG space annually. Rural India accounts for 700 million consumers or 70% of the country's population, accounting for one -third of the total FMCG market.

FMCG (CURRENT) SCM TRENDS IN INDIA

Supply Chain Element	Status Today	Trends Towards
Retailer	Dispersed, unorganized, not much buyer power	Larger retail outlets; more number of SKUs, concentration of buyers, retailer power increases
SKU Variety	High numbers of SKUs of various sizes, offers and usage	Rationalization of SKUs to optimise costs
Inventory At Plant	Push to warehouse	Pull from retailers/C&Fas
SKU Analysis	Time-dated	Dynamic, Instantaneous & fast corrective action
Production Planning	Top down (from parent to vendors); lots of buffer stocks & time	Collaborative but still with some buffer time and inventory
Manufacturing Practice	Long production runs, low overheads, fixed stations	Flexible manufacturing, short runs, low change-over times, increased overheads
Contact Manufacturing (Outsourcing)/Third Party manufacturing	Contractual, opportunistic	Strategic partnership, alliance, essential cost control element
Information	Aggregated at every level and then transmitted upwards loss of time in reacting to change in demand pattern	Instant transmission to hubs, redirected to supply centers, rather than planners; faster response to demand change
Forecasting	Historical data based; varying levels of accuracy, person based	ERP, trend data, qualitative field inputs and allowance for force majeure
Replenishment	To maintain stock level, on shelf, at stock point, at plant	Dynamic replenishment: mix of products replenished depends on an array of factors, only of which is stock

Distribution systems	Traditional linear flow; some hub and spoke	Hub and spoke at more than one level; distributors get their goods directly from C&FAs
Integrated Data Systems	ERP used internally	ERP used with supply chain planning to improve throughput and efficiencies
Technology	E-mail, Fax, Telephones	V-SATs, leased lines, mobile ordering & automatic

FUTURE GROWTH FOR FMCG INDUSTRY

Changing consumer profiles

People are becoming conscious about health and hygiene. There is also a willingness to move to evolved products and brands, because of changing lifestyles, rising disposable incomes, etc. Consumers are switching from economy to premium products for instance, sharp increase in the sales of packaged water and water Purifiers' Findings from a recent survey shows that about 71 per cent of Indians take note of the labels of packaged goods containing the nutritional information, compared to two years ago when only 59 per cent
of the respondents read labels.

Government's Policy.

The Indian government has enacted policies aimed at attaining international competitiveness by lifting quantitative restrictions, reducing excise duties, and changing food laws, all of which have resulted in an environment that fosters growth. Hundred per cent export-oriented units can be set up with government approval, and the use of foreign brand names is now freely permitted.

Foreign Direct Investment (FDI).

Automatic investment approval (including foreign technology agreements within specified norms), up to 100 per cent foreign equity or 100 per cent investment for NRI and overseas corporate bodies (OCBs) is allowed for most of the food processing sector except malted food, alcoholic beverages and those reserved for small-scale industries (SSIs). There is continuous growth in net FDI inflows.

A Vast Rural Market.

Rural India accounts for more than 700 million consumers—or 70 per cent of the Indian population—and 50 percent of the total FMCG market. The working rural population is approximately 400 million. Average citizens in rural India have less than half the purchasing power of their urban counterparts. Still, this market has immense potential, enticing FMCG companies to take different steps to capture it. Hindustan Unilever Ltd is the largest player in the industry and has the widest market coverage.

Dairy-Based Products.

India is the largest milk producer in the world, yet only around 15 per cent of the milk is processed in the country. Organised liquid milk business is at a nascent stage, but has vast long-term growth potential. Investment opportunities exist in value-added products like desserts and puddings.

Packaged food.

Only about 1012 percent of India's food output is processed and consumed in the packaged form, thus highlighting the huge potential for expansion of this industry.

FINDINGS

Following are the major findings of currents trends In FMCG Industry:-

- Consumption pattern of Indian consumer have changed rapidly in last five years. He is looking for products with better functionality, Quality, value so on.

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- FMCG sector witnessed robust year on year growth of approx. 11% in last decade
- Rising consumer's income is most influencing factor for growth of FMCG industry.
- Major player present in industry is adopting technologies such as Information technology, social networking, E-Commerce to reach out their customer.
- Rural Distribution is more emphasized in last few year.
- With the passage of time use of sophisticated software tools- ERP, Trend Data, Qualitative field inputs will increase and as a result forecasting would be better.
- One major finding is that, while branding differentiates the image of the product, the distribution will determine its success to a large extent.
- Rural markets would be the cornerstones of all FMCG strategies in the near future and these difficult markets will only be cracked by companies that form partnerships across their value and supply chains.
- FMCG companies are now realizing that change will come faster and harsher than ever before, so why not change before change is thrust upon. Therefore, Distribution has suddenly emerged from the background of the business to the very forefront.

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