International Journal of Applied Research

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 8.4
IJAR 2022; 8(7): 547-555
www.allresearchjournal.com
Received: 23-05-2022
Accepted: 29-06-2022

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A study on trends and growth patterns of Indian fast moving consumer goods (FMCG) industry

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Abstract
More than 2 years after the lockdown struck, the fast-moving consumer goods category is on the road to recovery, even as the pressure of inflation continues. According to the report, the rural market contributes around 35 percent of the total FMCG sales. Hence, winning back the lost rural ground is of vital importance.
As per IBEF report, Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising youth population, and rising brand awareness among consumers. With household and personal care accounting for 50% of FMCG sales in India, the industry is an important contributor to India's GDP. The present study tracks the growth of the Indian Fast Moving Consumer Goods (FMCG) Industry.

Keywords: Rural market, IBEF, FMCG, GDP

Introduction
The Indian Fast Moving Consumer Goods (FMCG) industry began to take shape during the last five decades. The FMCG sector is a keystone of the Indian economy as it touches every aspect of human life. The FMCG companies are now drawing benefits from that opportunity. In rural India, the income of the consumers is increasing and the lifestyles are changing. There are as many middle-income households in the rural areas as there are in the urban area. Thus rural marketing has been growing steadily over the years and is now bigger than the urban market for FMCGs. With the increase in the rural literacy levels and the exposure to media, people in rural area are also becoming conscious about their buying decisions like their urban counterparts. As a result of the significant rise in the exposure level and brand awareness among rural people, they are becoming choosier and more demanding than ever before.

Description of FMCG
Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) are products that are sold quickly and at relatively low cost. Though the profit margin made on FMCG products is relatively small (more so for retailers than the producers/suppliers), they are generally sold in large quantities; thus, the cumulative profit on such products can be substantial. FMCG is probably the most classic case of low margin and high volume business.

FMCG- Indian scenario
The Indian FMCG sector is the fourth largest sector in the economy with an estimated size of Rs.1, 300 billion. The sector has seen tremendous average annual growth of about 11% per annum over the last decade. In India, the scenario is quite different in comparison to developed nations where the market is dominated by few large players, whereas FMCG market in India is highly competitive and a significant part of the market includes unorganized players selling unbranded and unpackaged products. Approximately 12-13 million retail stores exist across India, the large percentage of which around 9 million are kirana stores.

FMCG in India has a strong and competitive MNC presence across the entire value chain. It has been predicted that the FMCG market will reach $33.4 billion in 2016 from $11.6 billion in 2003. 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.

India FMCG sectors' comprises of few significant characteristics like well-connected distribution network, high level of competition between the organized and unorganized FMCG players, and low operational cost. In India, FMCG companies have privilege of having easy availability of raw materials, cheaper labor costs and presence across the entire value chain gives India a competitive advantage.

Features of Indian FMCG business

FMCG companies sell their products directly to consumers. Major features that distinguish this sector from the others include the following.

Design and Manufacturing

Low Capital Intensity: Most product categories in FMCG require relatively minor investment in plant and machinery and other fixed assets. Also, the business has low working capital intensity as bulk of sales from manufacturing take place on a cash basis.

Technology: Basic technology for manufacturing is easily available. Also, technology for most products has been fairly stable. Modifications and improvements rarely change the basic process.

Third-party Manufacturing: Manufacturing of products by third party vendors is quite common. Benefits associated with third party manufacturing include

1. Flexibility in Production and Inventory Planning;
2. Flexibility in Controlling Labor Costs; And
3. Logistics - sometimes it is essential to get certain products manufactured near the market.

Marketing and Distribution

Marketing function is sacrosanct in case of FMCG companies. Major features of the marketing function include the following.

High Initial Launch Cost: New products require a large frontended investment in product development, market research, test marketing and launch. Creating awareness and develop franchise for a new brand requires enormous initial expenditure on launch advertisements, free samples and product promotions. Launch costs are as high as 50-100% of revenue in the first year. For established brands, advertisement expenditure varies from 5 - 12% depending on the categories.

Limited Mass Media Options: The challenge associated with the launch and/or brand-building initiatives is that there are few no mass media options. TV reaches 67% of urban consumers and 35% of rural consumers. Alternatives like wall paintings, theatres, video vehicles, special packaging and consumer promotions become an expensive but required activity associated with a successful FMCG.

Huge Distribution Network: India is home to six million retail outlets, including 2 million in 5,160 towns and four million in 627,000 villages. Super markets virtually do not exist in India. This makes logistics particularly for new players extremely difficult. It also makes the new product launches difficult since retailers are reluctant to allocate resources and time to slow moving products. Critical factors for success are the ability to build, develop, and maintain a robust distribution network.

Competition

Significant Presence of Unorganized Sector – Factors that enable small, unorganized players with local presence to flourish include the following:

1. Basic technology for most products is fairly simple and easily available.
2. The small-scale sector in India enjoys exemption/ lower rates of excise duty, sales tax etc. This makes them more price competitive vis-à-vis the organized sector.
3. A highly scattered market and poor transport infrastructure limits the ability of MNCs and National players to reach out to remote rural areas and small towns.
4. Low brand awareness enables local players to market their spurious look-alike brands.
5. Lower overheads due to limited geography, family management, focused product lines and minimal expenditure on marketing.

Segments of FMCG

Fast Moving Consumer Goods Fast Moving Consumer Goods are inexpensive products that require little shopping efforts. These are nondurable products which are sold in packaged forms. These products are purchased by the endconsumer in small quantities and frequently. The main FMCG segments can be classified as Food and Beverages; Personal Care Products; Household care Products.

The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and extends to certain electronic goods. These items are meant for daily of frequent consumption and have a high return.

Table 1: Main segments in FMCG sector

Category	Products
Food and Beverages	Health beverages; soft drinks; staples/cereals/bakery products (biscuits, bread, cakes); snack food; chocolates; ice cream; tea; coffee; soft drinks; processed fruits; vegetables; dairy products; bottled water; branded flour; branded rice; branded sugar; juices etc.
Household Care	Fabric wash (laundry soaps and synthetic detergents); household cleaners (dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellents, metal polish and furniture polish).
Personal Care	Oral care; hair care; skin care; personal wash (soaps); cosmetics and toiletries; deodorants; feminine hygiene; paper products.

Dr. Priyaka Khanna. (2016) [6]. Social Innovations for FMCG Sector. The International Journal of Social Sciences and Humanities Invention, 2747-2757

Review of Literature

Venkatesha (2021) [9] focuses on the trends of FMCG, the key potential drivers that will accelerate the existing trend and future growth. With the increase in literacy level, rising per capita income, rapid urbanization and Indian economy is moving ahead with leaps and bounds at both national and international level. An upsurge in number of Multinational Corporations (MNC's) has been witnessed that had led to the great proliferation of wide variety of products and brands available for customers. Big giants dealing in Fast Moving Consumer Goods are growing and posting stellar top line growth, coming up with innovative plans so as to meet and satisfy the needs of the customers. Rallabandi Srinivasu (2014) [14] opines that the Fast-Moving Consumer Goods (FMCG) sector is an important contributor to India's GDP. Fast Moving Consumer Goods (FMCGs) constitute a large part of consumers' budget in all countries.

The researcher sheds light on competitive conditions prevailing in the FMCGs retail trade sector. There is also a focus on the analysis of competitive within the sector, and draws lessons for competition policy. FMCG Industry is characterized by a well-established distribution network, low penetration levels, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments. India's FMCG sector creates employment for more than three million people in downstream activities. It is currently growing at double-digit rate and is expected to maintain a high growth rate.

Laltu Sinha and Ruchit Mahendru (2020) [11] finds that the FMCG sector in India has grown at an average of about 11 percent over the last decade. India's robust economic growth and rising household incomes are expected to increase consumer spending to US$ 3.6 trillion by 2020. A country whose middle class population is as big as the entire population of USA is a market which no FMCG player can afford to overlook. In addition, as the fruits of economic growth become available to the masses and more people start to move up the economic strata, the Indian market only keeps on expanding. More importantly with a population where the median age is only 27, consumerism is on the rise in India with growing aspiration levels.

Dhanalakshmi and Abdul Azees (2018) [4] focuses on marketing of fast moving consumer goods. Fast moving consumer goods are generally low profit margin. Products and therefore sold in large quantities. Therefore, it is very important to focus on how to improve brand value for the customers as many brands are available for the same categories of products. Another area focused in the paper is how recession affects the demand for fast moving Consumer Goods and what are the reasons for these changes. In such a situation, it becomes necessary for the producers or the companies to increase the investments in these brands and products so that consumers are attracted towards them.

Key potential drivers

The key drivers that are accelerating FMCG trends are as follows:

Table 2: Drivers fuelling FMCG growth

Demand Related Drivers	Market Related Drivers	Environment Related Drivers
▪ Rising affluence ▪ Changing lifestyle ▪ Rise in urbanisation ▪ Increase in discretionary spending ▪ High private consumption ▪ Growing awareness ▪ Variety seeking behaviour	▪ Increase in competition ▪ Retail growth ▪ Availability and accessibility ▪ Low Labour cost	▪ Infrastructure ▪ Population growth ▪ GDP ▪ Government policies

Kantar World Panel, a global research firm observed, that the volume sales of overall FMCG sector has declined by 1.14% in the calendar year 2018 over calendar year 2017. Toilet soaps and edible oils show a phenomenal decline in volume sales, while Tea, toothpaste and detergents just managed to maintain miniscule growth rate.[1]

Table 3: Growth rate of essential categories of FMCG sector

FMCG Category	Volume Growth % in 2017-18	Volume Growth % in 2018-19
Overall FMCG Category	7.54	- 1.14
Toilet Soaps	4.96	-0.33
Tooth Paste	4.31	2.22
Tea	4.99	0.36
Edible Oils	5.82	-0.43
Detergents	4.43	1.08
Spices	10.81	1.23
Bottled Soft Drinks	2.06	1.00
Branded Wheat Flour	9.84	-2.46
Snack Food	14.99	2.26

The highest set back is suffered by snack food categories which had shown a growth rate of almost 15% in the C.Y. 2017 and slipped down to just 2.26% growth rate in C.Y.2018. The branded wheat flour has shown a negative volume growth trend from practically 10% to -2.46%. Same is true for edible oils categories. The consumers are no doubt are buying the branded product but the same manufacturer is not sure whether the same consumer will buy the same brand in the subsequent purchases. Most of the times the consumer change the brand in the subsequent purchases. Thus ensuring the repeat purchases for our brand periods after periods is the biggest challenge faced by the brand managers of a particular FMCG manufacturer. This challenge is further transformed into the challenge to maintain the inventory at the retail outlets. Which ultimately reflects into delays or at times failures in collection of debtors from the retailers. At times this invites the negative sales also. This breaks the effective sales cycle.

Emerging trends of sales promotion in FMCG

"Sales promotions include incentive offering and interest creating activities which are generally short term marketing events other than advertising, personal selling, publicity and direct marketing. The purpose of sales promotion is to stimulate, motivate and influence the purchase and other desired behavioural responses of the firm's customers". Kazmi and Batra. Rohan Agarwal mentioned in his article about the emerging trends as given below;

1. **Buy One Get One Free (BOGOF)**
   The trend of giving one ite m free with one purchase of one item is becoming very popular not only in urban areas but in rural/sub-urban areas too. For example, if pack of bread is priced at Rs.10 and its actual manufacturing cost is Rs.3 and you two breads for Rs.10, you will be still in profit especially if sales increase due to this BOGOF offer. In retailing this practice is actually known as a premium promotion tactic. The stores use this method because due to increased sales they are able to get benefit because of economies of scale.
2. **Customer Relationship Management (CRM)**
   The concept of CRM is of twofold: it is a part of retail strategy that aims at creating customers for long-term say whole life and on the other hand, CRM is largely technology driven. The main focus of CRM is on customers rather than products it offers. Examples are incentives such as bonus points, collecting numbers are ver y popular. Besides this, there are several other examples of CRM, from petrol pumps to malls. This increases long -lasting relationship with the customers.
3. **New Media**
   With the change in technologies, e-retail, online buying, and vending machines are the fashion of the day. SMS, e - mails, websites and mobile phones are used for the purpose of placing orders. For example Nestle a Swiss MNC printed some individual codes on KIT-KAT chocolate packaging, whereby a customer after buying it, would enter the code into a dynamic website to know whether if he had won a prize/gift or not. Customers also had option to check these printed text codes via their cellular phones. In India, some companies have also started use of such techniques as experimental method.
4. **Customers' Expectations**
   The onslaught of sales promotion activity over the last several decades has eroded the value of the short-term requirement to act o n sales promotions. Many customers are conditioned to expect a promotion at the time of purchase otherwise they may withhold or even alter their purchase if a promotion is not present. For instance, food shoppers are inundated on a weekly basis with such a wide variety of sales promotions that their loyalty to certain products has been replaced by their loyalty to current value items (i.e., products with a sales promotion). For marketers, the challenge is to balance the advantages of short -term promotions offer versus the potential to erode loyalty to the product
5. **E-Retailing**
   Sales promotions are delivered to customers in many ways such as by mail, in-person or within print media. However, the Internet and mobile technologies, such as cell phones, present marketers with a number of new delivery options. For example, the combination of mobile devices and geographic positioning technology will soon permit marketers to target promotions to a customer's physical location. This will allow retailers and other businesses to issue sales promotions such as electronic coupons, to a customer's mobile device when they are near the location where the coupon can be used.
6. **Tracking**
   As we discussed in our coverage of advertising, tracking customer's response to marketers" promotional activity is critical for measuring success of an advertisement. In sales promotion, tracking is also used. For instance, grocery retailers, whose customers are in possession of loyalty cards have the ability to match customer sales data to coupon use. This information can then be sold to coupon marketers who may use the information to get a better picture of the buying patterns of those responding to the coupon.
7. **Merchandising Additions**
   Buy one litre get 200 ml free with the pack, buy one kg

pay for 750 gms are examples of merchandising addition. Under addition schemes, some stores offer schemes like buy big pack and take smaller one at no extra cost. Besides this, sometimes some company offers you a card for six/eight spaces for pasting stickers with the purchase of each article. When the card's spaces are full, the consumer is given a free item absolutely free of cost. In India, the popular example is Subway chain of sandwiches that comes under addition scheme.

8. **Discounted Prices**
As the very name implies, under this promotional scheme, companies offer price discounts to its customers. Some of the budget airlines such as Air Deccan, Go Airways and Kingfisher, inform their regular and loyal customers through e- mail regarding any latest low-price deals once new flights are introduced or some additional destinations are announced within or outside India

9. **Merchants will adopt in-store mobile devices**
In 2016, it is anticipated the continued adoption of mobile devices such as mPOS systems and in-store tablets. One example of a merchant using mobile technology well is cookware retailer Borough Kitchen, which runs Vend on their iPads. Having a tablet -based POS system enables them to improve the customer experience and speed up checkout. For instance, founders David Caldana & Justin Kowbel say that all they have to do during their peak hours and the holiday season is add new tills by switching on additional iPads. This allows them to reduce lines and ring up sales much faster.

10. **Mobile will play a bigger role in click-and-collect initiatives**
Traditional click-and-collect programs typically involve people shopping online then picking up items in -store. In 2016 though, we can expect mobile to play a bigger role in this process. Retailers are increasingly experimenting with mobile to facilitate click-and collect. Some merchants, such as Kohl‟s department store, now enable customers to buy via mobile and pick up in -store, while others, such as Sam‟s Club [Walmart], are using mobile to send notifications whenever an order is ready for in-store pickup. Nordstrom is also looking into using mobile to streamline the in - store pickup experience. In May 2015, the retailer started testing a service that lets customers text or call their Nordstrom associate as they near the store. The store employee will then head down and meet the customer outside, so they won't even have to get out of their car.

11. **Free Samples**
For example, tasting of food and drink at sampling points in supermarkets, trade fairs and exhibitions like „Good Living‟, „Art of Living‟ annual fairs at Pragati Maiden in New Delhi. For example, Milk Mix (a flavored fizzy drink) was given away to potential consumers at supermarkets, International Trade Fair and at in Delhi.

Recent trends

1. **Changing life style**
Approach to different pricing, improved lifestyle and chemical-free products have become the new standard for Indian consumers to get the upper hand Ayurveda.

2. **Reinforcement S**
Ayurvedic FMCG companies are integrating their accessible business portfolios which are moving towards divestments, mergers and acquisitions. The example in the Indian market, Dabur India stakes maximum Indian market share for health care category. It shows its existence in a specific herbal field. In foreign countries, Saudi Arabia and Egypt have 69% and 62% hair oil market share respectively in India. It strengthens their market power.

3. **Premiumization**
Consumers are eager to buy premium goods at high prices on behalf of ease, health and wellness. Premiumization is actually a means of growth. In India, everyone is a candidate to be superior, earns more, uses healthy products and receives more payments. When pharma companies offer more benefits to consumers in the same product form, this premiumization is created. It's just about saying that if companies launched hair oil keep hairs moist only, it becomes the base hair oil. But if hair oil prepared to contain Ayurvedic ingredients, that prevents hair loss and provide nourishment, then all of us are ready to pay extra money for it. At current scenario, many toothpaste companies are selling their product with the badge of Ayurveda. The trend is going to be natural influencing Global as well as Indian market. Indian market is influenced at small scale, while globally people are building big storms to be natural.

4. **Innovation**
Consumers have started demanding customized products especially in accordance with their personal taste and needs. Many Ayurvedic companies have established innovative product portfolios for a new customer. They are moving ahead through revolutionizing and improving natural products for youth. From Kwatha (for the treatment of cold and cough) in a sachet, tea sticks formats, gel toothpaste, ready-to-drink (aloe vera and amla) juice

5. **Market consolidation**
Numerous companies are continuous investigating the business perspective of foreign and several regional marketplaces. Emami group seized ₹ 1,651 crores for the Rs 730 crore Kesh King brands of hair and scalp care products from Zandu Pharmaceutical and SBS Biotech in 2008.27,28 The multinational brand (HUL, ITC) has emerged to be affected. Unilever is promoting Lever Ayush with an advertisement with celebrity, who is currently piggybacking on the change of Ayurveda. In reality, Unilever is paying no attention to the multinational corporations (MNCs) eligibility for its advertising.29

6. **Network distribution**
Companies are currently focused on improving their distribution network to increase their connectivity in rural India. Patanjali and Sri SriTattva, leading Ayurvedic FMCG companies, is trying to decrease its paramount time by building its supply channel additional competent and getting retail stores directly from the manufacturing unit.

7. **Packing systems**
For offering safety and quality products, the industries

offering active and intelligent packaging technologies. This technologies are enhanced the shelf life of products as well as safer. In addition companies are opening smaller stock-maintenance units at a lower price. This helps them maintain margin, keep the volume from price-alert customers and enhance their customer base.3

8. **Increased hiring from tier II/III cities**
A report from the Confederation of Indian Industry (CII) and the Boston Consulting Group (BCG) showed that e-commerce is participated in a major way for the development of the FMCG sector. The report recommends that companies are focusing their attention on tier II and III cities and rural areas, as purchasing power from these areas will be very tremendous. Small town and cities of India are considered to contribute more to the future demand for FMCG sector, whereas e-commerce companies will contribute to a large portion of sales for these companies. It has been said in the report that companies will need to pay attention to level II and III cities and rural areas because their profits will be an essential source of demand for the region as more and more consumers go ahead with non-branded to branded sections.32

9. **Global trend**
The acquisition of old Indian tradition has changed into harsh terms with heritage brands, although with a modest turn. Like Dabur, who has decided to take their products in the United States, Mexico and Canada with Amazon's Global Sales Program? Permission for that Dabur makes more than 30% of income from international operations. Other players like the Himalayas receive huge international revenues, which can be targeted by Dabur across amazon.

Size and structure

The Fast Moving Consumer Goods (FMCG) sector is a vital contributor to India's GDP and the 4th largest sector in the country, which is estimated to have grown from USD 31.6 bn in 2011 to USD 52.75 bn in FY18. The sector caters to the daily needs of individuals which range from essential food items having an inelastic demand such as salt, sugar, edible oil, etc. to home and personal care products such as soap, shampoo, detergent, etc. In addition to these, the sector also manufactures value added products whose demand is discretionary in nature such as ice-cream, hair oil, body moisturizer, etc. As depicted in chart 1, the FMCG sector can be broadly classified into four segments, of which home and personal care is the largest segment accounting for ~50% of the overall FMCG market3

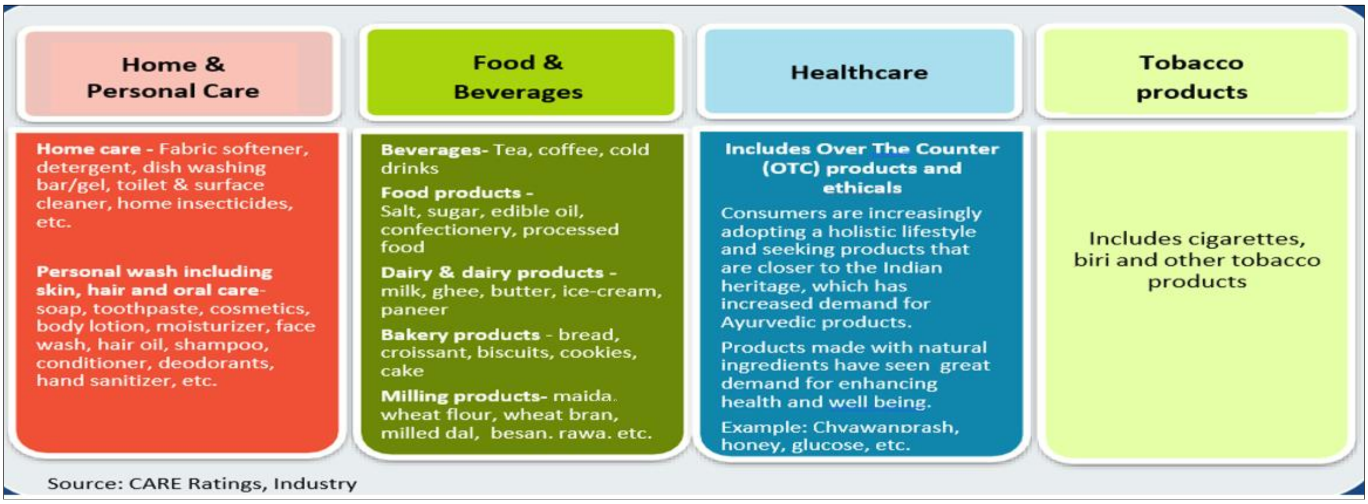

Fig 1: Broad segments of FMCG sector with example

Multiple players both in the unorganised as well as organised segments operate in the FMCG sector in India. With manifold products manufactured, each product category has numerous brands and varieties, creating intense competition among players operating in this sector. Therefore, FMCG companies operate on low margins and volume sales remains the key to survival. Players greatly emphasise on expanding their distribution networks and spend extensively on marketing like sales promotion, discounts, advertising, etc. Products sold by this sector are usually low priced and largely homogenous in nature that can easily be substituted, which makes consumers spend minimal time in making a purchase decision.

Rural markets in India pose various challenges for FMCG manufacturers, due to the existence of multiple languages and dialects, diversities in cultures, small and distantly located villages, lack of media penetration, etc. Rural consumers have high dependence on rainfall which leads to uncertain disposable incomes. Additionally, due to insufficient infrastructure like roads, electricity, power, etc. distribution gets challenging. For example, one of the largest FMCG companies which has among the highest rural penetration, has a reach to ~55,000 villages, while India has about 7 lakh villages, clearly displaying how underpenetrated rural India is.

Performance of FMCG sector in fy20

Table 4: Production of fast moving consumer goods in FY20

	Item	Production in FY20		YoY growth (%)	
		Unit	Quantity	FY19	FY20
Dairy products	Ghee	'000 tonnes	170	-1	0.4
	Butter		98	0.6	-25.6
	Milk powder		218	7.1	-16.7
	Milk	Mn litres	6,714	4.5	-2.1
	Ice cream		202	6.2	3.1
Tobacco Products	Cigarettes	Mn sticks	88,366	1	6.1
	Biri		81,489	6.7	-3.1
Vegetable Oils & Products	Groundnut oil	'000 tonnes	47	265.8	-12.3
	Soyabean oil		1,784	51.7	-10.3
	Mustard & rapeseed oil		665	9.2	41.6
	Sunflower oil		633	814.3	81.6
	Coconut oil		37	46.3	22.5
	Refined palm oil		3,445	-2.2	2.8
Cocoa products and confectionery	Chocolate and cocoa powder	'000 tonnes	166	3.1	7.9
	Sweetmeat and sugar confectionery		118	2	-2.4
Bakery products	Breads, buns and croissant	'000 tonnes	257	-1.1	-5.2
	Biscuits / cookies		632	0.3	0.1
	Cakes, pastries and muffins		8	-6.2	-5.4
Processed food	Honey, artificially preserved	'000 tonnes	4	15.3	1.5
	Fruit pulp and fruit juice		119	3	-26.8
	Instant food (ready to eat)		494	9.6	8.4
Milling products	Maida	'000 tonnes	1,765	-3	-0.6
	Wheat flour (atta)		1,396	-1.1	-6
	Gram flour (besan)		233	-11.1	2.6
	Rawa (sooji)		268	-5.6	-12.3
Consumer goods	Soaps	'000 tonnes	1,153	3.3	-5.4
	Detergents		1,515	2.3	0
	Organic surface active agents		5	-11.1	36.2
	Toothpaste		141	-1.2	-10.6
	Hair oil		121	-5.6	-11.3
	Hair shampoo		257	14.9	5.4
	Hair dye	tonnes	2,763	-34	-41.8
	Creams and lotions		238	-62.7	-18.5

Madan Sabnavis,Vahishta M. Unwalla and Mradul Mishra. (2020). Fast Moving Consumer Goods (FMCG)... … Is it still fast moving? Industry Research, 2-10.

The above table depicts production of fast moving consumer goods during FY20 and its analysis is as follows:

- **Dairy products**
  In FY20, three out of five dairy products reported negative growth in output. Butter, milk powder and milk production deteriorated, while ghee grew marginally and a delayed onset of winter increased ice-creams demand. However, mid- March onwards when the pandemic started, demand for value added products such as ice creams, ghee, lassi, yoghurt, etc. were adversely affected. The nation-wide lockdown led to fall in demand for dairy products from large consumer segments like hotels, restaurants, weddings, sweet shops and offices.
- **Tobacco products**
  Production of cigarettes grew 6.1% YoY in FY20, while biri output fell by 3.1% YoY. Tobacco products manufacturers are witnessing persistent weakness in the overall demand environment, especially in rural markets. The rise in taxes in recent years led to decline in legal cigarette volumes and given way to minimally taxed and tax-evaded tobacco products. There is widespread availability of illegal cigarettes and other tobacco products of low quality at affordable prices. This has resulted in sub-optimization of the revenue potential for tobacco sector and led to loss to the Exchequer.
  Over 2/3rd tobacco consumption in the country remains outside the tax net and it is estimated that on account of illegal cigarettes alone, the revenue loss to the Government is more than Rs. 13,000 crores p.a.[4] Along with this, rising health concerns among consumers is gradually having an adverse impact on demand for tobacco products.
- **Vegetable oils and products**
  Edible oils used for household consumption include rice bran oil, sunflower oil, cottonseed oil, groundnut oil, soya oil, coconut oil, etc. Production of most of these varieties witnessed positive growth during FY20. Edible oils being an essential item in household cooking, witnessed an upsurge in demand in the early stages of Covid-19 outbreak, aided by large scale stocking at home.
  Palm oil, which is mainly consumed by bakeries, confectioneries, roadside eateries, restaurants, cosmetics manufacturers, etc. witnessed marginal growth in production of 2.8% YoY in FY20. Out-of-home consumption or institutional consumption remained subdued in March-end and therefore palm oil prices witnessed a fall towards the end of the year.

- **Bakery, Cocoa products and confectionery**
  Chocolate and cocoa powder production grew 7.9% YoY in FY20, while sweetmeat and sugar confectionery output declined 2.4%. Within the bakery segment, products such as breads, buns, croissants, cakes, pastries and muffins witnessed fall in output, while biscuits and cookies remained at same levels as last year.
  Biscuit is among the fastest growing categories within the FMCG sector. Though its current per capita consumption in India is lower than developed economies, it has witnessed widespread penetration among households in recent years. Since the product category is homogenous in nature, manufacturers offer visual and taste superiority to remain differentiated.
  Cake, is still not as developed as biscuits as a category, but is witnessing growing demand in past few years. The category has innovated with new formats, lower price points, variety in flavours and variants, etc.
  Bread as a food category has been undergoing significant transformation with the introduction of healthier variants in order to keep abreast of consumer demand for products that can be 'tasty and healthy'. Rusk, a type of double baked bread and also referred to as toast, is a popular example. Another example is of croissants, which isstill at a nascent stage in the country. However, given the busy lifestyles of the youth of the country, the product has demonstrated great potential.
- **Poultry**
  Demand for poultry products, such as meat and eggs is usually higher during the second half of a Financial Year as consumption rises during the winter months. Also, about 50% of meat products consumption is out-of-home. In the beginning of February 2020 rumours of getting coronavirus infection through poultry and its products significantly lowered sales volumes and prices. To add to this, Mid-March onwards restaurants in most parts of the country were shut which further lowered demand for poultry products. With this, prices of chicken and eggs fell to a large extent and were not at remunerative levels for producers. Therefore, production was reduced to match the reduced demand.
- **Processed foods**
  Fruit pulp and fruit juice output witnessed a sharp decline of 26.8% in FY20. This product category has seen much sharper down trading in the past quarter as consumers find it difficult to differentiate between multiple products in this category such as juice, nectar and a drink. This is even more evident in the current scenario of slowdown, where consumers prioritise their spending on low-priced items of the same category.
  Production of honey witnessed marginal growth, while instant food (ready to eat) category continued its healthy growth momentum supported by elevated demand during lockdown.
- **Milling products**
  After displaying falling growth rates in all four milling product varietiesin FY19, the same trend continued for FY20 (except for gram flour flour (besan) which reported marginal single digit growth). However, demand for such products increased prior to and in the initial days of lockdown due to panic buying
- **Consumer goods**
  Within the homecare segment, Covid-19 outbreak created high demand for organic surface active agents, whose production spiked January 2020 onwards and led to output growth of 36.2% YoY in FY20. Production growth of detergents remained unchanged during the year.
  Within the personal care category, items such as soaps, toothpaste, hair oil and hair dye witnessed fall in production growth in FY20, of which the most affected were hair oil and hair dyes, whose output de-grew 11.3% and 41.8% YoY respectively. Demand for hair oil as a category, is gradually receding as youth are no longer using hair oil and older generation have also reduced its usage. Demand for hair dyes/colors also remained weak due its discretionary nature and consumers stretching their consumption. Therefore, companies are innovating with category extensions such as hair serum, hair gels, pre and post wash hair nourisher, which is a growing market.
  Due to delay in start of the winter season, creams and lotions output fell by 18.5% YoY, while shampoos benefitted by 5.4% YoY. Toothpaste and soaps are witnessing down trading to low unit price points since past few quarters now.
  During the lockdown, discretionary personal care products such as hair serums, male grooming and skin care lost favour as consumers prioritized purchase of essential items. Also, due to distribution constraints in initial days of lockdown, cosmetic brands were selling their products through chemists and online channels - that earlier made sales through wholesale or beauty outlets.
  Kantar World Panel, a global research firm observed, that the volume sales of overall FMCG sector has declined by 1.14% in the calendar year 2018 over calendar year 2017. Toilet soaps and edible oils show a phenomenal decline in volume sales, while Tea, toothpaste and detergents just managed to maintain miniscule growth rate.[1]

Table 5: Growth Rate of essential categories of FMCG Sector

FMCG Category	Volume Growth % in 2017-18	Volume Growth % in 2018-19
Overall FMCG Category	7.54	- 1.14
Toilet Soaps	4.96	-0.33
Tooth Paste	4.31	2.22
Tea	4.99	0.36
Edible Oils	5.82	-0.43
Detergents	4.43	1.08
Spices	10.81	1.23
Bottled Soft Drinks	2.06	1.00
Branded Wheat Flour	9.84	-2.46
Snack Food	14.99	2.26

The highest set back is suffered by snack food categories which had shown a growth rate of almost 15% in the C.Y. 2017 and slipped down to just 2.26% growth rate in C.Y.2018. The branded wheat flour has shown a negative volume growth trend from practically 10% to -2.46%. Same is true for edible oils categories. The consumers are no doubt are buying the branded product but the same manufacturer is not sure whether the same consumer will buy the same brand in the subsequent purchases. Most of the times the consumer change the brand in the subsequent purchases. Thus ensuring the repeat purchases for our brand periods after periods is the biggest challenge faced by the brand managers of a particular FMCG manufacturer. This challenge is further transformed into the challenge to maintain the inventory at the retail outlets. Which ultimately reflects into delays or at times failures in collection of debtors from the retailers. At times this invites the negative sales also. This breaks the effective sales cycle.

This is the big sustainability challenge for the brand managers of FMCG companies. Rather it is the sustainability challenge for the entire FMCG sector. This paper is an outcome of the empirical research carried out at multiple places nationally and globally. The respondents are primarily from upper middle class to lower class economic strata. The rationale behind selection of these type of respondents lies in a notion that economically lower class strata consumers are not brand conscious. But upper class and upper middle class consumers are highly brand specific. This paper tries to figure out the reasons for this decline in volume growth; also it tries to assess whether there is a shift in buying a locally manufactured unbranded product over the national or international brand thus resulting into the waning of established brands.

Conclusion

The Fast Moving Consumer Goods Sector in India has better prospects as the economy has largest population of young people in the world. The urban market contributes 60% of the consumption revenue of the FMCG market in India. The consumption habits of India's new age consumers have resulted in an attitudinal shift in the market. The India of 2030 will have 370 mn generation Z consumers, with changed priorities when it comes to purchasing goods. The new Indian consumer is characterised by high awareness, an affinity for health and nutrition and high expendable income. This has led to the emergence of new FMCG sub-sectors, such as the air and water purifier market and organic food staples. These trends will further lead the development of the FMCG industry profile.

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