CHAPTER I

INTRODUCTION

1.1 INTRODUCTION:

Brand Loyalty is very important topic for any business in the world. Irrespective of the type of product it is very important to have certain level of loyalty towards the products for the success of a business. The ability of a business to draw in customers is a major factor in its success. This is especially important for the survival of a business to keep its present clients and cultivate their loyalty.

Key words of this report are Brand Loyalty, Fast Moving Consumer Goods (FMCG), Attitudinal Factors of Loyalty, Behavioural Factors of Loyalty, Modern Trade, Traditional Trade, Rural Markets, Urban Markets, Industries of consumer goods like Shampoo, Washing Powder, Food and Beverages.

1.2 FAST MOVING CONSUMER GOODS (FMCG):

Consumer products that sell quickly and for a reasonable price are considered fast-moving goods. Another name for these products is consumer packaged goods. Because they are perishable (like meat, dairy items, and baked goods) or have high consumer demand (like soft drinks and confections), FMCGs have a limited shelf life.

These products are cheap, widely available, quickly consumed, and sold in big quantities. Shelf life of such products is relatively low.

Non-durable items have a shelf life of less than two years, whereas durable goods have a shelf life of two years or more. The greatest category of consumer products is FMCG goods. They are immediately consumed and have a limited shelf life, making them nondurable.

More than half of consumer spending is on nondurable products, such as FMCGs, which are often low-commitment purchases.

Fast-moving consumer goods categories. Main categories are Household Care, Personal Care, Food, Beverages, Pet Food, Tobacco, Alcoholic Beverages etc.

- Drinks: juices, energy drinks, and bottled water
- Foods: noodles, cereals, and cheese products
- Ready-to-eat and drink: Juices, process food etc.

- Medications: Over-the-counter medications, such as aspirin and painkillers, and various prescription drugs
- Home care & Personal care products: toothpaste, soap, concealers, and hair care, paper napkins, surface cleaners, washing powders etc.

1.3 CONSUMER PACKAGE GOODS (CPG):

Fast-moving consumer goods and consumer packaged goods are not different terms. These are products with cheap prices, short shelf lives, or rapid turnover rates. Fast-moving consumer items are distinguished by high sales volumes and thin profit margins. Dairy products, toilet paper, and soft drinks are a few items in this category.

Services, nondurable goods, and durable goods make up the three primary categories of consumer products. Houses and furniture are examples of durable commodities that last for at least three years. Economists frequently monitor spending on durable goods to gauge the state of the economy. Products that are quickly eaten and have a shelf life of less than three years are classified as nondurable. This category includes consumer goods that move quickly.

Largest Players of FMCG:

The biggest manufacturers of fast-moving consumer goods in the world are Coca Cola, Nestlé, Procter & Gamble, Unilever, Mars, Mondelez, PepsiCo, British American Tobacco, Japan Tobacco International etc. All of them are having business in more than 100 countries. All are having significantly high market share across globe.

1.4 BRAND LOYALTY:

When people stick with a brand even when competitors are providing comparable goods or services, this is known as brand loyalty. Customers not only keep interacting with and buying from the same brand, but they also develop favourable perceptions of it.

Five main characteristics of brand loyalty are, commitment, recurrent purchase behaviour, customer satisfaction, brand trust, and perceived value by the customer.

Businesses may boost client retention and spur sales growth by fostering brand loyalty. Higher transaction values and recurring business generate a sizable increase in sales revenue, which has an immediate effect on the financial success of the organization.

Brand Loyalty vs Customer Loyalty

Customer loyalty and brand loyalty are closely connected yet distinct concepts. While it may seem that these concepts are equivalent, they describe separate dimensions of customer behaviour.

The goal of customer loyalty is to draw in and hold onto clients by attending to their requirements and offering value that fits their budget. To guarantee recurring business, it includes competitive pricing, rebates, and special offers. In essence, it encourages recurring business by taking advantage of customers' purchasing power and preference for companies who provide the greatest offers and pricing.

A customer's emotional commitment to a brand, shaped by their experiences and perceptions, is the source of brand loyalty. Consumers that are loyal to a brand will continue to do so in spite of price variations because they believe the brand offers higher quality and service, making them less susceptible to price fluctuations and more susceptible to the company's reputation, product quality, marketing tactics, and overall message. Luxury labels like Dior, Bugatti, Rolex, and Cartier are prime examples of this.

1.5 ATTITUDINAL LOYALTY:

The emotional and psychological bond that consumers form with a brand or product is known as attitude loyalty. This kind of loyalty stems from consumers' favourable attitudes, preferences, and impressions of a specific brand. Emotional loyalty is made up of three components: affinity, attachment, and trust.

1.6 BEHAVIOURAL LOYALTY:

It is defined based on the actual behaviour of buyer. What buyer buys, at what frequency, what quantity and overall buying pattern are the key factors of behavioural loyalty. Buying behaviour gives actual numbers of buying based on which it is easy to gauge brand loyalty. However it is not highlighting any case.

1.7 MODERN TRADE (MT):

Supermarkets, hypermarkets, and large-format stores are examples of the better structured retail sectors that are referred to as modern trade. Large retail chains or businesses usually own these contemporary trade venues. These markets are having distinct features compare to Traditional Trade markets. Here buyer is having flexibility to select their products, compare products before they buy and mostly these stores are providing discounts/promotional offers on various products.
Stores are having many Points of Sale (POS) to handle billing of large number of customers.

In many countries now there is a trend of Cash & Carry stores which are selling products at wholesale price. These stores are not having nicely arranged products like Hyper/supermarket. Discount is key feature of these stores.

In India very small proportion of market is captured by Modern Trade.

1.8 ECOMMERCE (ECOMM):

It is another type of Modern Trade where buyers buy online with the help of internet, mobile/computer system. It is very convenient way of buying products. However, in India still it is not very popular as people use to buy products by examining them in detail.

Many Ecomm players are coming to the market with offering of FMCG products. However, proportion of market captured by these players is still very low.

1.9 TRADITIONAL TRADE (TT):

The most popular market in India having large amount of market captured. There are more than one million TT stores in India. Due to some unique features of these stores, still today they are very popular among buyers.

Many times, they provide products on credit, there is close bonding with shopkeeper in most of the cases as these stores are quite old and popular in given locality.

1.10 URBAN MARKET:

It is more advance market with all modern marketing channels available like MT/Ecomm. All new product launches are mostly done in these markets so that manufacturers can know about acceptability of product quickly and design their marketing strategies accordingly.

1.11 INDUSTRIES OF FMCG PRODUCTS:

FMCG is a huge industry comprises of many other industries within it. There are many different categories within larger umbrella of FMCG. Most of these categories are divided into below mentioned major categories, which are themselves act as a separate industry.

- Personal Care: It includes all subcategories dealing with body care, skin care, hair care, over the counter medication etc. There are many global, regional, and local brands available in India. Some of the local brands like Patanjali, Dabur are giving tough competition to global brands.
- Home Care: It includes subcategories like, cleaners, washing powders, paper napkins etc.
- Food: It includes food shelf stables where shelf life of the food is relatively longer than food cooked at home. Noodles, powdered milk, chocolates and confectionery, salty snacks, oats are popular subcategories.
- Beverages: It has huge market in India as overall temperature remains high during most part of the year. Carbonated soft drinks, juices, water, ready to drink tea/coffee, energy drinks, sports drinks are very popular subcategories. Now a days people are becoming more health conscious due to which new beverage subcategories are emerging in India. Plant based juices like soya milk are also finding place in beverage industry.
- Tobacco: It has huge market in India. Many international players are selling products in India. Even after huge taxes on the products, industry is having significant contribution to overall GDP. Apart from Cigarettes there are many other popular tobacco products selling in India.

CHAPTER II

INDUSTRY ANALYSIS

2.1GLOBAL FMCG INDUSTRY OVERVIEW:

The Fast Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) industry is rapidly growing industry across Globe. Due to continuous increase in population, changing lifestyle, increasing disposable income and easy of getting varieties of products through Hyper/Supermarkets, E-commerce etc.

Meaning of FMCG Goods is, they are nondurable goods having shelf life of maximum two years. In many cases their shelf life is less than a year. They have high sales volume, purchased by consumers in bulk with high frequency and consumed rapidly on daily basis. Profit margins are low compared to durable goods. Key Global players of FMCG industry are, Nestle, Unilever, Proctor & Gamble, S. C. Johnson, Johnson & Johnson, Reckitt Benckiser, Patanjali Ayurved, Colgate, Mondelez, Mars, Coca Cola, PepsiCo etc.

2.1.1 Types of FMCG products:

- **Food**: Chocolate, Biscuits, Cheese, Butter, Milk etc.
- **Ready to eat**: Pasta, Noodles, Fish, Meat etc.
- **Beverages**: Carbonated soft drinks, Juice, Water etc.
- **Fresh/frozen/dry food**: Fruits, Vegetables, Sea food etc.
- **Over the counter (OTC)**: Pain relievers, Cough & Cold remedies etc.
- **Household products**: Floor cleaner, Air freshener, Washing powder etc.
- **Personal care products**: Hair care, toothpaste, and toilet soap
- **Stationary**: Pencil, Eraser, Pen, Crayons

2.1.2 Key Global players of FMCG industry:

- **Unilever:** London, UK - https://www.unilever.com/
- **Proctor & Gamble:** Cincinnati, USA - https://us.pg.com/
- **S. C. Johnson:** Racine, USA - https://www.scjohnson.com/
- **Johson & Johnson:** New Jersey, USA - https://www.jnj.com/
- **Reckitt Benckiser:** Slough, UK - https://www.reckitt.com/
- **Patanjali Ayurved:** Haridwar, India - https://patanjaliayurved.org/
- **Colgate:** New York, USA - https://www.colgatepalmolive.co.in/
- **Nestle:** Vevey, Switzerland - https://www.nestle.com/

- **Mondelez:** Chicago, USA - https://www.mondelezinternational.com/
- **Mars:** Virginia, USA - https://www.mars.com/
- **Coca Cola:** Georgia, USA - https://www.coca-colacompany.com/
- **PepsiCo:** New York, USA - https://www.pepsico.com/

2.2 MARKET SIZE:

According to Allied Market Research Global FMCG market size in 2023 is approximately US$ 12,360 billion which is equal to 9,14,26,660 Crore INR. This is estimated to be increase at the rate of 5.4% CAGR till 2025. Thus, size of the market will be US$ 15,261 billion which is equal to 11,28,30,525 Crore INR. Food and Beverage industry is having highest share in Global FMCG industry.

Asia-Pacific will grow at the highest rate i.e., 8% CAGR however North America region (USA and Canada) will remain the leader and expected to grow at constant pace. There are reasons for the high growth rate in Asia-Pacific. Disposable income of the individuals is increasing along with the increase in working people. Due to open boundaries of the countries for business, many new products and brands are available in all the markets. People are shifting their behaviour towards healthy products as they are becoming more health conscious. Also, urban population is increasing and due to increase in working people demand for ready to eat and ready to cook food has increased.

In FMCG market brands are divided into three major types, 1. Global brands (by Global manufacturers like Unilever, Nestle etc.) 2. Local brands (by local manufacturers of a given country) 3. Nish / unlabelled brands (very small brands, not having proper label, they have high loyalty but low penetration).

Below table shows summary of Global and Local brands using historical data of 2016 and 2017. It is clearly observed that, industries like Food and Beverage have high share of Local brands compare to Global brands. Possible reasons behind it is, local brands are well aware of local test and they are customized accordingly. Also, they do not require very large industrial setup to have penetration in a specific geography of a country. Beauty and Personal Care products do have higher share of Global brands as they require lot of investment in R&D, process set up etc. Whereas Homecare industry is having mostly equal share of Global and Local products.

2.2.1 Contribution of Global and Local brands by industries.

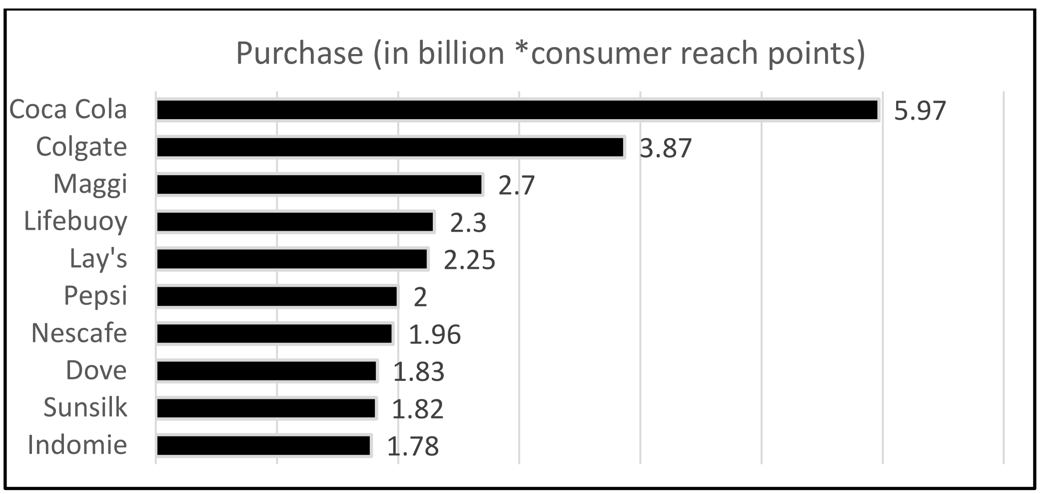
Table 2.1 Contribution of Global and Local Brands

	2016		2017	
	Global Brands	Local Brands	Global Brands	Local Brands
Total FMCG	35.8%	64.2%	35.4%	64.6%
Food	27.1%	72.9%	26.6%	73.4%
Beverage	38.2%	61.8%	38.3%	61.7%
Beauty and Personal Care	58.8%	41.2%	58.4%	41.6%
Homecare	47.7%	52.3%	47.0%	53.0%

Source: Brand Footprint Report

2.2.2 World's Most Popular Brands:

Figure 2.1 World's Most Popular Brands



Above chart is based on 21,400 brands and 1 billion households in 49 countries.

* Consumer Reach Points measure how many households around the world are buying a brand and how often.

Source: Kantar's Brand Footprint report 2019

- Coca-Cola remains the world's most chosen brand—for the sixth year running.
- Colgate is the second most chosen brand in the ranking and is the only brand chosen by more than half of the global population—with 62% penetration globally
- Maggi is the fastest-growing Top 50 brand with a global presence—with 14% growth in Consumer Reach Points (CRPs)

2.3 OPPORTUNITIES AND THREATS OF GLOBAL FMCG MARKETS:

There are many Opportunities and Threats associated with FMCG industry. Also list of it is changing so frequently due to dynamic macro environment. Very recently we have seen COVID 19 Global pandemic which has impacted all small-big countries in one or the other way. It has also changed the overall consumer behaviour in terms of product that they buy and retail channels from where they buy. Also due to rapid changes in the technology, opportunities and threats are also changing rapidly.

Table 2.2 Opportunities vs. Threat of Global FMCG Market

Opportunities	Threats
Globalization	Low disposable income due to COVID 19
Increasing population and urbanization	Delayed supply of products due to COVID 19
Growth of Modern Trade and E-commerce	Illicit/Duplicate products
Shift from Regular to Organic products	Consumers are more aware than before
Competition from local brands	
Technological Enhancements	
Internet, social media, Smart Phones working as word of mouth	

Opportunities

Globalization:

Globalization has opened boundaries of many countries. Now all big manufacturers can invest in other countries through Foreign Direct Investment (FDI). This has enabled them to have manufacturing process in the same country which is their target market.

Increasing population and urbanization: Population of the world is increasing day by day, on the other hand population of urban area is also increasing. As FMCG products are directly proportional to the population it will increase demand for the FMCG products. Also, people are moving to Urban areas in search of education, jobs, business opportunities etc. This will give opportunities to the manufacturers to sell more products via modern trade channels and E-commerce.

Growth of Modern Trade and E-commerce:

Even in developing countries Modern Trade (Hypermarket/Supermarkets) are increasing rapidly. Also, during COVID 19 almost 40% of the population of Globe has bought their products online. This has given more importance to E-commerce in a developing country as well. Both Modern Trade and E-commerce gives opportunity to buyer to choose from multiple options available for the same need. It is very easy to offer promotional schemes and highlight product features in Modern Trade and E-commerce. This would boost FMCG market across globe.

Shift from Regular to Organic products:

Due to COVID 19 and awareness of benefits from organic products, consumers are now shifting from regular products to Organic products. This has created an opportunity around new set of products along with new set of consumers of such products. There are many consumers who prefer both regular and organic products. As a result of this many global players also have started manufacturing organic products. For e.g. Colgate Vedshakti.

Competition from local brands:

In many countries small/local brands are becoming powerful and providing tuff competition to big brands. Reasons behind this is, they are more aware of local test and preferences and design their products accordingly. This helps to create fair competition in the given market and buyers are getting benefits of it in terms of good quality products at reasonable price.

Technological Enhancements:

Technology is drastically changing, and machines/robots are replacing humans. This has made production process very fast. So, all giant manufacturing companies of FMCG products are now able to cover more geography and increase their consumer base.

Internet, social media, Smart Phones working as word of mouth:

Due to easy access to internet, smart phones, and social media sites now it is very easy to spread message around drop in price or promotional events. Many times, this helps to change the buying behaviour of consumers.

Threats:

Low disposable income due to COVID 19:

COVID 19 has impacted almost all people on the globe. Due to lockdown and other restrictions many industries got impacted. This has impacted overall income of people. As a result, disposable income has reduced. Thus, people are shifting from high end to low end products. Also, in many cases they have reduced spending on overall FMCG basket.

Delayed supply of products due to COVID 19:

Due to lockdown and other restrictions, supply chain of raw material and finished product was largely impacted. This has resulted into imposed disloyalty to the part of consumers. Consumers have started buying products of other manufacturers. This may result into huge shift and market players may lose market for their products.

Selection of right distribution channels:

In many countries, products are not reaching directly from manufacturer to retailers or consumers. There are other intermediators like wholesalers, semi wholesalers, distributers, discounters etc. Mostly these intermediators are playing role in sending goods to the different channels. Due to this many times write products are placed at wrong place and results into low sales. For e.g. in shampoo category there are many premium brands which are saleable only through hyper/supermarket and not through small retail shops. Many times, it happens that, these products are finding place on the shelf of retail stores and results into low sale of the premium brands.

Illicit/Duplicate products:

Due to significant tax differences many products are imported illegally from the neighbouring country this impacts domestic players significantly. Also due to high popularity of branded products, many duplicate products of same brands are entering in the market. This creates negative impact to the profitability of manufacturer of branded products.

Consumers are more aware than before:

Due to easy availability of internet and smartphones along with free social media portals now it is very easy to spread word of mouth about any products. Consumers are sharing their positive and negative feedback very quickly to the larger community. This always gives challenge to the manufacturers to provide good quality product and ensure consumer satisfaction even after selling products.

2.4 PORTER'S FIVE FORCE MODEL – GLOBAL FMCG INDUSTRY:

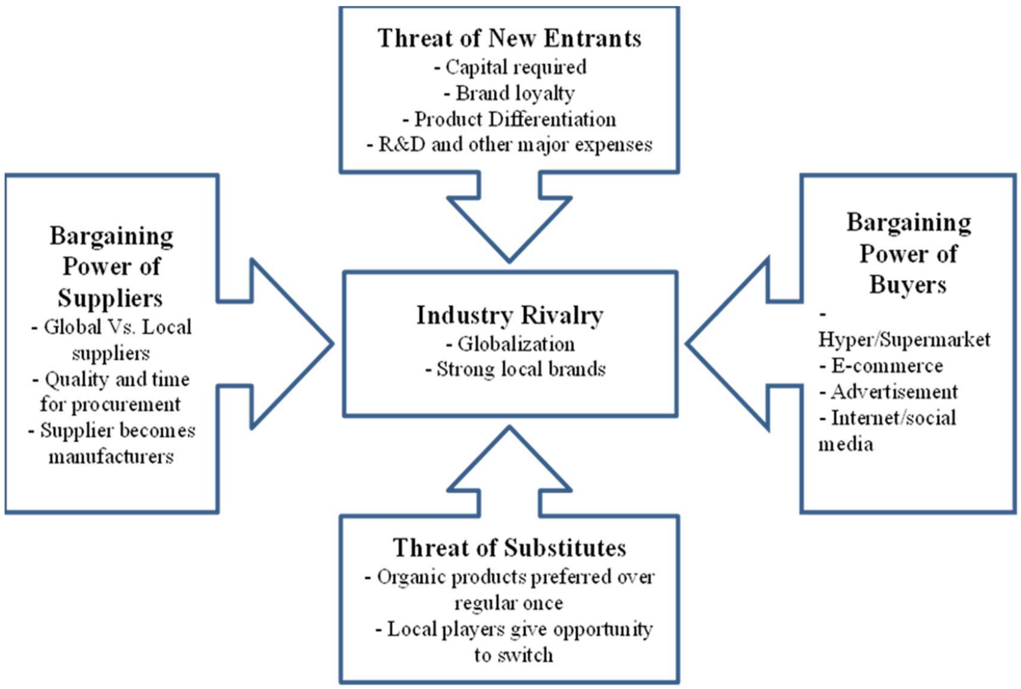
Five force model for any industry gives the overall analysis of competition in each industry. Industry is unattractive if five forces reduce its profitability.

Bargaining power of suppliers:

Overall bargaining power of supplier is low unless they become manufacturer and create threat to the existing players.

- Global Vs. Local Suppliers: Manufacturers are choosing between Global Vs. Local suppliers after evaluating many factors like quality, price, procurement time. Suppliers are many in numbers which creates healthy competition.

Earlier China was major supplier for FMCG raw material for India and other neighbouring countries. Now producers in India have chosen local supplier as they are also capable to provide good quality material at reasonable rate. **Figure 2.2 Porter's Five Force**



- Quality and time for procurement: Good quality raw material with minimum procurement time is key for selecting a supplier. Location of supplier is a critical factor.
- Supplier becomes manufacturer: Not all but food and beverages are the industries where there is greater chance that supplier may become manufacturer as it is very easy to productionize food and beverage items. This sometimes give upper hand to the supplier of food and beverage raw material.

Bargaining power of buyers:

Usually, it is very high with highly competitive environment and evolution of modern trade and e-commerce channels.

- Hyper/supermarket: With the growth of hyper/supermarkets bargaining power of buyers has increased as buyers are now having multiple choices for same type of products. Buyer can evaluate various products of same category very quickly and make buying decision. So, if one manufacturer is offering discount or any promotional offer then other has to follow the same practice to sustain in the market.

- E-commerce: E-commerce portals also offer all benefits that one can get from Hyper/supermarkets. In addition to that, e-commerce also gives an opportunity to compare products of different brands using easy online comparison features.
- Advertisement: It is a quick medium to spread information about any new product or promotional offers on existing products. This gives extra power to the buyers to get the best offers.
- Internet/social media: They are very useful to spread word of mouth about any existing products. By sharing product reviews of the products consumers can spread positive/negative word of mouth very quickly. In a way this has given extra power to buyers.

Threat of new entrants:

Threat of new entrants is relatively low unless they have customized products with very unique features. Also, the scale at which new product is launched should be large enough to capture share of existing players in the market.

- Capital required: Capital required to produce home care or personal care products is very high compared to capital required for food products. It also depends on the market and geography that manufacturer is targeting. Overall threat from the new local players is very high as they are also capturing significant share.
- Brand loyalty: It is a driving factor for any of the brand. In most cases, old players with good track record are having brand loyal customer base for their products. For small local brands it is very difficult to get their share from the share of existing market giants.
- Product differentiation: This can be real game changer for any new entrant. Suppose offered product is organic product with some distinct features and advantages then it may find unique space in the given market. For e.g. in India, Patanjali launched varieties of product in different categories and got huge success at global level. Major reason behind it is unique products with organic ingredients.

- R&D and other major expenses: R&D expenses for personal care and home care products are very high. It is not possible for small players to bare those expenses.

Threat of substitutes:

It is always high as buyers' test and preferences are changing over time. Due to COVID 19 and awareness of healthy life now buyers are shifting from regular products to organic products providing health benefits.

- Organic products are preferred over regular once: Consumers now tend to buy organic products as a substitute of regular products. So organic products can be treated as substitute of regular personal care, home care, food, and beverage products. The most popular example of this is Patanjali in India. Patanjali has produced all the organic products in major FMCG categories. It has provided tuff competition to all the existing players in the market and capture higher market share. This forced existing players to come up with organic products. E.g., Colgate the most popular toothpaste brand has come up with organic product called Colgate Vedshakti.
- Local players give opportunity to switch: Local players are aware of the test and preferences of local communities. They can easily design their products accordingly. Specifically in food and beverage category local test mostly preferred over global test.

Industry Rivalry:

In most countries industry rivalry is very high due to Globalization and strong local brands. This gives benefits to the consumers however create difficulties to the part of manufacturers.

Globalization: Globalization has opened the boundaries for Multinational Companies (MNCs) of FMCG products. Due to this companies are allowed to sell their products in other countries and also allow to set up their manufacturing plants through Foreign Direct Investment (FDI) in other countries. This has increased competition to the next level.

Strong Local Brands: Local brands can be divided into two major types, i.e. labelled and unlabelled. Labelled local brands are mostly medium to small whereas unlabelled local brands are very small and restricted to specific geography only. In many countries local brands are providing strong competition to the giant MNC brands. For e.g. in India Ghari Detergent is the local brand which gives tough competition to the giant MNC brands.

Five force model suggests that all forces are not equally effective. However, effect of Globalization for the supply of raw material and finished products must be evaluated at various stages. Some level of Globalization is very necessary however beyond specific level it would eat away medium and small local brands. Survival of medium and small local brands is very necessary as they address local needs properly.

2.5 OVERVIEW OF MAJOR CATEGORIES:

Table 2.3 Personal Care & Beauty Overview:

Figure 2.3 Personal & Beauti Care market value

Source	Data/Information	Source of Information
Key players	Unilever, P&G, Colgate-Palmolive, L'Oreal etc.	
Industry value	USD 499 billion in 2019	https://www.statista.com/statistics/550657/beauty-market-value-growth-worldwide-by-country/
CAGR (projected till 2025)	4.35%	https://www.mordorintelligence.com/industry-reports/global-beauty-and-personal-care-products-market-industry#
Largest market	North America	
Fastest growing market	Asia Pacific	
Key subcategories	Personal care, Skin care, Cosmetics, Fragrances	

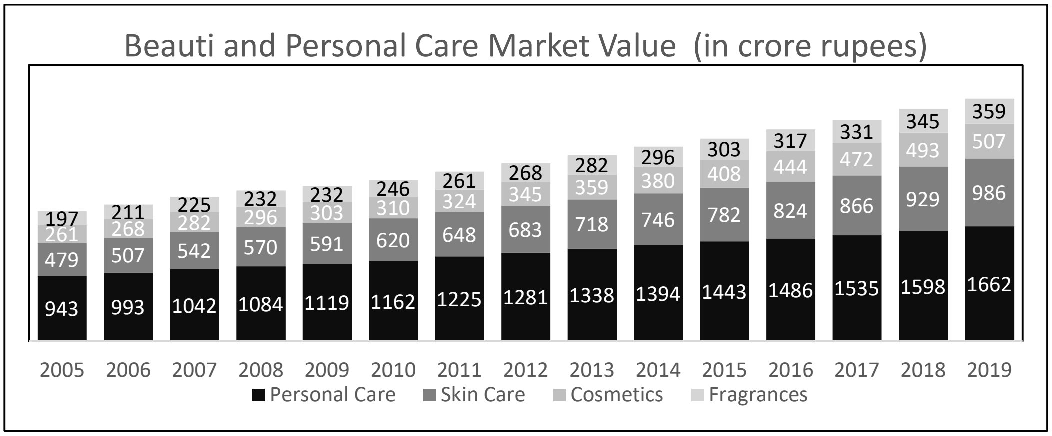


Figure 2.4 Personal Care product brand value (2023)

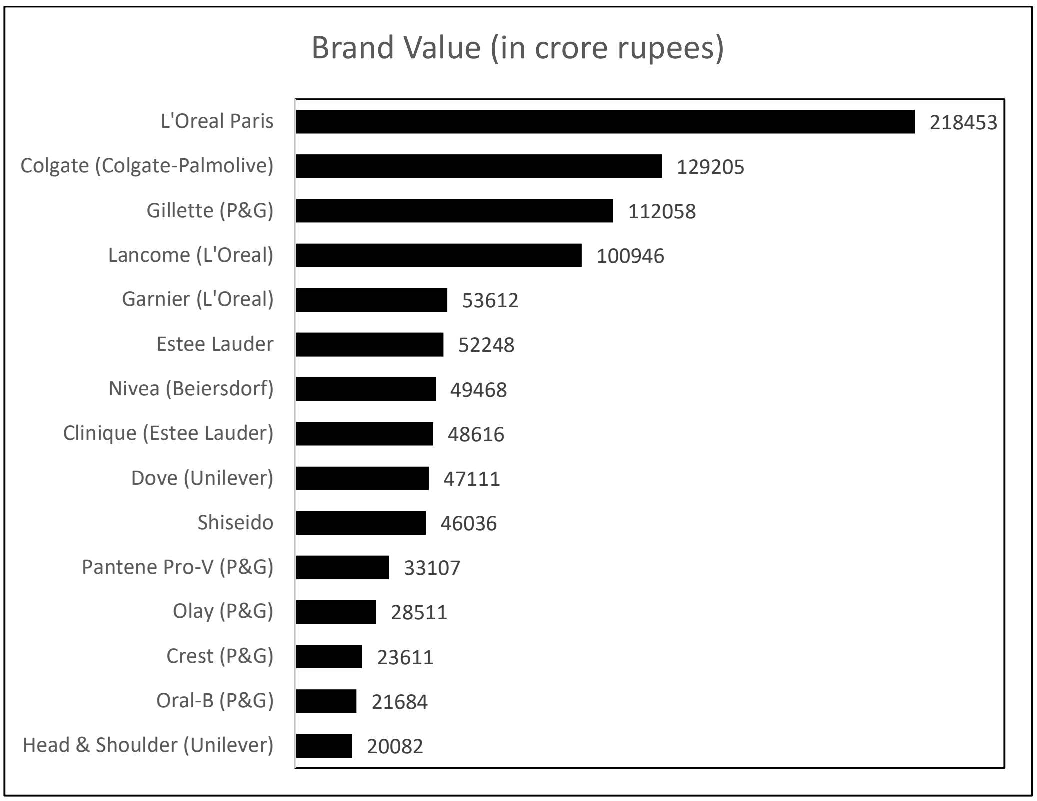
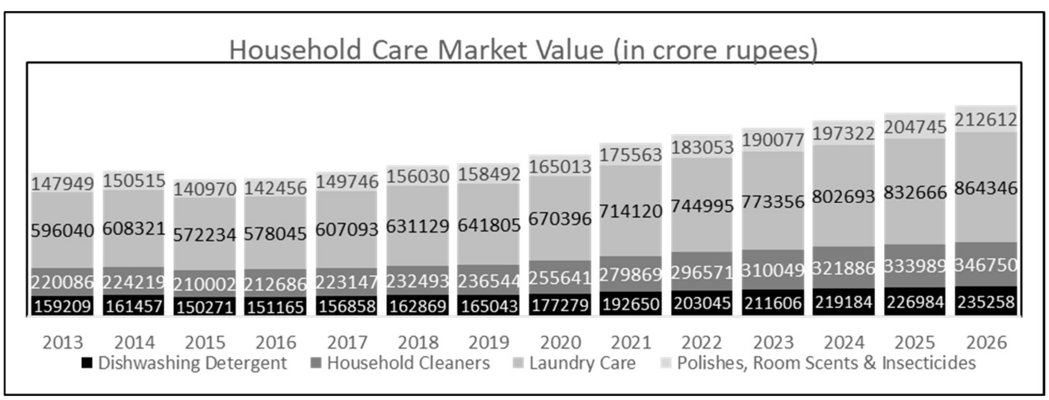


Table 2.4 Home Care Overview:

Source	Data/Information	Source of Information
Key players	SC Johnson, Church Dwight, Reckitt Benckiser, Unilever, P&G etc.	
Industry value	USD 184246 million in 2019	https://www.statista.com/statistics/550657/beauty-market-value-growth-worldwide-by-country/
CAGR (projected till 2025)	4.5%	https://www.mordorintelligence.com/industry-reports/global-beauty-and-personal-care-products-market-industry#
Largest market	North America	
Fastest growing market	Asia Pacific	
Key subcategories	Dishwashing Detergent, Household Cleaners, Laundry care, Polishes, Insecticides etc.	

Figure 2.5 Household care market value



https://www.statista.com/outlook/cmo/home-laundry-care/worldwide#revenue

Source: Statista

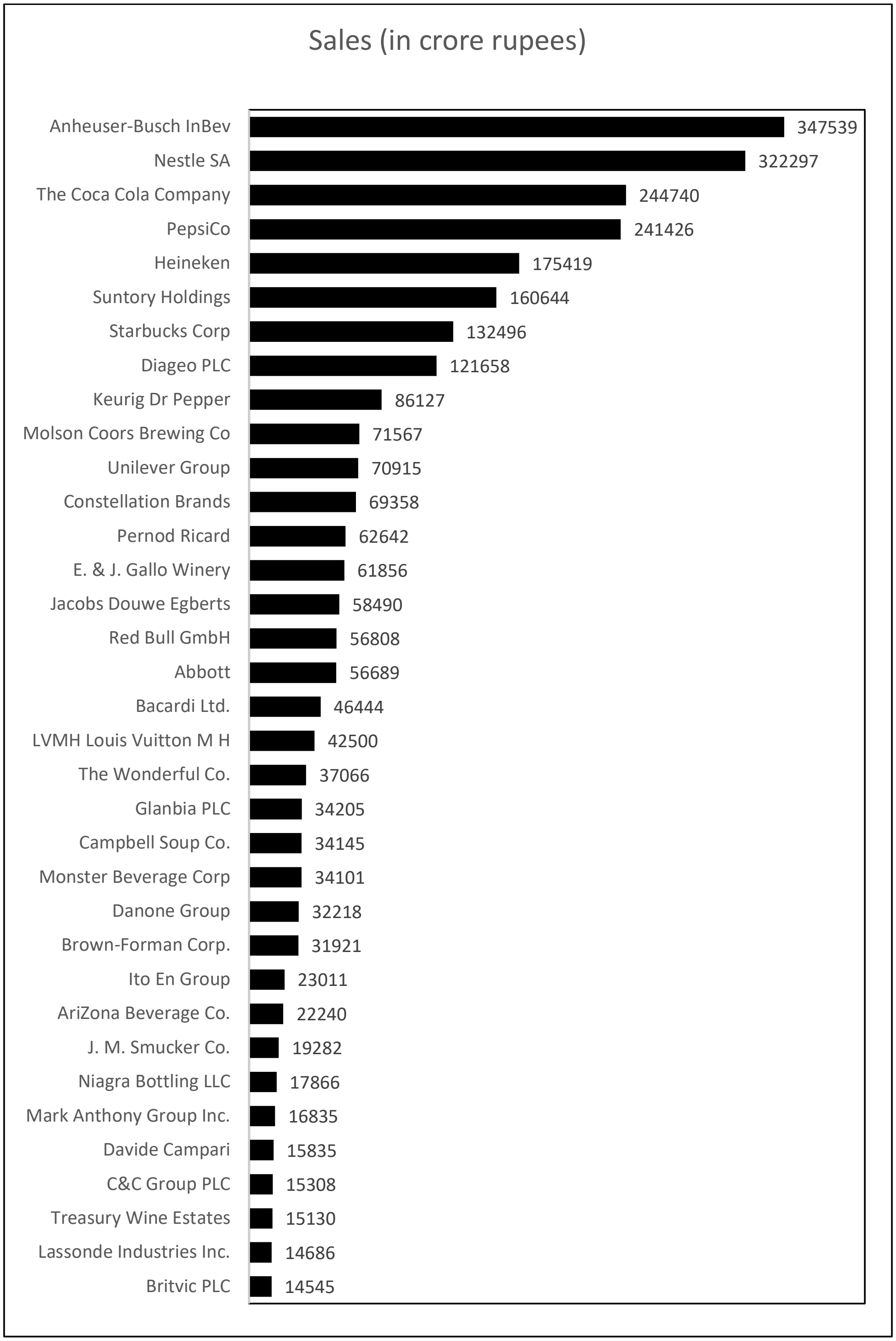
Table 2.5 Food Overview:

Source	Data/Information	Source of Information
Key players	PepsiCo, General Mills, Mondelez, Nestle	
Industry value	USD 12.29 trillion in 2019	www.globenewswire.com
CAGR (projected till 2025)	7.43%	https://www.mordorintelligence.com/industry-reports/global-beauty-and-personal-care-products-market-industry#
Largest market	North America	
Fastest growing market	Asia Pacific	
Key subcategories	Beverages, Dairy Products, Poultry & Seafood, Meat, Bakery & Confectionary	

Table 2.6 Beverage Overview:

Source	Data/Information	Source of Information
Key players	Coca Cola, PepsiCo, Britvic PLC, National Beverage Corp., F&N Foods	
Industry value	USD 963.76 Billion in 2020	https://www.verifiedmarketresearch.com/
CAGR (projected till 2025)	3.15%	https://www.mordorintelligence.com/industry-reports/global-beauty-and-personal-care-products-market-industry#
Largest market	Europe	
Fastest growing market	Asia Pacific	
Key subcategories	Carbonated soft drinks (CSD), Water, Juice, Energy drinks, Sports drinks etc.	

Figure 2.6 Beverage sales

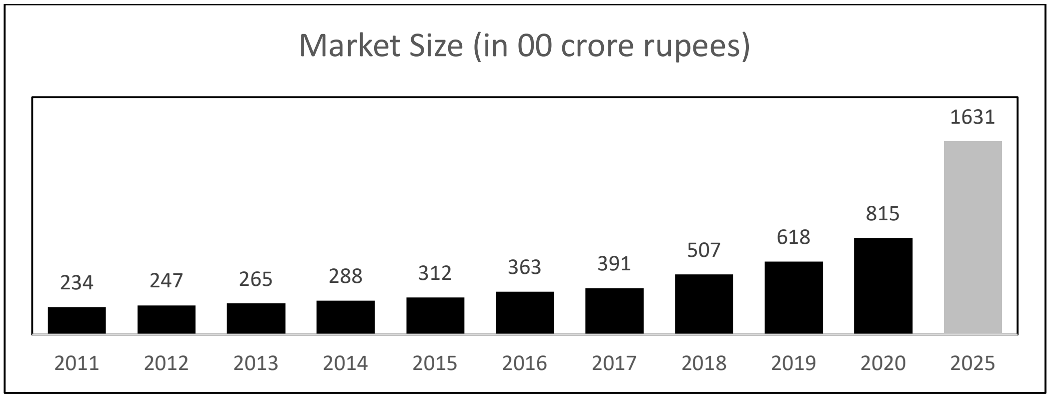


Statista (2023)

2.6 INDIA FMCG INDUSTRY OVERVIEW:

The Fast Moving Consumer Goods (FMCG) industry in India is growing at a faster rate compare to Global FMCG industry. Growth rate of India's FMCG industry is estimated around 14.9% CAGR till 2025 (www.ibef.org). Overall market size in year 2020 is US$ 110 billion.

Figure 2.7 FMCG Market Size



Statista (2023)

India's FMCG market grew by 16% in 2021 which is highest in last 9 year. This is mostly due to increase in price on the other hand volume or actual number of products sold remained under pressure.

Key players of FMCG industry:

- **Hindustan Unilever Ltd:** Mumbai, Maharashtra - https://www.hul.co.in/
- **Proctor & Gamble:** Mumbai, Maharashtra - https://in.pg.com/
- **Patanjali Ayurved:** Haridwar, Uttarakhand- https://www.patanjaliayurved.net/
- **ITC Ltd**: Kolkata, West Bengal - https://www.itcportal.com/
- **Nestle India Ltd**: Mumbai, Maharashtra - https://www.nestle.in/
- **Britannia Industries Ltd**: Kolkata, West Bengal - http://britannia.co.in/
- **Godrej Consumer Products Ltd**: - https://godrejcp.com/
- **Dabur India Ltd**: Ghaziabad, Uttar Pradesh - https://www.dabur.com/
- **Marico Ltd**: Mumbai, Maharashtra - https://marico.com/
- **GlaxoSmithKline Consumer Healthcare Ltd**: Mumbai, Maharashtra - https://www.gsk.com/

Opportunities and Threats of Indian FMCG Markets:

Many opportunities and threats are associated with India's FMCG industry. Some of them are due to macro factors like Government policies, changing dynamics of urban and rural markets, population shift etc. and some are due to micro factors of the industry like local manufacturers, change in retailer's dynamics etc.

Opportunities	Threats
Demand for FMCG product increases	Inflationary pressure
Government policies	Bargaining power of buyer is high
Higher investments	Competition from global and local products
Increasing E-comm users	
Shift to organized markets	

Opportunities:

Demand for FMCG product increases:

Due to increasing population demand for FMCG product has increased. Also due to direct credit policy of government, buying power of the rural population has increased. Also, disposable income of urban population has increased.

Government policies:

There are many governments policy favourable for the whole industry. Government has allowed 100% equity in single brand retail and 51% in multi brand retail. Production Linked Incentive (PLI) scheme motivates companies to boost their exports. US$ 100 million is the minimum capitalization for any FMCG company to invest in India. All these policies would help FMCG market to grow in short and long run.

Higher investments:

Reckitt Benckiser has decided to invest 45 crore in Bombay Shaving Company. Hindustan Unilever has invested about 30 million Indian Rupees in various brands. To double the capacity of snacks plant, PepsiCo has increased their investment from 500 crore to 814 crore in Uttar Pradesh plant. They are going to create additional 1500 direct/indirect jobs. Patanjali has crossed 30,000 crore Indian Rupees and are planning to invest 10,000 crore by 2025. Patanjali also plans to employ 5 lakh people for edible oil production.

Increasing E-comm users:

Due to cheaper internet connectivity and COVID 19 restrictions now E-comm users in India are increasing this will help overall FMCG industry in India. Ecommerce FMCG contribution would increase up to 11% approximately bye 2030. Number of Internet users in India will increase to 1,000,000 bye 2025. E commerce companies also help buyers to buy all required products easily. Products are now available at their doorsteps.

Shift to organized market:

Modern trade players like hyper and supermarkets are increasing in India on the other hand E commerce companies are also increasing. Total contribution of modern trade players in FMCG market is approximately 10%. This provides organized platform to the buyers of FMCG products. Buyers now can get multiple options in terms of various brands within same category it also gives fair chance to compare and evaluate most suitable product for themselves.

Threats:

Inflationary Pressure:

Due to COVID 19 lockdown and other challenges in economy, inflationary pressure has increased in Indian market. This has also affected FMCG industry. Due to increasing inflation, consumers must make choice between costly and cheaper products without considering the brand preference. This may create negative impact on overall profitability of the industry.

Bargaining power of buyer is high:

There are many options available within the given categories of FMCG product. Many times, due to low switching cost buyers easily move from one product to another. This might create loss to the part of manufacturers.

Competition from global and local products:

Due to globalization many global companies are launching their products in Indian market. Also, many popular local brands are capturing large market specifically in Food and Beverage categories. This has created tough competition for the existing players.

Overview of major categories:

2.6.1 Personal Care & Beauty:

Source	Data/Information	Source of Information
Key players	Unilever, P&G, Colgate-Palmolive, Godrej, Dabur, Patanjali, J&J, L'Oreal.	
Industry value	INR 1,00,000 Crore (2022)	https://www.expertmarketresearch.com/
CAGR (projected till 2025)	11%	https://www.expertmarketresearch.com/
Key subcategories	Hair care, Skin care, Oral care, Color cosmetics and Fragrances	
Key retail channels	Grocery stores, Chemist/pharmacy, Modern Trade stores	
Major industry drivers	Rising disposable income, Increase expenditure on personal care products, Growing demand to look good	https://www.expertmarketresearch.com/
Major industry trends	Increasing penetration of a wide range of brands and the growing popularity of herbal products	

2.6.2 Home Care:

Source	Data/Information	Source of Information
Key players	Unilever, Reckitt Benckiser, P&G, Colgate-Palmolive, Nirma, Godrej, RSPL Ltd., Patanjali	
Industry value	INR 52,100 Crore (2022)	https://www.expertmarketresearch.com/ reports/asia-pacific-household-care-market/toc
CAGR (projected till 2025)	19%	https://amritt.com/
Key subcategories	Laundry detergents, Dishwashing, Hard surface cleaners, Toilet care	
Key retail channels	Grocery stores, Modern Trade stores	
Major industry drivers	Rising disposable income, increasing population, Urbanization, Increase electrification	https://www.expertmar ketresearch.com/
Major industry trends	Growing health consciousness after COVID 19 impact	

2.6.3 Food:

Source	Data/Information	Source of Information
Key players	Parle Agro, Britannia, Amul, Nestle, Haldiram, Mondelez, Mars etc.	
Industry value	INR 25,45,000 Crore (2022)	https://www.statista.com/outlook/cmo/food/india#revenue
CAGR (projected till 2025)	8.8%	https://www.statista.com/statistics/743519/india-beverage-industry-value-growth/
Key subcategories	Baby food, Dairy products, Confectionary & Chocolates, Biscuits, Bread & Cereals, Ready to eat etc.	
Key retail channels	Grocery stores, Modern Trade stores, Hotels & Restaurants, Convenience store, Cash & Carry etc.	
Major industry drivers	Increasing population, Urbanization, Changing lifestyle (earning husband and wife)	https://www.expertmarketresearch.com/
Major industry trends	Growing demand for packaged food (ready to eat), Demand for healthy food	

2.6.4 Beverage:

Source	Data/Information	Source of Information
Key players	Coca Cola, PepsiCo, Red Bull, Varun beverages, Orient beverages, Pearl drinks	
Industry value	INR 1,37,600 Crore (2022) Non Alcoholic Beverages	ResearchAndMarkets.com
CAGR (projected till 2025)	18.69%	ResearchAndMarkets.com
Key subcategories	Carbonated Soft Drinks, Juices, Water, Ready to drink tea/coffee etc.	
Key retail channels	Grocery stores, Modern Trade stores, Hotels & Restaurants, Convenience store, Cash & Carry etc.	
Major industry drivers	Increasing population, Urbanization, Changing lifestyle	https://www.expertmarketresearch.com/
Major industry trends	Demand for low calory drinks, Ready to drink beverages becoming more popular	

2.7 REFERENCES:

1. Oraman, Y., Azabagaoglu, M. O., & Inan, I. H. (2011). The firms' survival and competition through global expansion: A case study from food industry in FMCG sector. *Procedia-Social and Behavioural Sciences*, *24*, 188-197.

2. Hossain, M. I., Polas, M. R. H., Rahman, M. M., Islam, T., & Jamadar, Y. (2020). An exploration of COVID-19 pandemic and its consequences on FMCG industry in Bangladesh. *Journal of Management Info*, *7*(3), 145-155.

3. Stanciu, S., Vîrlănuţă, F. O., Vochin, O. A., Ionescu, R. V., & Antohi, V. M. (2019). Fast Moving Consumer Goods (FMCG) Market in Romania Features and Trends. *Amfiteatru Economic*, *21*(13), 778-794.

4. Venkatesha, G. K. (2021). Trend forming FMCG sector in India-a study. *International Journal of Multidisciplinary Educational Research*, *11*(3), 81-87.

5. Pareek, A., & Pincha, S. (2013). Indian rural market: An impulse to fmcg sector. *IOSR Journal of Business and Management*, *8*(1), 21-27.

6. Lorange, P., & Rembiszewski, J. (2016). *From Great to Gone: Why FMCG companies are losing the race for customers*. Routledge.

7. Oraman, Y., Azabagaoglu, M. O., & Inan, I. H. (2011). The firms' survival and competition through global expansion: A case study from food industry in FMCG sector. *Procedia-Social and Behavioural Sciences*, *24*, 188-197.

8. Muiga, J. K. (2013). *Competitive strategies and their performance as employed by multinational firms in the fast moving consumer goods (FMCG) sector in Kenya* (Doctoral dissertation, University of Nairobi).

9. Muiga, J. K. (2013). *Competitive strategies and their performance as employed by multinational firms in the fast moving consumer goods (FMCG) sector in Kenya* (Doctoral dissertation, University of Nairobi).

10. Kerin, R. A., & Sethuraman, R. (1998). Exploring the brand value-shareholder value nexus for consumer goods companies. *Journal of the academy of Marketing Science*, *26*, 260-273.

11. Corstjens, J., Corstjens, M., & Lal, R. (1995). Retail competition in the fast-moving consumer goods industry: the case of France and the UK. *European Management Journal*, *13*(4), 363-373.

12. Thain, G., & Bradley, J. (2014). *FMCG: The power of fast-moving consumer goods*. First Edition Design Pub.

13. Karthik, T. T., & Prasad, T. R. (2020). SWOT (Strength, Weakness, Opportunities and Threats) Analysis of Fast Moving Consumer Goods (FMCG) Industries in India. *Shanlax International Journal of Commerce*, *8*(1), 92-100.

14. Wang, Z. Financial and strategic analysis of FMCG industry--Taking P & G as an example.

15. Anand, E. (2013). Swot analysis-understanding the rural consumer with special reference to britannia biscuits. *South Asian Journal of Marketing & Management Research*, *3*(10), 10-21.

16. Jha, G., & Banerjee, J. (2013). Opportunities and Challenges for FMCG Companies in India. *Anusandhanika*, *5*(1/2), 35.

17. Kim, H. Y., & Chung, J. E. (2011). Consumer purchase intention for organic personal care products. *Journal of consumer Marketing*.

18. Łopaciuk, A., & Łoboda, M. (2013, June). Global beauty industry trends in the 21st century. In *Management, knowledge and learning international conference* (pp. 19-21).

19. Vrontis, D., & Thrassou, A. (2006). Situation analysis and strategic planning: An empirical case study in the UK beverage industry. *Innovative marketing*, *2*(2), 134-151.

20. Scott, C., Hawkins, B., & Knai, C. (2017). Food and beverage product reformulation as a corporate political strategy. *Social Science & Medicine*, *172*, 37-45.

21. Rama, R. (1996). Empirical study on sources of innovation in international food and beverage industry. *Agribusiness: An International Journal*, *12*(2), 123-134.

22. Reiner, G., & Trcka, M. (2004). Customized supply chain design: Problems and alternatives for a production company in the food industry. A simulation based analysis. *International Journal of Production Economics*, *89*(2), 217-229.

23. Webster, M., Beach, R., & Fouweather, I. (2006). E-business strategy development: an FMCG sector case study. *Supply Chain Management: An International Journal*, *11*(4), 353-362.

24. Mano Raj, S. J., & Selvaraj, P. (2007). Social changes and the growth of Indian rural market: An invitation to FMCG sector.

25. Amsaveni, R., & Gomathi, S. (2013). Fundamental analysis of selected FMCG companies in India. *Asia-Pacific Finance and Accounting Review*, *1*(3), 37.

26. Shukla, A., & Nerlekar, S. (2016). Fundamental Analysis of Listed FMGC with the Help of Ratio's. *Available at SSRN 2776897*.