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COMPLICATIONS AND FORECASTS OF FAST-MOVING CONSUMER GOODS IN INDIA: A REVIEW IN VIEW OF COVID-19 PANDEMIC

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ABSTRACT

The fast-moving consumer goods (FMCG) industry is robust in nature and highly agile and responsive to consumer needs. India is second largest for consumer market in the world. Revenue wise, it is the 4th largest industry in India and growing at 11% CAGR. The domestic and global players exist in the Indian FMCG sector with their large and diversified product portfolios. The industry is passing through a turbulent phase during the COVID-19 pandemic. This paper will explain the recent trends in the FMCG industry, growth drivers, main players in the industry, problems and prospects, and SWOT analysis of the industry. The study focuses on the effect of the pandemic on the FMCG industry in detail.

Keywords: FMCG Industry, COVID-19 Pandemic, Retail, SWOT Analysis, FMCG Turn Over, Growth Rate.

1.0 INTRODUCTION

The fast-moving consumer goods (FMCG) are used to sell at relatively lower price and quickly. The profit margin which is made on the FMCG products is relatively very low and quantity used to be in large volumes and the profits on such products are can be substantial. The FMCG is more probably with a high volume of business and of lower margins. In India, The FMCG is the fourth largest sector in the economy with the estimated size of \$1300 billion per annum (Mahajan, 2020). This sector estimates the average annual growth of about 11 percent per annum over the last decade. The FMCG market in India is a highly competitive and important part of the market which includes the un-organized players, which are selling unbranded products. There are important characteristics, like a strong distribution network and there is a large volume of competition. There are 13-14 million retail stores across India, a high percentage which is around 9 million kirana stores (Thangaraja, 2016). The FMCG companies have the privilege of easy availability of cheaper labour costs and also the raw materials across the entire value chain, which gives them a competitive advantage.

The FMCG items which can be used to get replaced within a year. The examples of FMCG which is used to consumed daily products like soaps, oral care products and as well also it contains the non durable goods like glassware, bulbs, paper products, batteries etc. and FMCG further it can include the pharmaceutical and also consumer electronics etc. The FMCG goods is used to supply in retails markets and as a daily consumer demand and these daily needs may want to become to satisfy their hunger, and these needs can be full-filled by the hard-working team of marketing and sales and distribution which is present to motive and to satisfy the needs within a right time and place. Some FMCG are very highly perishable such as baked goods, meat, vegetables, and dairy products and fruits. Key market segments in FMCG industry are Households, Stationary products, Tobacco products, Confectionery, Natural products, Cosmetics, Paper products, Bakery products, Skin care & Hair care, Healthcare, Foods & Dairy products

2.0 GROWTH & TRENDS IN FMCG INDUSTRY

FMCG is a largest sector in economy and the overview and also the revenue of FMCG, which is used to reach the \$ 52.75 bn in FY 2018 and it is essential to reach \$103.7 bn in the year 2020 (Kalyani, 2019). The FMCG sector in India, the top most companies are expanding their capacity to feed the growing home-grown brands, and domestic demand it contains the venture capital into international markets. The success of Patanjali that can be caused and expand their brands into international market with plan to set up the 100 percent export- oriented the units of manufacturing in the Nagpur (Ahmed et.al, 2018). RP Sanjiv Goenka Group has created a venture capital of \$14.74 mn to investment in the FMCG sector group.

Turnover of FMCG industry: FMCG Market 2007-2020 revenue for the year 2020, FMCG earned about US \$103.7 billion and the online FMCG market is projected to grow \$4.5 billion compared to the previous year (IBEF, 2021).



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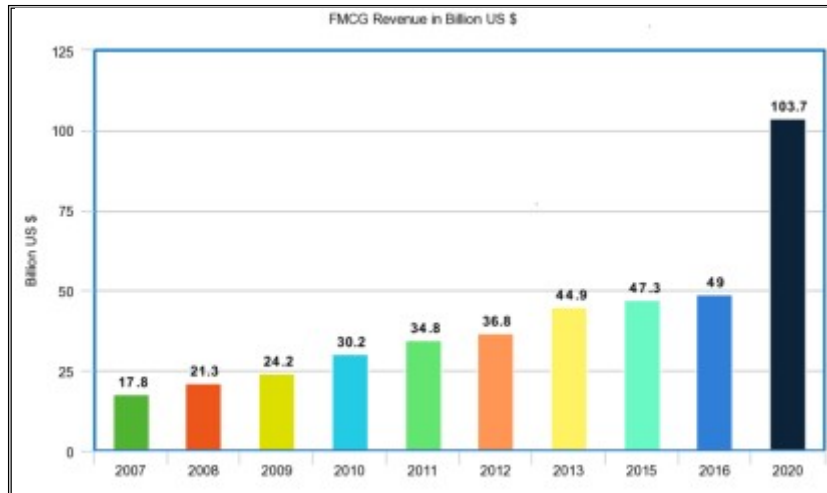


Fig.1: FMCG revenue in billion US\$Source: XXXXXXXX

3.0 DRIVERS OF FMCG INDUSTRY

The FMCG market in India is expected to increase at a CAGR of 14.9% and expected to reach US\$220 billion by 2025, from US\$110 billion in 2020. The Indian processed food market is projected to expand to US\$470 billion by 2025, up from US\$263 billion in 2019- 20 (Karthik & Prasad, 2020). The FMCG sector is used to gain the support for the growth from the inland waterways authority of India and also multimodal transportation project of the freight village at Varanasi and which will be bring together the retailers, logistics services providers and also the operators of the ware house. The union budget 2019-20 initiatives to increase among the consumers of middle class, which is expected to boost the confidence and also improve the demand for the branded products. This sector is project to grow 11-12% in the year 2019 (Chhabra & Bhargava, 2015).

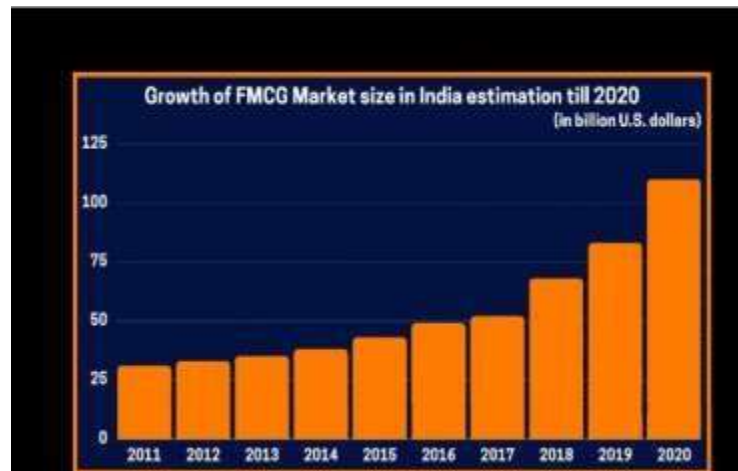


Fig.2: Growth of FMCG Market in India estimation till 2020

The FMCG industry's growth in India is driven by various micro and macro factors. The Indian population is rising at a faster rate, thereby giving ample opportunities to expand the market in rural and urban India. The divide between urban and rural populations with reference to consumer goods usage has been reduced significantly in the last two decades. The expansion of the retail industry from urban cities to semi-urban and rural areas increased the consumption of FMCG goods many times. In recent times, the government of India has enhanced foreign direct investment (FDI) limits up to 100% in retail cash and carry segments and up to 51% in multi-brand retail. The women consumer class has increased significantly due to the rapid introduction of women-specific consumer goods. Women are one of the major decision makers in a family while buying FMCG products. The rise in incomes of



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the population is one of the major drivers of the FMCG industry. The per capita income was raised from Rs. 71610 to Rs. 151760 during the period of 2011-12 to 2019-20 (Pre-COVID level), signifying the diversion of incomes to consumer products. As per the International Monetary Fund (IMF), Indian GDP is expected to rise by 58% (and Purchase Power Parity is 67% during 2020 and 2026 (\$6461 to 10764). The rise of consumer loans, easy credit, women-specific credit availability, pushed the FMCG towards new heights.

Table1: Projections by IMF

Year	GDP per capita (\$/Int. \$)	
	Nominal	PPP
2020	1,965	6,461
2021	2,191	7,333
2022	2,358	7,943
2023	2,532	8,597
2024	2,715	9,281
2025	2,909	10,002
2026	3,115	10,764

4.0 ISSUES RELATING TO FMCG INDUSTRY

The following are the strengths, weaknesses, opportunities and threats of FMCG industry(Karthik & Prasad, 2020).

Strengths

- 1) Having a presence of internationally well known brands in FMCG sector. There is always a place for new entrants in niche market space.
- 2) It has very deep rooted into the culture of local markets in India and also has a great understanding of the needs of consumers.
- 3) It is an asset to established FMCG firms to maintain the network distribution for the areas of the urban and the local areas to penetrate into market in short time.
- 4) It consists of low operational cost and wide range of products.

Weakness

- 1) The scope is very less to investing in the technology and used to achieve of economies of scale in the mainly in small sectors.
- 2) These products consists a very narrow scope of products of FMCG in a semi urban and rural market.

Opportunities

- 1) Increase Levels of income, i.e., increase in the highly purchasing power of consumers.
- 2) Untapped rural market.
- 3) Spending of goods by a high consumer.
- 4) Market is a highly potential.
- 5) It consists of large domestic market a population of over 1.3 billion.

Threats

- 1) It is very down demand for rural.
- 2) It is used to make removal of restrictions of interest of import which is used to make the resulting in a replacing of brands of a domestic.
- 3) It is a regulatory structure and tax.

4.1 Problems of FMCG industry

- 1) **Fluctuating demand:** FMCG industry has a major problem of predicting accurately demand whether to increase or decrease, this has become a problem for the suppliers to meet the demand, hence they are unable to supply required quantity to retailers demanded from manufacturers, therefore it becomes a replenishment problem to downstream and eventually makes a customer unhappy.
- 2) **Poor discounts:** The profits and revenue are connected with quantities and that the retailers which is used to buy from vendors there later the bonus or discounts for the large volume of the purchases and the margin could be increment and it can be given as a better bottom line results and it may be one of the major challenging task for many retailers and what kind of the reason



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behind for that? It is a mainly that the forecasting is bad which prevents the super markets and groceries from the placing the large orders to suppliers and they are used to prefer a very small quantities and therefore they are not able to get a stock surplus.

3. **Lack of flexible pricing and customer incentives:** The customers are getting the more demanding the retailers must be flexible in motivating them to act and also it can be unfortunately often which they do not have been established pricing and also do not monitor for the product categories and which is not able to adopt a pricing for the consumer demand, there is another consistency the customer is used to touch all the outlets or online stores and when also automatically the price changes are updated the customer are not satisfy and also the retailers may also lose the sales, and there is a difference kinds of incentives they are the promotions loyalty programs and vouchers by this there is a popular way for master pricing by curing this different types of incentives.
4. **Lack of integrated planning:** The problem which can arises from the planning which consist the lack of the integration from the many software platform and the retailers usually use to manage their business there is lack of connectivity which is existing between the different kind of business units which cause the many problems with timely planning of orders, delivers average daily sales, and this problem that can be solved when the retail company must has a single source of truth about the inventory levels in entire stores and also the stock in ware house and which is used to facilities and also orders to suppliers.

4.2 Prospects of FMCG industry

1. Market research: market research is one of the key thing without having the necessary information which turns into some kind of difficulty in understanding the needs of the consumers and it provides a critical information and it identifies the desires and requirements the decision makers, the product characteristics pricing, motivation to buy, all of these are crucial to the decision process.
2. Capacity expansion: If new products successful when you have the staff and manufacturing facilities to reduce lead times for new products.
3. Expansion in to new markets: Test the new product market make sure it has the features the customer wants, and make sure the customer pays the asking price make sure the distribution and sales company is comfortable selling it. you may also need to test your advertising and promotion.
4. Promotion: The promotional campaign that supports advertising, trade shows, design, promotions, website, promotional and technical literature, public relations. All on the time with production, inventory, supplies and training. The new product sits in the ware house without the proper accessories. Research, time and planning all the help to increase the likelihood of success.

5.0 IMPACT OF COVID ON FMCG INDUSTRY REVENUES

The COVID effected FMCG industry positively. Due to the announcement of full and partial Lockdowns in cities and rural areas, the consumers are resorted to panic buying which was triggered sudden rise in the demand for FMCG goods, more focusing on the staple foods, groceries and consumables products. Due to lockdown the western food restaurants are closed for few months and operations are reduced to limited time. Therefore, the revenues are declined in western food companies such as Jubilant food works, West Life development, Tasty Bites eatables, etc. In rest of the companies, the revenues are considerably increased (Sindhu et.al 2020).

Sl.No	Company Name	Products	Revenue (2019-20) Pre- COVID	Revenue (2020-21) Acute COVID endemicstage	Revenue (2021-22) Endemic COVID stage (TTM)	Market Capitalization
1	HindustanUnilever	Household & Personal products	39783	47028	51112	505600
2	Nestle India	Food & Beverages	12369	14709	14824	177235
3	ITC	Paper, Cigarettes & FMCG others	49388	51321	58455	291252
4	Britannia Industries	Food & Beverages	11600	13136	13717	80680
5	Dabur India	Household & Personal	8685	9547	10708	98275



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		products				
6	Godrej Consumer Products	Household & Personal products	9911	11029	12091	80411
7	Marico	Household & Personal products	7315	8048	9363	67186
8	Colgate Palmolive	Household & Personal products	4525	4841	5082	41631
9	Procter & Gamble Hygiene Healthcare	Household & Personal products	3002	3574	3698	47099
10	Gillette India	Household & Personal products	1679	2009	2109	16873
11	Emami	Household & Personal products	2655	2881	3152	20589
12	Jyothy Labs	Household & Personal products	1711	1909	2145	5659
13	Bajaj Consumer Care	Household & Personal products	844	915	905	2614
14	Varun Beverages Tasty	Food & Beverages	6450	8823	10692	43782
15	Bites Eatables	Packaged Foods	426	385	394	3075
16	Jubilant Food works	Quick Service Restaurant	3927	3312	4258	36698
17	West Life Development	Quick Service Restaurant	1548	986	1479	7658
18	Pathanjali Foods (Incl. Ruchi Soya)	Food & Personal products	13118	16319	30000	29500
19	Hatson Agro	Food products	5308	5570	6334	22,335
20	Amul	Food products	38542	39248	61370	NA

E&OE

Source: <https://www.screener.in/>

The impact of the corona pandemic on the FMCG Industry is somewhat positive compare to many other industries, the pandemic has influenced economic climate around the world, various countries have taken aggressive measure to curb the disease. The FMCG companies around the globe suffered with various organisational challenges including shortages of adequate manpower, operations limited to manufacture and distribution of essential products, limited operations of stores, shortage of raw materials, supply disruptions etc. The COVID affected the food and beverages sectors significantly, As the fruits and vegetables are essentials for boosting immunity levels, there was sudden rise in demand for fruits and vegetables. Due to the acute shortage of fresh fruits and vegetables, consequently the public shifted to other non-perishable goods. However, government announced lock down of entire country, which affected the restaurants and food retail businesses.

- 1) In India, COVID-19 spreading demand for products like hand sanitizers, hand wash, and other hygiene products to increase exponentially the FMCG industry which sells the required products for these products by 2020, is projected to have the highest growth. Supply chain breakdown is affecting fresh food industry.
- 2) Demand for Packaged goods increased many times due to conformance to food quality standards and probable non-contamination with virus. The intermediaries resorted to artificial stock piling which was resulted in stock outs in many stores.
- 3) Packaged foods witnessed an increase the sales significantly as consumers continued to maintain buffer stock like cereals, rice, pasta, instant noodles, cooking fats and cooking ingredients.
- 4) Manufacturers aim to increase the production to meet the shortage of essentials goods in the downstream in line with government's guidelines. However, challenges are non-availability required manpower and inter-state transport are limited the manufacturing capabilities to meet the demand.
- 5) COVID disruptions has increased , especially for consumer health products such as cough, cold, and fever remedies, consumers are following different ways to fight the virus including ayurvedic products and ayurvedic companies like Dabur India,



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Himalaya wellness and Patanjali ayurveda are in high demand for the products like Chavan Prash, Guduchi, tablets, and other immunizing syrups.

- 6) Consumer food service is one of the largest industries with sales of INR 4.078 billion in 2019 and the industry is facing a significant drop in demand due to the lock down, which has forced the majority of restaurants to close their operations.

6.0 CONCLUSION

The FMCG industry is highly matured industry in India. The FMCG industry is growing at faster rate due to rapid expansion of consumer base in the rural areas. The women consumer base is growing in India significantly. The revenue has been doubled during last decade. The FMCG industry growth story can be continued even for next decade due to solid driver.

1. Fluctuating demands due to cyclical patterns, Due to heavy competition the industry, the pricing relatively determined by supply demand forces.
2. The pandemic created hurdles in materials supply and inventory distribution, the situation getting recovered recent times due to vaccination and proactive measures by government.
3. High fluctuating demand, Poor discounts, lack of flexible pricing and poor integrating planning in entire supply chain can be the problems of industry
4. Sophisticated marketing mechanism enable the marketers to well understand about their customer and provide critical information for timely and effective decisionmaking.

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