

# Problems and Prospects of Fast Moving Consumer Goods Industry of India

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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 Indian Fast Moving Consumer Goods (FMCGs) industry began to take shape during the past five decades. The Fast Moving Consumer Goods (FMCGs) sector is a corner stone of the Indian economy. This segment touches every aspect of human life. The FMCGs producers now understand that there is a lot of opportunity for them to enter into the rural market. The sector is eager about escalating rural population whose incomes are rising and which is prepared to spend on goods designed to improve life style. This paper provides information about the growth of FMCGs industry in rural market of India with growing awareness and brand consciousness among people across rural area of India and how the rural markets are witnessing significant growth. Presently, rural India accounts for 34% of total FMCGs consumption, but it accounts for more than 40% consumption in major FMCGs categories like as personal care, hot beverages, and fabric care.

**Key words:** FMCG Industry, FMCG Turn over, Growth Rate

## I. INTRODUCTION

Indian rural market with its colossal size and demand base offers great opportunities to marketers. Two thirds of India's consumers live in rural areas where almost one third of the national income is generated. It is seen as a profusion of opportunities, whether for marketing durables, textiles and garments, personal care products or financial services. A rural marketer is faced with an entirely different set of conditions and problems while marketing in the rural area as compared with an urban area. For most marketers planning to enter

the rural markets, distribution poses a serious challenge. For the successful exploration of rural markets, a basic requirement is infrastructure. The absence of such an infrastructure is aggravating the distribution challenges in rural India. There are many other challenges that FMCGs companies face in tackling rural markets, viz., geographically scattered nature of rural markets, their small size, remoteness, poor connectivity and tremendous heterogeneity. Low level of literacy, too many languages and dialects, cultural diversities, inadequate banking facilities, spurious products, low per capita disposable incomes, acute dependence on the monsoon seasonal demand, and media darkness are some other serious limitations. Therefore, the real problem for the marketers to penetrate into rural markets lies in understanding the heterogeneous rural consumers, reaching products to these remote locations, and communicating. The fast moving consumer goods (FMCGs) the fourth largest sector in Indian economy is an important contributor to India's GDP growth. FMCGs industry primarily deals with the production, distribution and popularly named as Consumer Packaged Goods. Items in this category include all consumables people buy at regular intervals. The prices of the FMCGs are low and profits earned are more dependent upon the volume sales of the products. This sector which primarily operates on low margins and strength lies in the strong presence of distribution network, stiff competition between the systematized and disorganized sector, and the strong presence of multinational firms.

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 this daily needs may want to become to satisfy their hunger, and this needs can be full-

filled by the hard working team of marketing and sales and distribution which is present to motivate 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, Health care, Foods & Dairy products.

The growth of the FMCGs sector, which primarily includes food and beverages, personal care and household care, lies in the rural segments. Rural consumption growth has outpaced urban consumption with the increase in percentage in monthly per capita expenditure in rural markets surpassing its urban counterparts over the past five years. The FMCGs industry in India has grown rapidly over the last decade, predominantly on account of increasing income levels and changing lifestyle of Indian consumers. Rural marketers own certain special problems, but the following were found to be important from the marketing point of view: “distribution and logistics, transport and handling, location and degree of concentration of demands, dealers’ attitudes and motivation, consumer motivation and buying behaviours, transmission media and impact”. Thus, the rural market bristles with many problems and to achieve a firm footing a marketer has to grasp these problems and provide innovative solutions to them. Brand awareness is the amount of familiarity among consumers about the life and accessibility of the brand. Brand identification is the ability of customer to recognize prior understanding of brand when they are asked questions about that brand. Brand recall is the potential of customer to recover a brand from his/her remembrance when given the product class/category. The consumers recognizing and recalling the brands depend on awareness and influences preferences. Consumer preferences are defined as the subjective to characters tastes, as measured by utility of various bundles of goods. Ability to purchase goods does not determine a consumer’s likes or dislikes. The individual consumer has a set of preferences and values whose determinations are outside the realm of economics.

Growth of FMCGs Sector in India The Indian FMCGs market offers a level playing ground for both domestic and international players. All Indian brands and international brands enjoy higher acceptance in the urban market, the rural market is often dominated by the regional and local producers. The Consumer Market, especially Fast Moving Consumer Goods (FMCGs) sector in rural

and semi-urban India is estimated to cross \$20 billion by 2018 and \$100 billion by 2025. Some of the most popular consumer goods including fruit drinks, shampoos and biscuits are among the most bought items in rural and semi-urban India and will continue to be so. It also revealed that growth in the FMCGs sector in rural India increased 3.5 times from 2000 to 2010, as compared to 3.2 times in urban India. Incomes in India are likely to grow 3 times over the next two decades and India will become the world’s fifth largest consumer market by 2025. Market share movements indicate that companies such as Marico Ltd and Nestle India Ltd, with domination in their key categories, have improved their market shares and outperformed peers in the FMCGs sector. This has been also aided by the lack of competition in the respective categories. Single product leaders such as Colgate Palmolive India Ltd and Britannia Industries Ltd have also witnessed strength in their respective categories, aided by innovations and strong distribution. Strong players in the economy segment like Godrej Consumer Products Ltd in soaps and Dabur in toothpastes have also posted market share improvement, with revived growth in semi-urban and rural areas. Penetration level and per capita consumption in many product categories is very low compared to world average standards representing the unexploited market potential. Mushrooming Indian population, particularly the middle class and the rural segments, presents the huge untapped opportunity to FMCGs players. Growth is also likely to come from consumer 'upgrading' in the matured product categories like processed and packaged food, mouth wash etc. A distinct feature of the FMCGs industry is the presence of international players through their subsidiaries, which ensures innovative product launches in the market from their parent's portfolio. The rural FMCGs Market of India is on the verge of registering substantial expansion across the country. The Indian Rural FMCGs market is mostly unorganized and it is generally dominated by small time retailers. The organized FMCGs market is only confined to the urban areas of India. Rural India mostly depends on agriculture, directly or indirectly for livelihood. Further, almost 68% of Indian population lives in rural India in around 6, 00,000 villages. Rural India offers tremendous growth prospects for the FMCGs industry. Facilitation of better rural infrastructure like roads, telecommunication, electricity, supply chain, and transportation would propel the growth of the Rural FMCGs Market of India. The FMCGs sector, which offers tremendous growth prospects are food and beverage sector, health care and personal care.

Presently, rural India accounts for 34% of total FMCGs consumption, but it accounts for more than 40% consumption in major FMCGs categories like personal care, hot beverages, and fabric care.

#### **Problems of FMCGs Marketing in Rural India**

The peculiarity of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underrate the several daunting problems in planning for growth. Marketing activities require transportation facilities. Due to poor transportation facilities, marketers find it difficult to reach markets. In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods. It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. Media have lots of problems in rural areas. The main problem of rural marketing is seasonal demand. It is because 75% of rural income is also seasonal. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behaviour. Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, it is skewed. The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Distribution costs and non-availability of retail outlets are foremost problems faced by the marketers. The sole consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product arrangement stage so that they match the needs of the rural people. Therefore, marketers need to identify with the social dynamics and approach variations within each village though nationally it follows a consistent pattern.

#### **Prospects of Rural Marketing**

The largest population in rural areas provides more opportunities in rural marketing. Rural Market, Rural consumption of FMCGs products has outpaced urban consumption. Leading companies in the FMCGs sector have a strong distribution network in rural India and are benefitting from the contribution of technological advances such as internet and better logistics services. As Indian consumers become increasingly exposed to global products, their demand for

innovative products has been increasing. With an emergence of India as a strong regional economy, domestic and multinational FMCGs players can leverage India as a strategic sourcing hub for cost competitive products to cater to international markets. Inorganic Growth Strategies for a Wider Footprint Companies are entering into partnerships that will help them to cater to the market, and improve their distribution networks and skills to deliver to the last mile. Most of the household and personal care products sold in India still have low market penetration in rural and semi-rural areas. This offers a wide opportunity for market players to tap these markets by offering low cost, small packaging products, and increases in purchasing power and disposable income. Consequent lifestyle upgrade has added a new spectrum.

## **II. CONCLUSION**

The FMCG sector is a keystone of the Indian economy as it touches every aspect of human life. The FMCG sector, which offers tremendous growth prospects, are food and beverage sector, health care and personal care. Presently, rural India accounts for 34% of total FMCG consumption, but it accounts for more than 40% consumption in major FMCG categories like as personal care, hot beverages, and fabric care. Moreover, 80% of FMCG categories are growing faster in rural India as against urban India. The new phase of rural marketing appears to provide a great opportunity for the FMCGs sectors. Marketers will need to advance new strategies to connect and communicate with a more aware and absolute consumer. The demand or prospect could be improved further if companies can change the consumer's mindset and present new generation products. Thus, we can safely suggest that the future drivers of growth are the rural markets for the FMCGs sectors.

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