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# Fast Moving Consumer Goods (FMCG) Industry in India and Its Key Approaches

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Accomplished as being the fourth largest sector in the economy, the Indian FMCG sector is predicted to grow at 12 per cent in 2016, aiming at sales up to US\$ 49 billion ([www.ibef.org/industry/fmcb](http://www.ibef.org/industry/fmcb)). FMCG Industry is usually described by an innate supply network, marginal operational costs, lower per capital consumption and powerful rivalry between the unorganized and organized sectors (Rahman et al., 2012). The success of the sector has been accredited to both the urban and rural sectors. The sector has a deep-rooted distribution network and elevated competition between unorganized and organized players ([www.about-fmcb.com/What-is-FMCG](http://www.about-fmcb.com/What-is-FMCG)). Products offered by the sector are mostly branded as the sector has a robust multinational presence. Heavy expenditures are incurred on the advertising and packaging of the offerings ([www.reports.dionglobal.in](http://www.reports.dionglobal.in)). Strong advertising is used to create a basic awareness of the product (Hoyer and Brown, 1990) and to promote brand recognition and recall (Morden, 1991).

Products which have a comparatively lower cost but a quick turnover are recognized as Fast Moving Consumer Goods (FMCGs). Fast moving consumer goods have a small shelf life, either as a consequence of high demand or because the product diminishes rapidly (Vibhuti et al., 2014). FMCG products mostly become substituted in a year and comprise of an extensive range of commonly brought products such as shampoos, toiletries, creams, oils, shampoos, soaps, tooth pastes, cosmetics, shaving creams, hair care products, washing bars and detergents, packaged food products, beverages, candies, chocolates, sauces, jams and many other products. FMCG products may also include pharmaceutical care, health care and electronic products.

The Indian middle class has offered a vast purchase potential for FMCG products. An average Indian spends around 8 per cent of his income on personal category products and 40 per cent on grocery (household care products) ([www.ibef.org/industry/fmcb](http://www.ibef.org/industry/fmcb)). The enormous share of FMCG spending in the total individual income is also an added factor that makes India as one of the largest market of FMCG products ([www.rupee-india.org](http://www.rupee-india.org)).

## 1.1 PRODUCT CATEGORIES IN THE SECTOR

FMCG sector can be largely segmented into Personal Care, Household Care, Food and Beverages and Health care sectors. In personal care products category, the main products include personal wash, skin care, hair care, oral care, cosmetics and feminine hygiene. The oral care category can be isolated into toothpaste, toothbrushes and toothpowder. Perfumed oils, cooling oils, amla oils, light oils and coconut oil, mainly govern the hair care market.

The personal care products category has the most number of brands. Hindustan Unilever Limited (HUL) offers almost half of the brands offered in this category. In the product category shampoo, HUL's "Sunsilk", "Clinic Plus" and "All Clear" have made it to the top 100 products offered by the FMCG sector. Hindustan Unilever Limited (HUL) has almost 65 percent share in the shampoo market. Cavin Kare Limited follows with 19.8 per cent market share with brands like "Nyle" and "Chik". Procter & Gamble (P&G) is the other big player in this category with brands such as "Head and Shoulder" and "Pantene Pro-V". Major companies like Procter & Gamble, and Hindustan Unilever Limited dominate the toilet soap category with brands like

“Dove”, “Lifebuoy”, “Lux”, “Breeze” and “Liril” and “Ayush”. Marico is another leading group and offers a large number of beauty and wellness products. In the oral care segment, Colgate Palmolive holds the largest market share followed by HUL and Dabur India. The popular brands include “Pepsodent”, “Colgate”, “Vicco”, “Babool”, “Meswak”, “Sensofoam”, etc. (www.about-fmcg.com).

In the food and beverages products category, tea, coffee, jams, sauces, biscuits and soft drinks are the largest consumed food products (www.cii.in/Sectors.aspx). Products in this category include all items that people consume at regular intervals. These items are meant for daily and quick consumption (www.scribd.com). Britannia, HUL, ITC, Godrej dominate the foods category. This category has 18 chief brands, totaling Rs. 4,637 crore. Amul and Nestle have also contributed to the fast development of the food sector. Amul is the country’s main foods company and has a good existence in the category with its cheese, butter, ice creams, milk and curd. Britannia Industries is a leader in the biscuits category. It has introduced a series of biscuits, cakes and other products at various prices and quantities. Dabur is also a leading company with brands like “Dabur Chyawanprash”, “Dabur Amla”, “Dabur Hajmola”, “Real Juices”, “Vatika”, “Hingoli” and “Gulabari” having a good share in the market (www.about-fmcg.com). Cadbury India is the frontrunner in the confectionery and chocolate market with 70 per cent market share. The company’s admired brands include “Cadbury’s Dairy Milk”, “Silk”, “Perk”, “Gems surprise”, “5 Star”, “Eclairs” and “Bournvita”.

In household care products category, the chief products include laundry and dish wash. Household category primary includes the soap and detergent products that include toilet soaps, synthetic and laundry detergents in the form of bars, liquids and powders (www.shodhganga.inflibnet.ac.in).

For the present study, FMCG Products can be broadly categorized under four categories given below in Table 1.1.

**Table 1.1**  
**FMCG Product Categories**

<b>Category</b>	<b>Product</b>
<b>Personal Care</b>	Shampoo
	Facial Cream
	Bathing Soap
	Toothpaste
	Talcum Powder
	Hair Oil
<b>Food and Beverages</b>	Biscuits
	Instant Noodles
	Candies/ Chocolates
	Chips
	Tea Leaves
	Coffee
	Jams
	Sauces
<b>Household Care</b>	Detergents
	Dish Wash
<b>Health Care</b>	Ointments/Tablets

Sources: 1. [www.fmcgmarketers.blogspot.com/fmcg-product-categories](http://www.fmcgmarketers.blogspot.com/fmcg-product-categories)

2. [www.cii.in/Sectors](http://www.cii.in/Sectors)

3. [www.about-fmccg.com](http://www.about-fmccg.com)

Table 1.1 exhibits the list of products offered by FMCG companies in diverse product categories. The number of products offered by FMCG companies in different product categories is exhaustive. In the present study, an effort has been made to cover the prominent products. The products taken in the study have been highlighted.

## 1.2 FMCG GIANTS OF INDIA

The list of the top ten FMCG giants, based on their market value is presented below in Table 1.2.

**Table 1.2**  
**Top Ten FMCG Giants (Based on their market value in 2013)**

Sr. No	Name (Company)	Brands/Products Offered	Brief Profile
1	ITC Ltd.	<i>Sunfeast, Candyman, Aashirwaad, Mint-O, Bingo, Superia, Fiama Di Wills.</i>	A market leader in the Tobacco business ITC offers products in the personal care category, health care category and food and beverages category.
2	Hindustan Unilever Ltd.	<i>Sunsilk, Dove, Lifebuoy, Surf Excel, Clinic Plus, Rin, Lux, Pepsodent, Fair &amp; Lovely, Close Up, Ponds Whitening, etc.</i>	A foremost player in the Indian FMCG industry, the company offers products in almost all product categories in personal, household food and beverages categories.
3	Nestle India Ltd.	<i>Milo, Nescafe, Kit-Kat, Milky bar, Milk Maid, Bar-One, Nestea.</i>	The company is a subsidiary of Nestle, Switzerland. It offers products in the categories of food and beverages.
4	Parle Agro	<i>Appy, Frooti, Hippo, Bailey, Parle- G.</i>	Parle Agro is a privately owned company and was established in 1984. The company offers food products and beverages.
5	Britannia Industries	<i>Britannia Cakes, Rusks, Biscuits, Cheese.</i>	The company was established in 1892. The company was initially named as The Britannia Biscuit Company Limited and later renamed as Britannia Industries Limited in 1979.
6	Marico Ltd.	<i>Parachute Coconut Oil, Saffola, Mediker, Nihar coconut Oil.</i>	Marico offers products in health care and personal care
7	Godrej Consumers Products Ltd.	<i>Hair Colours, Oils, Shampoos, Detergents and Toiletries</i>	Godrej Consumer Products Ltd offers products in the household care and personal care categories.
8	Colgate Palmolive (India) Ltd.	<i>Colgate Toothpaste, Colgate Brushes.</i>	Colgate Palmolive caters mainly to personal and health care categories. Toothpastes, brushes, soaps, detergents are the major product categories it offers.
9	Procter & Gamble India.	<i>Pantene, Olay, Tide, Vicks, Ariel, Gillette and Head &amp; Shoulders.</i>	P & G operates in the personal care, health care and household care segments.
10	Amul	<i>Amul Milk, Ice Cream, Butter, Chocolates, Cheese, Curd, Shirikhand and Ghee.</i>	Amul was established in 1946 and stands for Anand Milk Union Limited and is based in Anand, Gujarat. Good quality and low prices are the company's forte.

Sources: 1.[www.itcportal.com](http://www.itcportal.com)

2. [www.hul.co.in](http://www.hul.co.in)

3.[www.nestle.in](http://www.nestle.in)

4. [www.parleagro.com/](http://www.parleagro.com/)
5. [www.britannia.co.in](http://www.britannia.co.in)
6. [www.marico.com](http://www.marico.com)
7. [www.godrej.com](http://www.godrej.com)
8. [www.colgate.co.in](http://www.colgate.co.in)
9. [www.pg.com/en\\_IN](http://www.pg.com/en_IN)
10. [www.amul.com](http://www.amul.com)

### 1.3 KEY MARKETING STRATEGIES BEING ADOPTED BY FMCG COMPANIES

Lately FMCG companies have been embracing various strategies to penetrate into the markets. Combo packs, free gifts, price reductions, being a few. Discussed below are few important strategies.

#### 1.3.1 GOING RURAL

Rural markets form a significant portion of the entire market of India. The Indian rural market offers abundant opportunities to marketers because of its extensive area and vast market potential. Seventy per cent of India's population resides in 6,27,000 villages in rural areas (Khan and Khan, 2012). The rural market today is emerging sturdy with an upsurge in the disposable income of the rural consumer. A rise in the infrastructure, agricultural development, higher literacy rates, lifestyle changes, widespread communication network and increasing electrification are the factors that have led to the rural sector becoming more approachable and feasible. An exhaustive understanding of the rural markets has become a key aspect of marketing in the marketing environment of the country today. The existing marketing environment and economic development have brought the FMCG companies under modern roofs of modern India, which is stimulating the current strategies of targeting, segmenting, approaching the customers (Kalotra, 2013). In the last few years, rural markets have attained importance, as the whole development of the economy has caused considerable upsurge in the acquiring ability of the rural communities. The product preferences of rural consumer have also been getting reformed (Patel, 2013).

The Indian rural market is a giant and appealing but gaining an entry into the market and seizing a respectable market share is not an easy mission. FMCG companies mostly offer products in four categories: personal care, food and beverages, household care and health care. The FMCG sector has been doing quite good in the rural sector. The foremost companies catering in the rural markets are Godrej, Dabur, Nestle, Marico, Nirma, HUL, Pepsi and Coca Cola. Around 68 per cent of personal care products have been sold in rural India in the financial year 2012 as against 31 per cent in urban areas (Pareek and Pincha, 2013). This market has been emerging progressively over the previous years and is now even greater than the urban market. The income to saving percentage in rural area is 30 per cent higher than the urban area. Currently over 59 per cent of consumer durables and 53 per cent of FMCG products are being offered in rural markets (Kumar and Dangi, 2013). Around 70 per cent of sales of FMCG companies are made to middle class households and out of which more than 50% reside in rural India (Pareek and Pincha, 2013). A NCAER study states that as rivaled to the urban areas there existed virtually twice as many lower middle-income households in the rural areas (Khan and Khan, 2012). The main strategies being adopted to popularise premium products in the rural market are price cuts and offering of affordable sachets that do not compromise on the brand image ([www.articles.economictimes.indiatimes.com](http://www.articles.economictimes.indiatimes.com)).

#### 1.3.2 Sachet Marketing

The rural customers are mostly daily wage earners and have lesser disposable income rivaled to their urban equals. They usually have a weekly budget and small packs offer a consumption that lasts for a day or a week the most. Offering of low cost, low quantity units of established products has proven to be a very fruitful strategy for penetrating rural markets. Small packs have helped in the creation of awareness, enabled trials and

lead major consumer product companies like HUL, Britannia, Marico, Nestle, Godrej and Colgate-Palmolive etc. to gain a considerable presence in the rural market. There has been a noticeable shift from unbranded and local products to national brands because of these small packs. Low investment costs have led consumers into trying branded products offered by FMCG companies.

Leading multinational company Coca-Cola India seized a sizeable amount of the rural market when it created an awareness of the drink by introducing Rs 5 bottles and hiring popular actor Aamir Khan for its promotional campaigns. The company also launched a powdered drink concentrate “Sunfill” which was accessible in a sachet of 25 gm. for Rs 2. It also gained immense popularity. The affordability, one time usage, easy storability and easy availability are the main reasons that lead the rural consumer to buy small packs (Girisha and Deepukumar, 2011).

Other FMCG companies have also used this strategy to capture the rural market in the personal care segment. All leading shampoo brands of HLL are obtainable in small packs in rural markets. Consumers are willing to buy them easily as reputed manufacturers are offering them (Kalaiselvi, 2014). “Hamam” a rupee one sachet was offered by HLL to capture the rural market. In its soap category, it launched a mini pack of its largest selling soap brand, “Lifebuoy” at Rs 2 for 50 gm. Cavin Kare introduced its “Chik” sachet shampoo at 50 paise (www.cavinkare.com) It also launched a single use perfume at Rs 2. Godrej offered three brands of “Fair Glow”, “Cinthol” and “Godrej” in mini sized packs (Majumdar, 2007). Today, the rural market is flooded with all kinds of products; tooth paste, tooth powder, oils, face cream, single soap bar, biscuits, toffees, snacks, chocolates, soft drinks, medicines. All in a miniature size to fulfill a day’s or a week’s requirement.

FMCG penetration has led to a measured but unwavering change in the use of product categories. There is a noteworthy up-gradation in the form of products used. For example, rural consumers prefer toothpastes to tooth powders, coils and mats to mosquito repellants.

### 1.3.3 Multi Brand Strategy

This strategy involves marketing of two or more competing or similar products by the same company. This strategy involves a company offering more than one brands in a single product category. The main idea behind this strategy is to capture as much market share as possible and also to cater many segments. A prime example is of HUL, which offers many brands of soaps; Dove for the premium segment, Lifebuoy for the economy segment and “Lux”, “Liril”, “Rexona” for the middle segment.

### 1.3.4 Brand Extensions

Brand extensions are made in the hope that new products will ride in the success of the already popular brands. A respected known brand name offers a new product immediate recognition and instant acceptance. For example, Amul came up with numerous products like “Amul Cheese”, “Amul Shirikhand”, and “Amul Ghee” after the success of its “Amul Milk”.

### 1.3.5 Innovations in existing products

A leading strategy adopted by FMCG companies is innovation. It involves adding something new to the already existing products on the basis of customer feedback or technological changes. Innovation is done as the life of a product is short and it is essential to offer something new to the customer.

### 1.3.6 Expanding usage of existing products

FMCG companies tend to increase sales by increasing the usage rate. Persuading consumers to use the product frequently, to use more quantity of the product on each occasion or to use the product in newer ways, usually does this. This strategy is mostly successful in the foods and beverages products category.

### 1.3.7 Other Strategies

Increasing the distribution network, conducting market research, advertising and publicity, and promotions are other strategies adopted by FMCG companies to push up the sales of their products.

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The demand for FMCG products has been ever increasing. The key drivers of this growth are the growing incomes of consumers and the rising youth population. The population of India especially the middle class segment and the rural segment offers a chance to the manufacturers of branded products to transform users of traditional products to those of branded ones.

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