

# International Multidisciplinary Research Journal

# *Golden Research Thoughts*

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## “FAST MOVING CONSUMER GOODS (FMCG) FOSTERS ECONOMIC EVOLUTION”

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### ABSTRACT

**F**MCGs (Fast Moving Consumer Goods) are those goods and products, which are non-durable, mass consumption products and available off the shelf. FMCG sector, which is the fourth largest in economy with market size of US\$13.1 billion in the year 2015 has been a mixed bag. Emerging recent trends in marketing will help to FMCG sector to act as a commanding cell. This article includes sectorial performance of FMCG companies with challenges faced by them & Roadmap of government policies for FMCG.

**KEY WORDS:** FMCG, GDP, US \$, NSE/BSE

### INTRODUCTION:

FMCG (Fast moving consumer goods) or CPG (Consumer packaged goods) are related with the production, distribution and marketing of consumer packed goods. Items in FMCG sector are meant for incessant consumption and they usually yield a high return. The fast-moving consumer goods (FMCG) sector plays a key role in contribution of India's GDP and it is the fourth largest sector of the Indian economy. The Indian FMCG sector having a market size of 2 trillion with rural India contributing to one third of

the sector's revenues. The Indian FMCG sector is highly splintered, volume driven and featured by less margins. The sector has more MNCs with well-established network and large variance between structured & unstructured manufacturers.

### FMCG SECTOR IN INDIA

Indian FMCG market is valued at about US\$ 9.7 billion in F.Y.2015 and expected to reach about US \$ 12.5 billion in F.Y. 2016 (as per Indian Brand Equity Foundation). Round about 12% increased annually in market share of FMCG market. The prime sectors are packaged food, beverages, consumer health, and

home & personal care. After China the rank of India would come for producer of food. It plays top rank for producer of milk, second for fruits and vegetables and the third for fish producer in the world. India is an enlarged source for processed foods due to huge agriculture sector. The enactment of the Goods and Services Tax (GST) is expected to benefit the sector singularly by curtailing the incidences of taxation. GST focused on reducing the random effect of all indirect taxes (central excise, service tax, VAT and inter-state sales tax) by replacing a single & simple GST rate. Moreover, FMCG companies will be able to optimize executing and distribution of costs in the GST.



### GOVERNMENT ROADMAP:

To focus on the consumer expectation, Government has allowed 100% Foreign Direct Investment (FDI) in the electronics hardware & manufacturing sector through the automatic route. It also focused on multi brand of 51% contribution of FDI and 100 per cent in single-brand retail in order to concentrate foreign investment for the sector. Policies of National Electronics Mission and Digitization of television and setting up of Electronic Hardware Technology Parks (EHTPs) is expected to boost the growth of this sector.

### Top 10 Companies in FMCG of India

Company Name	Business	Turnover 2015- 2016
ITC (Indian Tobacco Company)	Tobacco, Hotels & Personal Care	\$7.0 Billion
Hindustan Unilever Limited	Food, Beverages& personal Care	\$ 4.0 Billion
Godrej Consumer Products Ltd.	Personal Care, Real Estate & Engineering	\$ 4.0Billion
Britannia Industries Ltd.	Food items & Dairy Products	\$730 million
Procter & Gamble	Food, Beverages & personal Care	\$ 83 billion
Marico Ltd.	Oil & Personal Care	\$850 Million
Colgate Palmolive (India) Ltd.	Personal Care	\$ 17.08 billion
Amul	Dairy Products	\$2.15 billion
Parle Agro	Food, Beverages	\$ 1 Billion
Nestle	Food,Dairy Products & Coffee	\$ 87.0 Billion

(Source: [www.companiesinindia.net](http://www.companiesinindia.net))

From the above table we conclude that contribution by the FMCG companies in turnover basis plays a pivot role in Indian Economy. More products for personal care will showing emerging trends. New entrepreneurs Like Ramdevbaba will come with new brands and products relating to personal care, will change drastically our economy.

For inviting more companies to enrolled in NSE & BSE, SEBI gives attractive norms which will increase flows of FDI & FII contribution in Indian capital market.

### Strategy for boosting of the Nifty FMCG Index (NSE/BSE) areas follows:

- Companies must ranked within top 800 indicesbased on average daily turnover and average daily full market capitalizationon previous 6 months period data.
- Companies should possess business of FMCG sector.
- The company's trading oscillation should be at least 90% in the last 6 months.
- A company which comes out with an IPO will be eligible for inclusion in the index, if it completes the normal eligibility criteria for the index for a 3 month period instead of a 6 month period.
- Final selection based on free float market capitalization of maximum of 15 companies.
- The review of the company will take place on a semi-annual basis.

### ROAD AHEAD OF FMCG SECTOR:

FMCG contribution is expected to reach US \$ 20.6 billion by 2020as per IBEF. Round about 65% of total revenues in the consumer durable market in India.Rapid growth of annual average of 11% from FMCG sector over the last decade. The overall FMCG market is expected to riseupto (CAGR) of 14.7 per cent to make up with US\$ 110.4 billion during 2012-2025.Rural market for FMCG will anticipated to increase at a CAGR of 17.7% to

reach US\$ 100 billion during 2012-2025.43% of overall market of Food products is becoming leading segment, Personal care and fabric care are 22% & 12% respectively comes in next terms of market share. Enlarging awareness, availability, and changing lifestyles have been the key growth drivers for the consumer market.

### **Impact of Union Budget on FMCG Sector 2016-17**

- Excise duty increased from 10% to 15% on various Tabacco products excluding Biddi. – It gives negative impact to ITC, VST Industries, Godfrey Philips.
- Excise on readymade garments with retail price of RS 1000/- or more raised to 2% without input tax credit or 12.5% with input tax credit gives jark to Arvind, Madhura Garments, Raymonds but beneficial to V-Mart
- Rs9000cr has been provided for swatch Bharat abhiyan which gives goldenspoon to Cera sanitary wear & HSIL
- For boosting up retail trade gives permission to open shop for seven days with choice of shop keeper on voluntary basis. It also proposes to circulate model shops & establishment bill which is expected to create uniformity.
- 100% FDI contribution through Foreign Investment Promotion Board (FIPB) in marketing of food product that are produced in India has been permitted.
- Rural economy will focus on allocation of funds to irrigation facility, road connectivity, economic sops with management services like MNREGA expected to have a booming effect on the rural market of FMCG products.

### **CHALLENGES OF FMCG SECTOR**

FMCG sector continuously facing problem of rural development with multifaceted supply chain. of Raw material also becomes obstacles for FMCG product as it totally depends upon weather conditions of India. No one give assurance for fixed growth in raw material. The industries lacking for continuous research & development activity. Boosting to new trends will not still attracted.

Tedious supply chain & consumer magnetism for FMCG also create barrier to this sector. Constant challenge of juggling expanding product portfolios, managing multifaceted supply chain with distinct service requirements and ensuring compliance with strict regulations and reporting requirements will lead to reduction in entering into FMCG market.

This industry is performing poor on accurate, timely market research, effective, targeted campaigns for marketing and an effective distribution network and sales force to execute the enterprise strategy and achieve targets and plans

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