

Report on fmcg market structure and market share

[Finance](#), [Market](#)



PROJECT REPORT ON FMCG MARKET STRUCTURE AND MARKET SHARE What is FMCG? FMCG is an acronym for Fast Moving Consumer Goods, which refer to things that we buy from local supermarkets on daily basis, the things that are non-durable, sold quickly, at relatively low cost, have high turnover and are relatively cheaper. FMCG's constitute a large part of consumers' budget in all countries.

The most common in the list are baby foods, toilet soaps, detergents, shampoos, toothpaste, cosmetics, shaving products, shoe polish, refined cooking oil, packaged foodstuff, soft drinks, chocolate bar, tissue paper and other household accessories and extends to certain electronic goods and other non-durables such as glassware, bulbs, batteries, paper products and plastic goods, such as buckets etc. These items are meant for daily or frequent consumption and have a high return.

FMCG are products that have a quick shelf turnover, at relatively low cost and don't require a lot of thought, time and financial investment to purchase. The margin of profit on every individual FMCG product is less but as they sell in large quantities so the cumulative profit on such products are high. Hence profit in FMCG goods always translates to number of goods sold. The main segments of FMCG sector are : 1) Personal care, Oral Care, Hair Care, Skin Care, Personal Wash (cosmetics and toiletries (soaps), deodorants, perfumes, male grooming, feminine hygiene, paper product); 2) Household care (fabric wash laundry soaps, synthetic detergents, household cleaners, such as dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellents, metal polish and furniture polish); 3) Packaged food and health beverages (flour, tea, coffee, sugar, staples, cereals, <https://assignbuster.com/report-on-fmcg-market-structure-and-market-share/>

dairy products, chocolates, soft drinks, juices, bottled water, snack food, chocolates and cakes) 4) Tobacco.

India ; the FMCG Market: The Indian FMCG sector is an important contributor to the country's GDP. The Indian FMCG sector with a market size of US\$14. 8 billion is the fourth largest sector in the economy and is responsible for 5% of the total factory employment in India. The FMCG industry also creates employment for 3 million people in downstream activities, much of which is disbursed in small towns and rural India. This FMCG industry has witnessed strong growth in the past decade.

This has been due to liberalization, urbanization, increase in the disposable incomes and altered lifestyle. Furthermore, the FMCG boom increased due to the reduction in excise duties, packaging innovations etc. and unlike the perception that the FMCG sector is a producer of luxury items targeted for the elite but in reality, the sector meets the every day needs of the masses. The lower-middle income group accounts for over 60% of the sector's sales. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%.

The growing incline of rural and semi-urban folks for FMCG products will be mainly responsible for the growth in this sector, as manufacturers will have to deepen their concentration for higher sales volumes. Many of the global FMCG majors have been present in the country for many decades. But in the last ten years, many of the smaller rung Indian FMCG companies have gained in scale. As a result, the unorganized and regional players have witnessed erosion in the market share. Availability of key raw materials,

cheaper labor costs and presence across the entire value chain gives India a competitive advantage.

The FMCG market is set to double from USD 14.7 billion in 2008-09 to USD 30 billion in 2012. FMCG sector will witness more than 60 per cent growth in rural and semi-urban India. The bottom line is that Indian market is changing rapidly and is showing unprecedented consumer business opportunity.

History of FMCG in India: In India, companies like ITC, HLL, Colgate, Cadbury and Nestle have been a dominant force in the FMCG sector well supported by relatively less competition and high entry barriers (import duty was high).

These companies were, therefore, able to charge a premium for their products.

In this context, the margins were also on the higher side. With the gradual opening up of the economy over the last decade, FMCG companies have been forced to fight for a market share. In the process, margins have been compromised, more so in the last six years (FMCG sector witnessed decline in demand). The following are the main characteristics of FMCGs:

- From the customer's perspective: 1. Frequent purchase 2. Low involvement (little or no effort to choose the item -- products with strong brandloyalty are exceptions to this rule) . Low price
- From the companies perspective: 1. High volumes 2. Low contribution margins 3. Extensive distribution networks 4. High stock turnover

Major FMCG companies in India: Hindustan Unilever Ltd. , ITC (Indian Tobacco Company), Nestle India Ltd. , GCMF (AMUL), Dabur India, Asian Paints (India), Cadbury India, Britannia Industries, Procter & Gamble Hygiene and Health Care, Marico Industries, Nirma, Coca-Cola,

Pepsi MARKET SHARE OF FMCG COMPANIES (BABY FOOD) IN INDIA FROM 2001 TO 2010 Bottom of Form

In the above pie chart we see the total sales during the financial years from 2001 to 2010 of various FMCG Food Beverage companies in India . THE COMPARATIVE DATA OF % MARKET SHARE OF NESTLE INDIA LTD. WITH ALL OTHER COMPETITOR, DURING THE LAST 10 YEARS FROM 2001 TO 2010 (Above graph showing the FMCG Food Beverage - Baby Food companies percentage market share in the last 10 years from 2001to 2010) So we can see that in overall FMCG business Nestle India Ltd is distantly ahead of the rest of the companies as far as market share is concerned. MARKET SHARE IN THE YEAR 2010

Measurement of Market Structure: Herfindahl-Hirschman Index: S_i is the market share of the i th firm
 Numbers-Equivalent of firms: Reciprocal of HHI
 FOOD BEVERGE COMPANIES (BABY FOOD)| MARKET SHARE IN 2010 (S_i)| |
 Cadbury India Ltd. | 0. 185753| 0. 034| Cephram Milk Specialities Ltd. | 0| 0|
 Continental Milkose (India) Ltd. | 0. 012213| 1. 491| Glaxosmithkline
 Consumer Healthcare Ltd. | 0. 188628| 0. 036| Heinz India Pvt. Ltd. | 0| 0|
 Jagatjit Industries Ltd. | 0. 084911| 7. 209| Kaira District Co-Op. Milk
 Producers' Union Ltd. | 0. 028029| 7. 856| Nestle India Ltd. | 0. 75272| 0.
 225| Raptakos, Brett & Co. Ltd. | 0. 025194| 6. 347| TOTAL =| 23. 198|

Therefore, $HHI = 23. 198$ Reciprocal of HHI = $1/23. 198 = 0. 043$ Priyanka please check the previous calculation, I am not getting the correct data.

FMCG SALES GROWTH OF LAST 10 YEARS As per the sales figures received of the year 2001 to 2011, in the past 10 years from 2001 to 2010, after plotting

the datas, we notice that the graph for Nestle is steeply rising, where as for Cadbury and Glaxo, the graph rise is considerable, but for Jagatjit and Milkfood the graph rise is very minimal.

Thus Nestle being the market leader enjoys the position of the market laeder and also the profit. FMCG SALES VOLUME GROWTH IN THE LAST 10 YEARS

FROM 2001 TO 2010 (Graph showing the FMCG trend throughout the last 10 years.) FUTURE OPPORTUNITIES India is a fast developing country with a

huge population whose per capita income is growing rapidly and there is huge opportunity for the FMCG companies. The opportunities are as follows:

* Increasing per capita income is driving FMCG growth in India * India's

consuming class is growing rapidly Changing consumption pattern: Per

capita income of Indian customer is increasing and FMCG products are

relatively elastic in nature hence the expected sale should increase. PER

CAPITA INCOME (Rs) (Above graph showing the trend of Per Capita Income of

Indians and datas are collected from a research made by Govt. of India).) As

shown in the above graph the Per Capita Income of an Indian increases

gradually throughout the years, and if this trend continues, then in future

Indian Population will have more purchase power and will purchase more

FMCG products. % OF PAST POPULATION RISE AND FUTURE EXPECTATION

Above graph shows the past population and expected future population rise,

data are collected from the research made by Govt. of India). Here by the

above graphs we can see that there is huge scope for FMCG products and

since Nestle India Ltd. is the market leader in India hence it can gain the

most out of it. SWOT ANALYSIS: Strength 1. Low operational costs 2.

Established distribution networks in both urban and rural areas. 3. Presence

of well-known brands in FMCG sector. Weaknesses 1. Lower scope of investing in technology and achieving economies of scale. . Low exports levels 3. Counterfeit Products. Opportunities 1. Untapped rural market 2. Rising income levels 3. Large domestic market-. 4. Export potential 5. High consumer goods spending. Threats 1. Removal of import restrictions. 2. Slowdown in rural demand. 3. Tax and regulatory structure. CONCLUSION Customers in India are also spending more in FMCG as their standard of living are growing. Though there was some downfall in sales and profit, in the beginning of this decade but after that considerable rise in both sales and profit, is seen.

Many FMCG companies has started project, to directly reach the rural market. This may be considered as a revolutionary step since the urban market is reaching its saturation level and there is a huge scope exploring in the rural market. This will also be helpful not only increasing its market share but also fight competition. BIBLIOGRAPHY In order to make this project we have taken the help of the following websites & books: * www. wikipedia. com * www. oppapers. com * www. scribd. com Besides it, various books were also consulted to prepare the project report.