

Overview of fmcg sector

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An Overview of the FMCG Industry in India chillibreeze writer — Shital Vakhariya Looking for more info Read our more comprehensive report of the same at: India-Reports Read more about Discount Retailing | | | What are Fast Moving Consumer Goods (FMCG)? Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG products are those that get replaced within a year.

Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. A subset of FMCGs are Fast Moving Consumer Electronics which include innovative electronic products such as mobile phones, MP3 players, digital cameras, GPS Systems and Laptops.

These are replaced more frequently than other electronic products. White goods in FMCG refer to household electronic items such as Refrigerators, T. Vs, Music Systems, etc. In 2005, the Rs. 48, 000-crore FMCG segment was one of the fast growing industries in India. According to the AC Nielsen India study, the industry grew 5. 3% in value between 2004 and 2005. Indian FMCG Sector | | The Indian FMCG sector is the fourth largest in the economy and has a market size of US\$13. 1 billion. Well-established distribution networks, as well as intense competition between the organised and unorganised segments are the characteristics of this sector.

FMCG in India has a strong and competitive MNC presence across the entire value chain. It has been predicted that the FMCG market will reach to US\$ 33.4 billion in 2015 from US \$ billion 11.6 in 2003. The middle class and the rural segments of the Indian population are the most promising market for FMCG, and give brand makers the opportunity to convert them to branded products. Most of the product categories like jams, toothpaste, skin care, shampoos, etc, in India, have low per capita consumption as well as low penetration level, but the potential for growth is huge.

The Indian Economy is surging ahead by leaps and bounds, keeping pace with rapid urbanization, increased literacy levels, and rising per capita income. The big firms are growing bigger and small-time companies are catching up as well. According to the study conducted by AC Nielsen, 62 of the top 100 brands are owned by MNCs, and the balance by Indian companies. Fifteen companies own these 62 brands, and 27 of these are owned by Hindustan Lever. Pepsi is at number three followed by Thums Up. Britannia takes the fifth place, followed by Colgate (6), Nirma (7), Coca-Cola (8) and Parle (9).

These are figures the soft drink and cigarette companies have always shied away from revealing. Personal care, cigarettes, and soft drinks are the three biggest categories in FMCG. Between them, they account for 35 of the top 100 brands. Exhibit I THE TOP 10 COMPANIES IN FMCG SECTOR S. NO. | Companies| 1. | Hindustan Unilever Ltd. | 2. | ITC (Indian Tobacco Company)| 3. | Nestle India| 4. | GCMF (AMUL)| 5. | Dabur India| 6. | Asian Paints (India)| 7. | Cadbury India| 8. | Britannia Industries| 9. | Procter & Gamble Hygiene andHealthCare| 10. | Marico Industries| Source: Naukrihub. com

The companies mentioned in Exhibit I, are the leaders in their respective sectors. The personal care category has the largest number of brands, i. e. , 21, inclusive of Lux, Lifebuoy, Fair and Lovely, Vicks, and Ponds. There are 11 HLL brands in the 21, aggregating Rs. 3, 799 crore or 54% of the personal care category. Cigarettes account for 17% of the top 100 FMCG sales, and just below the personal care category. ITC alone accounts for 60% volume market share and 70% by value of all filter cigarettes in India. The foods category in FMCG is gaining popularity with a swing of launches by HLL, ITC, Godrej, and others.

This category has 18 major brands, aggregating Rs. 4, 637 crore. Nestle and Amul slug it out in the powders segment. The food category has also seen innovations like softies in ice creams, chapattis by HLL, ready to eat rice by HLL and pizzas by both GCMMF and Godrej Pillsbury. This category seems to have faster development than the stagnating personal care category. Amul, India's largest foods company, has a good presence in the food category with its ice-creams, curd, milk, butter, cheese, and so on. Britannia also ranks in the top 100 FMCG brands, dominates the biscuits category and has launched a series of products at various prices.

In the household care category (like mosquito repellents), Godrej and Reckitt are two players. Goodknight from Godrej, is worth above Rs 217 crore, followed by Reckitt's Mortein at Rs 149 crore. In the shampoo category, HLL's Clinic and Sunsilk make it to the top 100, although P; amp; G's Head and Shoulders and Pantene are also trying hard to be positioned on top. Clinic is nearly double the size of Sunsilk. Dabur is among the top five FMCG

companies in India and is a herbal specialist. With a turnover of Rs. 19 billion (approx.

US\$ 420 million) in 2005-2006, Dabur has brands like Dabur Amla, Dabur Chyawanprash, Vatika, Hajmola and Real. Asian Paints is enjoying a formidable presence in the Indian sub-continent, Southeast Asia, Far East, Middle East, South Pacific, Caribbean, Africa and Europe. Asian Paints is India's largest paint company, with a turnover of Rs. 22. 6 billion (around USD 513 million). Forbes Global magazine, USA, ranked Asian Paints among the 200 Best Small Companies in the World Cadbury India is the market leader in the chocolate confectionery market with a 70% market share and is ranked number two in the total food drinks market.

Its popular brands include Cadbury's Dairy Milk, 5 Star, Eclairs, and Gems. The Rs. 15. 6 billion (USD 380 Million) Marico is a leading Indian group in consumer products and services in the Global Beauty and Wellness space. Scope Of The Sector| | The Indian FMCG sector with a market size of US\$13. 1 billion is the fourth largest sector in the economy. A well-established distribution network, intense competition between the organized and unorganized segments characterize the sector. FMCG Sector is expected to grow by over 60% by 2010. That will translate into an annual growth of 10% over a 5-year period.

It has been estimated that FMCG sector will rise from around Rs 56, 500 crores in 2005 to Rs 92, 100 crores in 2010. Hair care, household care, male grooming, female hygiene, and the chocolates and confectionery categories are estimated to be the fastest growing segments, says an HSBC report. Though the sector witnessed a slower growth in 2002-2004, it has been able

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to make a fine recovery since then. | | For example, Hindustan Levers Limited (HLL) has shown a healthy growth in the last quarter. An estimated double-digit growth over the next few years shows that the good times are likely to continue.

Growth Prospects With the presence of 12. 2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG companies. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth.

And if the companies are able to change the mindset of the consumers, i. e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future. It is expected that the rural income will rise in 2007, boosting purchasing power in the countryside. However, the demand in urban areas would be the key growth driver over the long term. Also, increase in the urban population, along with increase in income levels and the availability of new categories, would help the urban areas maintain their position in terms of consumption.

At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care

category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas. Indian Competitiveness and Comparison with the World Markets

The following factors make India a competitive player in FMCG sector:?

Availability of raw materials Because of the diverse agro-climatic conditions in India, there is a large raw material base suitable for food processing industries. India is the largest producer of livestock, milk, sugarcane, coconut, spices and cashew and is the second largest producer of rice, wheat and fruits & vegetables. India also produces caustic soda and soda ash, which are required for the production of soaps and detergents. The availability of these raw materials gives India the location advantage.

Labor cost comparison Low cost labor gives India a competitive advantage. India's labor cost is amongst the lowest in the world, after China ; amp; Indonesia. Low labor costs give the advantage of low cost of production. Many MNC's have established their plants in India to outsource for domestic and export markets. ?

Presence across value chain Indian companies have their presence across the value chain of FMCG sector, right from the supply of raw materials to packaged goods in the food-processing sector. This brings India a more cost competitive advantage.

For example, Amul supplies milk as well as dairy products like cheese, butter, etc. | **Strategic Intent** We intend to significantly accelerate profitable growth. To do this, we will: * Focus on growing our core brands across categories, reaching out to new geographies, within and outside India, and

improve operational efficiencies by leveraging technology* Be the preferred company to meet the health and personal grooming needs of our target consumers with safe, efficacious, natural solutions by synthesizing our deep knowledge of ayurveda and herbs with modern science* Provide our consumers with innovative products within easy reach * Build a platform to enable Dabur to become a global ayurvedic leader * Be a professionally managed employer of choice, attracting, developing and retaining quality personnel * Be responsible citizens with a commitment to environmental protection * Provide superior returns, relative to our peer group, to our shareholders * Dabur India Limited | * Dabur India Limited is India's leading FMCG company with interests in health care, personal care and foods. Dabur has a history of more than 100 years and the company has carved a niche for itself in the field of Ayurvedic medicines.

The products of Dabur are marketed in more than 50 countries worldwide. The company has 2 major strategic business units (SBU) - Consumer Care Division (CCD) ; amp; Consumer Health Division (CHD), and 3 Subsidiary Group companies - Dabur Foods, Dabur Nepal and Dabur International. Dabur International has 3 step down subsidiaries - Asian Consumer Care in Bangladesh, African Consumer Care in Nigeria and Dabur Egypt. The origin of Dabur can be traced back to 1884 when Dr. S. K. Burman started a health care products manufacturing facility in a small Calcutta pharmacy.

In 1896, as a result of growing popularity of Dabur products, Dr. Burman set up a manufacturing plant for mass production of formulations. In early 1900s, Dabur entered the specialized area of nature based Ayurvedic medicines. In 1919, Dabur established research laboratories to develop

scientific processes and quality checks. In 1936, Dabur became a full-fledged company with the name Dabur India (Dr. S. K. Burman) Pvt Ltd. Dabur shifted its operations to Delhi in 1972. Dabur became a Public Limited Company in 1986 and Dabur India Limited came into existence after reverse merger with Vidogum Limited.

In 1992, Dabur entered into a joint venture with Agrolimen of Spain to manufacture and market confectionary items in India. In 1994, Dabur raised its first IPO. In 1998, day to day running of the company was handed over to professionals. In 2000, Dabur achieved a turnover of Rs 1000 crores. In 2005, Dabur acquired Balsara. Dabur crossed \$ 2 billion market cap in 2006. Some of the well-known brands of Dabur are: Amla Chyawanprash, Hajmola, Lal Dantmanjan, Nature Care, Pudín Hara, Babool Toothpaste, Hingoli, Dabur Honey, Lemoneez, Meswak, Odonil, Real, RealActiv and Vatika.